



**GT REILLY**  
**& COMPANY**  
CPAs and Advisors

Audited Financial Statements

Educated Canines Assisting  
With Disabilities

December 31, 2020

# Educated Canines Assisting With Disabilities

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## Audited Financial Statements

December 31, 2020

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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, 2020 and 2019, 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**

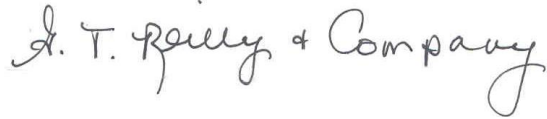
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about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

**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, 2020 and 2019, 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 black ink and is positioned above the printed name of the firm.

G.T. Reilly & Company

Milton, Massachusetts  
May 10, 2021

## Educated Canines Assisting with Disabilities

### Statements of Financial Position December 31

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Assets</b>						
<b>CURRENT ASSETS</b>						
Cash and cash equivalents	\$ 348,077	\$ 92,480	\$ 440,557	\$ 548,549	\$ 146,553	\$ 695,102
Promises to give, current portion (Note 2)	2,470	81,250	83,720	21,816	193,100	214,916
Prepaid expenses	2,958	-	2,958	3,156	-	3,156
Inventory	4,002	-	4,002	4,002	-	4,002
TOTAL CURRENT ASSETS	357,507	173,730	531,237	577,523	339,653	917,176
INVESTMENTS, AT FAIR VALUE (Note 3)	569,455	-	569,455	420,254	-	420,254
PROMISES TO GIVE, NET OF CURRENT PORTION AND DISCOUNT (Note 2)	-	-	-	-	41,250	41,250
<b>PROPERTY, PLANT AND EQUIPMENT</b>						
Land	181,511	-	181,511	181,511	-	181,511
Buildings and improvements	2,405,021	-	2,405,021	2,359,210	-	2,359,210
Equipment	116,237	-	116,237	52,046	-	52,046
Improvements in process	44,277	-	44,277	23,145	-	23,145
Vehicles	224,731	-	224,731	222,113	-	222,113
	2,971,777	-	2,971,777	2,838,025	-	2,838,025
Less: accumulated depreciation	(517,287)	-	(517,287)	(438,377)	-	(438,377)
	2,454,490	-	2,454,490	2,399,648	-	2,399,648
TOTAL ASSETS	\$ 3,381,452	\$ 173,730	\$ 3,555,182	\$ 3,397,425	\$ 380,903	\$ 3,778,328
<b>Liabilities and Net Assets</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	\$ 55,297	\$ -	\$ 55,297	\$ 20,843	\$ -	\$ 20,843
Accrued expenses	7,604	-	7,604	27,732	-	27,732
Notes payable, current portion (Note 6)	40,894	-	40,894	37,047	-	37,047
TOTAL CURRENT LIABILITIES	103,795	-	103,795	85,622	-	85,622
<b>LONG-TERM DEBT</b>						
Long-term notes payable (Note 6)	607,632	-	607,632	594,659	-	594,659
Land note payable, related party (Note 8)	100,000	-	100,000	100,000	-	100,000
TOTAL LONG-TERM DEBT	707,632	-	707,632	694,659	-	694,659
<b>NET ASSETS (Note 5)</b>						
Without donor restrictions	2,570,025	-	2,570,025	2,617,144	-	2,617,144
With donor restrictions	-	173,730	173,730	-	380,903	380,903
	2,570,025	173,730	2,743,755	2,617,144	380,903	2,998,047
TOTAL LIABILITIES AND NET ASSETS	\$ 3,381,452	\$ 173,730	\$ 3,555,182	\$ 3,397,425	\$ 380,903	\$ 3,778,328

## Educated Canines Assisting with Disabilities

### Statements of Activities and Changes in Net Assets

Year Ended December 31

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES AND SUPPORT</b>						
Donations and contributions	\$ 1,158,183	\$ -	\$ 1,158,183	\$ 1,262,859	\$ 28,542	\$ 1,291,401
Grant income	45,000	40,000	85,000	157,500	150,000	307,500
In-kind services	5,000	-	5,000	12,000	-	12,000
Capital campaign contributions	-	19,770	19,770	-	180,903	180,903
Other income	21,024	-	21,024	14,088	-	14,088
Payroll protection program loan forgiveness (Note 7)	48,000	-	48,000	-	-	-
Investment income	20,035	-	20,035	13,823	-	13,823
Realized and unrealized gains on investments	37,285	-	37,285	41,082	-	41,082
Net assets released from restrictions (Note 5)	266,943	(266,943)	-	222,557	(222,557)	-
<b>TOTAL REVENUES &amp; SUPPORT</b>	<b>1,601,470</b>	<b>(207,173)</b>	<b>1,394,297</b>	<b>1,723,909</b>	<b>136,888</b>	<b>1,860,797</b>
<b>EXPENSES</b>						
Program services	1,159,998	-	1,159,998	1,108,344	-	1,108,344
General and administrative	220,315	-	220,315	124,545	-	124,545
Fundraising and development	268,276	-	268,276	217,401	-	217,401
<b>TOTAL EXPENSES</b>	<b>1,648,589</b>	<b>-</b>	<b>1,648,589</b>	<b>1,450,290</b>	<b>-</b>	<b>1,450,290</b>
<b>CHANGE IN NET ASSETS</b>	<b>(47,119)</b>	<b>(207,173)</b>	<b>(254,292)</b>	<b>273,619</b>	<b>136,888</b>	<b>410,507</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>2,617,144</b>	<b>380,903</b>	<b>2,998,047</b>	<b>2,343,525</b>	<b>244,015</b>	<b>2,587,540</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 2,570,025</b>	<b>\$ 173,730</b>	<b>\$ 2,743,755</b>	<b>\$ 2,617,144</b>	<b>\$ 380,903</b>	<b>\$ 2,998,047</b>

## Educated Canines Assisting with Disabilities

### Statement of Functional Expenses

Year End December 31, 2020

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 568,402	\$ 46,877	\$ 91,508	\$ 706,787
Payroll and related taxes	41,729	5,862	4,019	51,610
Advertising	79,939	6,115	1,902	87,956
Bank charges	-	43,721	235	43,956
Professional fundraising	-	-	132,055	132,055
Bookkeeping, accounting & other professional fees	22,698	91,496	23,231	137,425
Class supplies and trips	232	-	-	232
Depreciation	92,305	7,631	2,208	102,144
Dues and subscriptions	18,729	360	977	20,066
ECADemy expenses	625	-	-	625
Education and conferences	948	-	107	1,055
Employee benefits	49,137	7,699	4,999	61,835
Food/dog supplies	38,434	-	-	38,434
Insurance	40,239	1,103	686	42,028
Internet access and web hosting	3,929	-	-	3,929
Interest expense	26,805	260	2,917	29,982
Kennel expenses	4,704	446	-	5,150
Loss on sale of vehicle	-	2,649	-	2,649
License and registration	2,375	-	-	2,375
Miscellaneous	-	1,465	-	1,465
Office supplies	5,635	-	-	5,635
Postage and shipping	9,150	-	681	9,831
Public relations	28,408	-	-	28,408
Repairs and maintenance	23,591	2,975	2,751	29,317
Team training	3,133	-	-	3,133
Telephone	12,570	-	-	12,570
Travel	898	40	-	938
Transportation and vehicle expenses	23,228	1,364	-	24,592
Utilities and janitorial services	34,418	252	-	34,670
Veterinary services	27,737	-	-	27,737
TOTAL EXPENSES	<u>\$ 1,159,998</u>	<u>\$ 220,315</u>	<u>\$ 268,276</u>	<u>\$ 1,648,589</u>

## Educated Canines Assisting with Disabilities

### Statement of Functional Expenses

Year End December 31, 2019

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 570,656	\$ 23,242	\$ 89,797	\$ 683,695
Payroll and related taxes	45,607	4,769	6,869	57,245
Advertising	34,346	2,404	2,513	39,263
Bank charges	-	8,542	10,839	19,381
Professional fundraising	-	-	87,780	87,780
Bookkeeping, accounting & other professional fees	34,357	56,973	-	91,330
Depreciation	92,713	3,586	1,493	97,792
Dues and subscriptions	15,815	302	8,246	24,363
ECADemy expenses	85	-	-	85
Education and conferences	1,754	-	-	1,754
Employee benefits	41,421	10,555	-	51,976
Food/dog supplies	29,384	209	-	29,593
Gifts and honorariums	270	-	-	270
Insurance	45,652	1,559	-	47,211
Internet access and web hosting	4,604	-	-	4,604
Interest expense	15,603	5,608	7,686	28,897
Kennel expenses	3,428	381	-	3,809
License and registration	5,750	425	-	6,175
Miscellaneous	1,577	1,266	-	2,843
Office supplies	4,413	65	-	4,478
Postage and shipping	5,727	-	123	5,850
Public relations	28,097	3	-	28,100
Repairs and maintenance	16,157	2,863	2,055	21,075
Team training	1,569	-	-	1,569
Telephone	12,990	290	-	13,280
Travel	9,376	2	-	9,378
Transportation and vehicle expenses	16,947	325	-	17,272
Utilities and janitorial services	35,089	1,176	-	36,265
Veterinary services	34,957	-	-	34,957
	<u>\$1,108,344</u>	<u>\$ 124,545</u>	<u>\$ 217,401</u>	<u>\$1,450,290</u>
TOTAL EXPENSES				



# Educated Canines Assisting with Disabilities

## Statements of Cash Flows

### Year Ended December 31

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (254,292)	\$ 410,507
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Payroll protection program loan forgiveness	(48,000)	
Depreciation	102,144	97,792
Loss on trade-in of vehicles	2,649	-
Realized and unrealized gains on investments	(37,285)	(41,082)
Changes in operating assets and liabilities:		
Accounts receivable	-	1,000
Promises to give	172,446	(119,619)
Prepaid expenses	198	12,648
Inventory	-	(390)
Accounts payable	34,454	10,018
Accrued expenses	(20,128)	70
	<u>(47,814)</u>	<u>370,944</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(89,506)	(23,145)
Purchases of investments	(114,029)	(70,358)
	<u>(203,535)</u>	<u>(93,503)</u>
NET CASH APPLIED TO INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES		
Payroll protection program loan	48,000	
Principal payments on notes payable	(51,196)	(84,684)
	<u>(3,196)</u>	<u>(84,684)</u>
NET CASH APPLIED TO FINANCING ACTIVITIES		
RESULTING IN A NET (DECREASE) INCREASE IN CASH	(254,545)	192,757
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	695,102	502,345
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 440,557</u>	<u>\$ 695,102</u>
<b>Supplemental Disclosure of Cash Flow Information:</b>		
Cash paid during the year for:		
Interest expense	<u>\$ 29,982</u>	<u>\$ 28,897</u>
Noncash investing and financing activities:		
Acquisition of vehicle and equipment via issuance of notes	<u>\$ 68,016</u>	<u>\$ -</u>

# Educated Canines Assisting With Disabilities

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## Notes to Financial Statements

December 31, 2020

### 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 primarily supported by public donations and grants from private foundations grants. 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 in accordance with accounting standards for "Not-for Profit Entities".

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 certain assets and liabilities at the date of the financial statements, and the reported amounts of certain revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation – 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* – 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* – 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).

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.

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

Contributions – ECAD follows guidance under Accounting Standards Update (ASU) 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The ASU is intended to assist entities in evaluating whether transactions should be accounted for and reported as contributions or as exchange transactions, and in determining whether a contribution is conditional or unconditional. The ASU clarifies that a contribution represents a nonreciprocal transaction where the grantor or donor does not receive a benefit of commensurate value in return for the assets or resources provided to the recipient. In an exchange transaction, the resource provider receives some thing or benefit of commensurate value in return for the resources provided. Exchange transactions include instances where a transfer of assets represents the payment of an existing exchange transaction by a third-party payer, on behalf of the recipient for an identified customer receiving the benefit. However, where the benefit or potential benefit is received by the public or segments thereof, and the resource provider (such as a foundation, government agency, corporation, or other entity) only receives indirect or incidental benefit that is not of commensurate value, the transaction is considered a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. All of ECAD’s revenue and support for 2020 and 2019 has been determined to be contributions and they are reported as support with or without donor restrictions as described above.

Conditional Grants and Contributions – Conditional grants and contributions are not recognized as revenue or support until they become unconditional, that is, at the time when the conditions on which they depend are substantially met. There are no conditional grants at December 31, 2020 or 2019.

Promises to Give – Promises to give that are, in effect, “unconditional” are recorded at the present value of future cash flows (see Note 2). Promises to give that are 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 support 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 promises to give 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. Promises to give 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, 2020 or 2019, as one was not considered necessary by management.

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 approximately \$5,000 and \$12,000 in contributed veterinary services during 2020 and 2019, respectively. 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).

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

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 equivalents approximates fair value under Level I inputs. Investments are carried at fair value based on Level I observable inputs (see Note 3).

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, 2020 and 2019 was \$102,144 and \$97,792, respectively.

Expenses by Nature and Function – The statement of activities and changes in net assets reports a summary of ECAD's expenses by function, either program or supporting functions consisting of "general and administrative" functions and "fundraising and development" functions. The statement of functional expenses presents the natural classification of expenses by function. Certain expenses are charged directly to the programs or functions to which they relate. Other expenses require allocation between or among program or supporting functions, which is made on a reasonable basis that is consistently applied. Expenses that are allocated generally include salaries and wages, payroll taxes and benefits, which are allocated on the basis of known or estimated efforts. Other expenses are allocated on the basis of purpose.

Advertising – ECAD charges advertising costs to expense as incurred. Advertising expense approximated \$88,000 and \$39,000 for the years ended December 31, 2020 and 2019, respectively.

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

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, 2020 through May 10, 2021, the date the accompanying financial statements were available to be issued (see Note 11).

## Note 2 – Promises to Give

Promises to give, net of discounts, summarized by use restriction are as follows:

	<u>2020</u>	<u>2019</u>
Capital campaign - expansion of facilities	\$ 41,250	\$ 84,350
Time restricted	40,000	150,000
Unrestricted	<u>2,470</u>	<u>21,816</u>
	<u>\$ 83,720</u>	<u>\$ 256,166</u>
Amounts due in:		
Less than one year	\$ 83,720	\$ 214,916
One to five years	-	41,250
	<u>\$ 83,720</u>	<u>\$ 256,166</u>

Contributions are reported at the present value of estimated future cash flows.

## Note 3 – Investments

ECAD's investments consist of the following:

### December 31, 2020

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
<b>Mutual Funds</b>	\$ 314,582	\$ 321,197	\$ 6,615
<b>Equity Securities</b>	169,421	238,665	69,244
<b>Money Market Funds</b>	9,593	9,593	-
	<u>\$ 493,596</u>	<u>\$ 569,455</u>	<u>\$ 75,859</u>

### December 31, 2019

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	\$ 293,758	\$ 297,915	\$ 4,157
Equity Securities	74,239	115,378	41,139
Money Market Funds	6,961	6,961	-
	<u>\$ 374,958</u>	<u>\$ 420,254</u>	<u>\$ 45,296</u>

The fair value of ECAD's mutual funds, equity securities and cash equivalents 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 for general expenditures and the payment of liabilities consist of the following:

	<u>2020</u>	<u>2019</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 440,557	\$ 695,102
Promises to give	83,720	256,166
Investments	<u>569,455</u>	<u>420,254</u>
Total financial assets	<u>1,093,732</u>	<u>1,371,522</u>
Less amounts not available to be used within one year:		
Donor restricted net assets	<u>(173,730)</u>	<u>(380,903)</u>
Financial assets available to meet general expenditures and liabilities over the next twelve months	<u>\$ 920,002</u>	<u>\$ 990,619</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

ECAD has net assets with donor restrictions consisting of the following at December 31:

	<u>2020</u>	<u>2019</u>
Capital campaign - expansion of facilities	\$ 133,730	\$ 180,903
Project Heal	-	50,000
Time restricted	<u>40,000</u>	<u>150,000</u>
	<u>\$ 173,730</u>	<u>\$ 380,903</u>

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

	<u>2020</u>	<u>2019</u>
Capital campaign - expansion of facilities	\$ 66,943	\$ 111,547
Project Heal	50,000	50,000
Time restricted	150,000	-
Canine Magic and inspiration puppy litter	-	32,468
Open doors	-	28,542
	<u>\$ 266,943</u>	<u>\$ 222,557</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 was payable in 60 monthly payments of \$606 through January of 2023, with no stated interest rate. During 2020, this note was repaid in full, and a new vehicle was purchased under a new note agreement. The new note agreement is payable in monthly payments of \$660 through October of 2026, with an effective interest rate of 1.9%.

The aggregate balance of these notes is \$63,589 and \$47,790 at December 31, 2020 and 2019, respectively.

Equipment Note Payable – In July of 2020, ECAD entered into a note agreement for the purchase of equipment. Under the agreement, the note is payable in 60 monthly payments of \$386 through August of 2025, with no stated interest rate. The balance under this note agreement is \$21,608 at December 31, 2020.

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 10). 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 were subject to interest-only payments at an interest rate of 4.25% through March of 2019. At that time, the note was converted to a permanent note, and equal monthly installments of principal and interest are 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 \$563,035 and \$580,662 at December 31, 2020 and 2019, respectively.

Principal Maturities – The following is a summary of the principal maturities on all notes payable, by year:

<u>Year Ending</u> <u>December 31</u>	
2021	\$ 40,894
2022	42,196
2023	43,874
2024	38,775
2025	37,903
Thereafter	<u>444,884</u>
	<u>\$ 648,526</u>

## Note 7 – Paycheck Protection Program Loan and Forgiveness

In May of 2020, ECAD applied for and received a loan from a financial institution in the amount of \$48,000 under the Paycheck Protection Program established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Under the note agreement, the loan's repayment was guaranteed by the Small Business Administration ("SBA"), it accrued interest at 1%, and it was forgivable and payable by the SBA if ECAD incurred and paid eligible expenses such as payroll and other specified costs as defined in the CARES Act. Subsequently, ECAD applied for the loan's forgiveness under the terms of the agreement and in November of 2020 it was notified by the SBA that the loan and accrued interest has been forgiven in full and ECAD was released from obligation under the debt instrument. The amount of the loan forgiveness is reflected as support in the accompanying statement of activities and changes in net assets.

## **Note 8 – 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 \$36,925 in 2020 and \$23,300 in 2019 from members of its Board of Directors, as well as \$7,055 and \$5,000 from the founders in 2020 and 2019, respectively, which are included in donations and contributions in the Statements of Activities and Changes in Net Assets.

Land Purchase and Promissory Note – The founders of ECAD 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 of the outstanding principal balance and unpaid interest will be due. ECAD has the option to prepay all or part of the principal balance at any time and, during 2019, ECAD made a voluntary principal payment of \$50,000. There were no payments made during 2020. The balance under this related party note agreement is \$100,000 at both December 31, 2020 and 2019. Interest incurred on the note approximated \$3,000 and \$3,500 for 2020 and 2019, respectively.

## **Note 9 – Financial Instruments, Credit Risk and Concentrations**

ECAD's financial instruments that may be subject to concentrations of credit risk consist of cash, donor's promises to give, investments and debt instruments. A summary of credit risk and other concentrations follows.

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 \$177,000 of account balances in excess of federally insured limits at December 31, 2020, based on bank balances. ECAD has not experienced any losses in its deposit accounts.

Promises to Give – At December 31, 2020, promises to give from two charitable foundations in the amount of \$40,000 and \$21,250 represent approximately 48% and 25% of the total, respectively. At December 31, 2020, one promise to give from an individual in the amount of \$20,000 represented approximately 24% of the total.

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

Debt – At December 31, 2020, ECAD has outstanding \$563,035 of borrowings from one bank (see Note 6), representing 75% of its total borrowings and 69% of its total liabilities. Included in ECAD's total borrowings is \$100,000 of outstanding borrowings from its founders (see Note 8).

Contributions – In 2020, ECAD received \$230,000 from three donors (two foundations and one individual), representing approximately 17% of its total revenues and support. In 2019, ECAD received \$600,250 from two donors (one donor bequest and one foundation), representing approximately 32% of its total revenues and support.



## **Note 10 – 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 complete veterinarian office and construct a quarantine area, and the final phase will be to expand the existing training center. Construction has not yet commenced on the last two phases of the expansion project.

In March of 2020, ECAD's application for a modified site plan was denied by the planning and zoning commission of Winchester, Connecticut. ECAD is currently waiting for a court date to appeal this decision, which is anticipated for May of 2021. The second and third phases of the expansion were initially expected to be completed in 2021 and 2022, respectively, with an estimated cost of approximately \$1.5 million; however, this may change depending on the outcome of the appeal process.

## **Note 11 – Coronavirus Pandemic**

During the first quarter of the year 2020, the novel coronavirus grew to become a pandemic of a contagious respiratory disease affecting the human population. This health crisis and related reactive mandates by governments around the world adversely affected global economies, including here in the United States. In addition to the health risks and the livelihood of people in general, the situation continues to pose potentially serious risks to commerce including material supply and product demand, foreign trade, and employment, among other things.

As discussed in Note 7, in 2020 ECAD obtained a \$48,000 Paycheck Protection Program bank loan which was subsequently forgiven by the SBA.

As of the date of the issuance of these financial statements, there remains uncertainty in many areas surrounding the pandemic, including the success of state reopening plans, the possibility of continuing or re-establishing workplace restrictions, the current resurgence of the virus and variants, the success of vaccine distribution, and the potential for economic disruptions. Therefore, it is uncertain at this time what adverse effects the Coronavirus pandemic may have, if any, on ECAD's future support and financial position.

Subsequent Event – In February of 2021, ECAD applied for and received a second Paycheck Protection Program loan in the amount of \$136,000 under terms similar to the first loan.