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& COMPANY
CPAs and Advisors

Audited Financial Statements

Educated Canines Assisting
With Disabilities

December 31, 2019

Educated Canines Assisting With Disabilities

Audited Financial Statements

December 31, 2019

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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, 2019 and 2018, 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

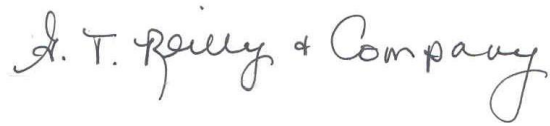
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about 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, 2019 and 2018, 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 26, 2020

Educated Canines Assisting with Disabilities

Statements of Financial Position December 31

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Assets						
CURRENT ASSETS						
Cash and cash equivalents	\$ 548,549	\$ 146,553	\$ 695,102	\$ 394,877	\$ 107,468	\$ 502,345
Accounts receivable	-	-	-	1,000	-	1,000
Promises to give, current portion (Note 2)	21,816	193,100	214,916	-	66,850	66,850
Prepaid expenses	3,156	-	3,156	15,804	-	15,804
Inventory	4,002	-	4,002	3,612	-	3,612
TOTAL CURRENT ASSETS	577,523	339,653	917,176	415,293	174,318	589,611
INVESTMENTS, AT FAIR VALUE (Note 3)	420,254	-	420,254	308,814	-	308,814
PROMISES TO GIVE, NET OF CURRENT PORTION AND DISCOUNT (Note 2)	-	41,250	41,250	-	69,697	69,697
PROPERTY, PLANT AND EQUIPMENT						
Land	181,511	-	181,511	181,511	-	181,511
Buildings and improvements	2,382,355	-	2,382,355	2,359,210	-	2,359,210
Equipment	52,046	-	52,046	52,046	-	52,046
Vehicles	222,113	-	222,113	222,113	-	222,113
	2,838,025	-	2,838,025	2,814,880	-	2,814,880
Less: accumulated depreciation	(438,377)	-	(438,377)	(340,585)	-	(340,585)
	2,399,648	-	2,399,648	2,474,295	-	2,474,295
TOTAL ASSETS	\$ 3,397,425	\$ 380,903	\$ 3,778,328	\$ 3,198,402	\$ 244,015	\$ 3,442,417
Liabilities and Net Assets						
CURRENT LIABILITIES						
Accounts payable	\$ 20,843	\$ -	\$ 20,843	\$ 10,825	\$ -	\$ 10,825
Accrued expenses	27,732	-	27,732	27,662	-	27,662
Notes payable, current portion (Note 6)	37,047	-	37,047	12,385	-	12,385
TOTAL CURRENT LIABILITIES	85,622	-	85,622	50,872	-	50,872
LONG-TERM DEBT						
Long-term notes payable (Note 6)	594,659	-	594,659	654,005	-	654,005
Land note payable, related party (Note 7)	100,000	-	100,000	150,000	-	150,000
TOTAL LONG-TERM DEBT	694,659	-	694,659	804,005	-	804,005
NET ASSETS (Note 5)						
Without donor restrictions	2,617,144	-	2,617,144	2,343,525	-	2,343,525
With donor restrictions	-	380,903	380,903	-	244,015	244,015
	2,617,144	380,903	2,998,047	2,343,525	244,015	2,587,540
TOTAL LIABILITIES AND NET ASSETS	\$ 3,397,425	\$ 380,903	\$ 3,778,328	\$ 3,198,402	\$ 244,015	\$ 3,442,417

Educated Canines Assisting with Disabilities

Statements of Activities and Changes in Net Assets

Year Ended December 31

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Donations and contributions	\$ 1,262,859	\$ 28,542	\$ 1,291,401	\$ 859,248	\$ 32,468	\$ 891,716
Grant income	157,500	150,000	307,500	200,000	150,000	350,000
In-kind services	12,000	-	12,000	25,000	-	25,000
Capital campaign contributions	-	180,903	180,903	-	324,163	324,163
ECADemy program and camp program	515	-	515	39,268	-	39,268
Other income	13,573	-	13,573	52,475	-	52,475
Investment income	13,823	-	13,823	9,428	-	9,428
Realized and unrealized gains (losses) on investments	41,082	-	41,082	(22,914)	-	(22,914)
Gain on trade-in of vehicles	-	-	-	18,570	-	18,570
Net assets released from restrictions (Note 5)	222,557	(222,557)	-	262,616	(262,616)	-
TOTAL REVENUES & SUPPORT	1,723,909	136,888	1,860,797	1,443,691	244,015	1,687,706
EXPENSES						
Program services	1,108,344	-	1,108,344	981,949	-	981,949
General and administrative	124,545	-	124,545	110,087	-	110,087
Fundraising and development	217,401	-	217,401	126,031	-	126,031
TOTAL EXPENSES	1,450,290	-	1,450,290	1,218,067	-	1,218,067
CHANGE IN NET ASSETS	273,619	136,888	410,507	225,624	244,015	469,639
NET ASSETS AT BEGINNING OF YEAR	2,343,525	244,015	2,587,540	2,117,901	-	2,117,901
NET ASSETS AT END OF YEAR	\$ 2,617,144	\$ 380,903	\$ 2,998,047	\$ 2,343,525	\$ 244,015	\$ 2,587,540

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
TOTAL EXPENSES	<u>\$ 1,108,344</u>	<u>\$ 124,545</u>	<u>\$ 217,401</u>	<u>\$ 1,450,290</u>

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 supplies and trips	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
	<u>\$ 981,949</u>	<u>\$ 110,087</u>	<u>\$ 126,031</u>	<u>\$1,218,067</u>
TOTAL EXPENSES	<u>\$ 981,949</u>	<u>\$ 110,087</u>	<u>\$ 126,031</u>	<u>\$1,218,067</u>

Educated Canines Assisting with Disabilities

Statements of Cash Flows

Year Ended December 31

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 410,507	\$ 469,639
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Depreciation	97,792	58,223
Gain on trade-in of vehicles	-	(18,570)
Realized and unrealized (gains) losses on investments	(41,082)	22,914
Changes in operating assets and liabilities:		
Accounts receivable	1,000	-
Promises to give	(119,619)	(121,547)
Prepaid expenses	12,648	(6,983)
Inventory	(390)	390
Accounts payable	10,018	(27,294)
Accrued expenses	70	1,803
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>370,944</u>	<u>378,575</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(23,145)	(925,920)
Purchases of investments	(70,358)	(32,677)
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(93,503)</u>	<u>(958,597)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from notes payable	-	678,584
Principal payments on notes payable	(84,684)	(21,561)
NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES	<u>(84,684)</u>	<u>657,023</u>
RESULTING IN A NET INCREASE IN CASH	192,757	77,001
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>502,345</u>	<u>425,344</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 695,102</u>	<u>\$ 502,345</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	<u>\$ 28,897</u>	<u>\$ 23,132</u>
Noncash investing and financing activities:		
Acquisition of land via issuance of related party note (Note 7)	<u>\$ -</u>	<u>\$ 150,000</u>

Educated Canines Assisting With Disabilities

Notes to Financial Statements

December 31, 2019

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 – In June of 2018, the Financial Accounting Standards Board issued 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 a payment from a third-party payer on behalf of an existing exchange transaction between the recipient and 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 treated as a contribution for accounting purposes.

Distinguishing between contributions and exchange transactions determines the appropriate accounting and reporting for a transaction. Transactions determined to be contributions are reported as revenue or support with or without donor restrictions as described above, Financial Statement Presentation. All of ECAD’s revenue and support for both 2019 and 2018, with the exception of investment related activity, has been determined to be contributions and are reported as support with or without donor restrictions.

ECAD adopted the principles of the ASU effective January 1, 2019 on a modified prospective basis. Management made a determination that ECAD’s existing accounting policies and methods substantially comply with the ASU. Therefore, there were no changes to the Organization’s accounting methods in 2019 and the adoption of ASU 2018-08 had no effect on the Organization’s financial statements as of and for the year ended December 31, 2019.

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, 2019 or 2018.

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 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 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, 2019 or 2018 as one was not considered necessary by management.

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

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 \$12,000 and \$25,000 in contributed veterinary services during 2019 and 2018, 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).

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 approximate fair value under Level I inputs. Investments are carried at fair value based on Level I and Level 2 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, 2019 and 2018 was \$97,792 and \$58,223, respectively.

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

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 estimated efforts. Other expenses are allocated on the basis of purpose.

Advertising – ECAD charges advertising cost to expense as incurred. Advertising expense approximated \$39,000 and \$31,000 for the years ended December 31, 2019 and 2018, 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, 2019 through May 26, 2020, the date the accompanying financial statements were available to be issued (see Notes 3 and 10).

Note 2 – Promises to Give

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

	<u>2019</u>	<u>2018</u>
Capital campaign - expansion of facilities	\$ 84,350	\$ 126,200
Time restricted	150,000	25,000
Unrestricted	21,816	-
Less discount	-	(14,653)
	<u>\$ 256,166</u>	<u>\$ 136,547</u>
Amounts due in:		
Less than one year	\$ 214,916	\$ 66,850
One to five years	41,250	69,697
	<u>\$ 256,166</u>	<u>\$ 136,547</u>

Contributions are reported 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.

Note 3 – Investments

ECAD's investments consist of the following:

December 31, 2019

	<u>Costs</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>

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	3,629	3,629	-
	<u>\$ 304,600</u>	<u>\$ 308,814</u>	<u>\$ 4,214</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").

See Note 10, "Subsequent Events".

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 consist of the following:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 695,102	\$ 502,345
Accounts receivable	-	1,000
Promises to give	256,166	136,547
Investments	420,254	308,814
Total financial assets	<u>1,371,522</u>	<u>948,706</u>
Less amounts not available to be used within one year:		
Donor restricted net assets	(380,903)	(244,015)
Adjusted for releases during the next fiscal year for:		
Satisfaction of use and time restrictions	200,000	194,015
	<u>(180,903)</u>	<u>(50,000)</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,190,619</u>	<u>\$ 898,706</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>2019</u>	<u>2018</u>
Capital campaign - expansion of facilities	\$ 180,903	\$ 111,547
Project Heal	50,000	100,000
Time restricted	150,000	25,000
Other	-	7,468
	<u>\$ 380,903</u>	<u>\$ 244,015</u>

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

	<u>2019</u>	<u>2018</u>
Capital campaign - expansion of facilities	\$ 111,547	\$ 212,616
Project Heal	50,000	50,000
Canine Magic and inspiration puppy litter	32,468	-
Open doors	28,542	-
	<u>\$ 222,557</u>	<u>\$ 262,616</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 \$47,790 and \$60,177 at December 31, 2019 and 2018, respectively.

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 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 \$580,662 and \$600,000 at December 31, 2019 and 2018, 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>	
2020	\$ 37,047
2021	36,997
2022	37,545
2023	32,417
2024	26,538
Thereafter	461,162
	<u>\$ 631,706</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 \$23,300 in 2019 and \$37,350 in 2018 from members of its Board of Directors, as well as \$5,000 from the founders in both 2019 and 2018, 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 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 the outstanding balance of principal 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 principal payment of \$50,000. The balance under this related party note agreement is \$100,000 and \$150,000 at December 31, 2019 and 2018, respectively. Interest incurred on the note approximated \$3,508 and \$3,157 for 2019 and 2018, respectively.

Note 8 – 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.

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 \$422,000 of account balances in excess of federally insured limits at December 31, 2019, based on bank balances. ECAD has not experienced any losses in its deposit accounts.

Promises to Give – At December 31, 2019, one promise to give from a charitable foundation in the amount of \$150,000 represents approximately 59% of the total.

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

Debt – At December 31, 2019, ECAD has outstanding \$580,662 of borrowings from one bank (see Note 6), representing 79% of its total borrowings and 77% of its total liabilities. In addition, ECAD has \$100,000 of outstanding borrowings from its founders (see Note 7).

Contributions – In 2019, ECAD received \$600,250 from two donors (one donor bequest and one foundation), representing approximately 32% of its total revenues and support. In 2018, ECAD received a collective total of \$450,000 from one of these donors and two other donors (two foundations and one individual donor), representing approximately 27% 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 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.

Note 9 – Expansion of Facilities (Cont.)

Subsequent to the year-end, 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. The second phase and third phase of the expansion was initially expected to be completed in 2021 and 2022 with an estimated cost of approximately \$1.5 million; however, this may change depending on the appeal process.

Note 10 – Subsequent Events – Coronavirus Outbreak

Since the December 31, 2019 date of the accompanying financial statements, the novel Coronavirus first identified in China has grown to become a widespread outbreak of a contagious respiratory disease affecting the human population. This health crisis and related reactive mandates by governments around the world have adversely affected global economies and financial markets, including here in the United States. In addition to the health risks, the situation poses potentially serious risks to foreign trade, employment, lending opportunities and availability, commerce and the livelihood of people in general. The duration and intensity of both the pandemic and the economic disruptions nationally, internationally and locally is uncertain. Likewise, it is uncertain at this time what adverse effects this may have, if any, on ECAD and its future operating results and financial position, including the realization of ECAD's assets at December 31, 2019, particularly its donor promises to give and investments.

As of April 30, 2020, subsequent to the date of the accompanying statement of financial position, ECAD's investments declined by approximately \$65,000, from \$420,000 to \$355,000.