



GT REILLY
& COMPANY
CPAs and Advisors

Audited Financial Statements

**Educated Canines Assisting
With Disabilities**

December 31, 2022

Educated Canines Assisting With Disabilities

Audited Financial Statements

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Independent Auditors' Report

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

Opinion

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, 2022 and 2021, and the related statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Educated Canines Assisting With Disabilities as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Educated Canines Assisting With Disabilities, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Educated Canines Assisting With Disabilities' ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, mis-representations, or the override of internal control. Misstatements, including omissions, are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

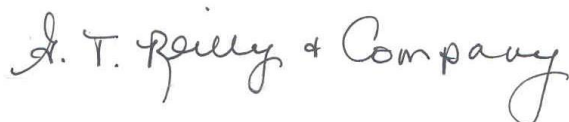


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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Educated Canines Assisting With Disabilities' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the ability of Educated Canines Assisting With Disabilities to continue as a going concern for a reasonable period of time.

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

A handwritten signature in cursive script that reads "G.T. Reilly & Company".

G.T. Reilly & Company

Milton, Massachusetts
June 7, 2023

Educated Canines Assisting with Disabilities

Statements of Financial Position

December 31

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor	Total
Assets						
CURRENT ASSETS						
Cash and cash equivalents	\$ 484,522	\$ 1,000	\$ 485,522	\$ 408,242	\$ -	\$ 408,242
Promises to give, within one year (Note 2)	938	140,000	140,938	938	-	938
Prepaid expenses and other expenses	13,865	-	13,865	7,300	-	7,300
Inventory	3,025	-	3,025	4,498	-	4,498
Land and building held for sale (Note 1)	330,000	-	330,000	-	-	-
TOTAL CURRENT ASSETS	832,350	141,000	973,350	420,978	-	420,978
INVESTMENTS, AT FAIR VALUE (Note 3)	767,721	-	767,721	772,557	-	772,557
PROPERTY AND EQUIPMENT						
Land	181,511	-	181,511	181,511	-	181,511
Buildings and improvements	2,433,900	-	2,433,900	2,415,021	-	2,415,021
Equipment	110,918	-	110,918	106,237	-	106,237
Improvements in process	61,305	-	61,305	60,570	-	60,570
Vehicles	224,731	-	224,731	224,731	-	224,731
	3,012,365	-	3,012,365	2,988,070	-	2,988,070
Less: accumulated depreciation	(731,470)	-	(731,470)	(626,875)	-	(626,875)
	2,280,895	-	2,280,895	2,361,195	-	2,361,195
TOTAL ASSETS	\$ 3,880,966	\$ 141,000	\$ 4,021,966	\$ 3,554,730	\$ -	\$ 3,554,730
Liabilities and Net Assets						
CURRENT LIABILITIES						
Accounts payable	\$ 71,847	\$ -	\$ 71,847	\$ 15,184	\$ -	\$ 15,184
Accrued expenses	24,055	-	24,055	16,133	-	16,133
Notes payable, current portion (Note 6)	43,874	-	43,874	40,894	-	40,894
TOTAL CURRENT LIABILITIES	139,776	-	139,776	72,211	-	72,211
LONG-TERM DEBT						
Long-term notes payable (Note 6)	522,289	-	522,289	567,100	-	567,100
Land note payable, related party (Note 9)	100,000	-	100,000	100,000	-	100,000
TOTAL LONG-TERM DEBT	622,289	-	622,289	667,100	-	667,100
NET ASSETS (Note 5)						
Without donor restrictions	3,118,901	-	3,118,901	2,815,419	-	2,815,419
With donor restrictions	-	141,000	141,000	-	-	-
	3,118,901	141,000	3,259,901	2,815,419	-	2,815,419
TOTAL LIABILITIES AND NET ASSETS	\$ 3,880,966	\$ 141,000	\$ 4,021,966	\$ 3,554,730	\$ -	\$ 3,554,730

Educated Canines Assisting with Disabilities

Statements of Activities and Changes in Net Assets

Year Ended December 31

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND SUPPORT						
Contributions, cash & other financial assets	\$ 1,726,593	\$ 37,951	\$ 1,764,544	\$ 1,460,873	\$ 21,318	\$ 1,482,191
Grants	30,000	280,000	310,000	20,000	-	20,000
Contributed land and building (Note 1)	330,000	-	330,000	-	-	-
Contributed veterinarian services	20,000	-	20,000	4,846	-	4,846
Capital campaign contributions	-	1,000	1,000	-	20,200	20,200
Other income	19,412	-	19,412	21,499	-	21,499
Payroll protection program loan forgiveness (Note 7)	-	-	-	136,000	-	136,000
Investment income	23,806	-	23,806	26,512	-	26,512
Realized and unrealized (losses) gains on investments	(77,490)	-	(77,490)	70,497	-	70,497
Net assets released from restrictions (Note 5)	177,951	(177,951)	-	215,248	(215,248)	-
TOTAL REVENUES & SUPPORT	2,250,272	141,000	2,391,272	1,955,475	(173,730)	1,781,745
EXPENSES						
Program services	1,398,766	-	1,398,766	1,338,940	-	1,338,940
General and administrative	163,913	-	163,913	211,877	-	211,877
Fundraising and development	384,111	-	384,111	159,264	-	159,264
TOTAL EXPENSES	1,946,790	-	1,946,790	1,710,081	-	1,710,081
CHANGE IN NET ASSETS	303,482	141,000	444,482	245,394	(173,730)	71,664
NET ASSETS AT BEGINNING OF YEAR	2,815,419	-	2,815,419	2,570,025	173,730	2,743,755
NET ASSETS AT END OF YEAR	\$ 3,118,901	\$ 141,000	\$ 3,259,901	\$ 2,815,419	\$ -	\$ 2,815,419

Educated Canines Assisting with Disabilities

Statement of Functional Expenses

Year End December 31, 2022

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 648,135	\$ 36,542	\$ 145,920	\$ 830,597
Payroll and related taxes	69,652	4,908	6,622	81,182
Advertising	79,676	-	8,391	88,067
Bank charges	20,968	22,727	1,518	45,213
Professional fundraising	-	-	183,028	183,028
Bookkeeping, accounting & other professional fees	65,237	72,158	17,107	154,502
Depreciation	90,652	5,137	8,804	104,593
Dues and subscriptions	26,922	-	-	26,922
Education and conferences	4,252	-	-	4,252
Employee benefits	44,853	8,390	12,031	65,274
Food/dog supplies	49,493	-	-	49,493
Insurance	38,415	9,327	-	47,742
Internet access and web hosting	5,048	-	-	5,048
Interest expense	24,863	59	690	25,612
Kennel expenses	6,555	728	-	7,283
License and registration	1,600	-	-	1,600
Miscellaneous	214	250	-	464
Office supplies	7,552	-	-	7,552
Postage and shipping	9,620	-	-	9,620
Public relations	28,205	3	-	28,208
Repairs and maintenance	36,241	3,036	-	39,277
Team training	3,193	-	-	3,193
Telephone	13,101	-	-	13,101
Travel	9,840	239	-	10,079
Transportation and vehicle expenses	21,240	47	-	21,287
Utilities and janitorial services	36,329	362	-	36,691
Veterinary and breeding services	56,910	-	-	56,910
TOTAL EXPENSES	<u>\$ 1,398,766</u>	<u>\$ 163,913</u>	<u>\$ 384,111</u>	<u>\$ 1,946,790</u>

Educated Canines Assisting with Disabilities

Statement of Functional Expenses

Year End December 31, 2021

	Program Services	Management & General	Fundraising	Total
EXPENSES				
Salaries and wages	\$ 640,163	\$ 48,046	\$ 111,216	\$ 799,425
Payroll and related taxes	71,746	5,896	3,892	81,534
Advertising	68,419	7,052	7,721	83,192
Bank charges	-	44,137	1,234	45,371
Bookkeeping, accounting & other professional fees	61,206	84,282	15,879	161,367
Depreciation	96,968	7,358	5,263	109,589
Dues and subscriptions	22,607	60	-	22,667
ECADemy expenses	135	-	-	135
Education and conferences	2,330	-	-	2,330
Employee benefits	54,757	9,527	11,910	76,194
Food/dog supplies	35,441	-	-	35,441
Insurance	39,083	1,370	-	40,453
Internet access and web hosting	5,316	-	-	5,316
Interest expense	27,489	716	2,149	30,354
Kennel expenses	3,135	348	-	3,483
License and registration	3,700	-	-	3,700
Office supplies	9,366	-	-	9,366
Postage and shipping	8,150	-	-	8,150
Public relations	27,877	3	-	27,880
Repairs and maintenance	46,119	2,440	-	48,559
Team training	2,193	-	-	2,193
Telephone	14,436	-	-	14,436
Travel	4,411	62	-	4,473
Transportation and vehicle expenses	31,441	246	-	31,687
Utilities and janitorial services	33,292	334	-	33,626
Veterinary and breeding services	29,160	-	-	29,160
TOTAL EXPENSES	<u>\$ 1,338,940</u>	<u>\$ 211,877</u>	<u>\$ 159,264</u>	<u>\$ 1,710,081</u>

Educated Canines Assisting with Disabilities

Statements of Cash Flows

Year Ended December 31

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 444,482	\$ 71,664
Adjustments to reconcile change in net assets to net cash provided from operating activities:		
Payroll protection program loan forgiveness	-	(136,000)
Depreciation	104,593	109,589
Realized and unrealized losses (gains) on investments	77,490	(70,497)
Donated investments	(51,557)	-
Contributed land and building	(330,000)	-
Changes in operating assets and liabilities:		
Promises to give	(140,000)	82,782
Prepaid expenses	(6,565)	(4,342)
Inventory	1,473	(496)
Accounts payable	56,663	(40,113)
Accrued expenses	7,922	8,529
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>164,501</u>	<u>21,116</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment	(24,293)	(16,294)
Sale of investments	60,047	-
Purchases of investments	(81,144)	(132,605)
NET CASH APPLIED TO INVESTING ACTIVITIES	<u>(45,390)</u>	<u>(148,899)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payroll protection program loan	-	136,000
Principal payments on notes payable	(41,831)	(40,532)
NET CASH (APPLIED TO) PROVIDED BY FINANCING ACTIVITIES	<u>(41,831)</u>	<u>95,468</u>
RESULTING IN A NET INCREASE (DECREASE) IN CASH	77,280	(32,315)
CASH AND EQUIVALENTS AT BEGINNING OF YEAR	<u>408,242</u>	<u>440,557</u>
CASH AND EQUIVALENTS AT END OF YEAR	<u>\$ 485,522</u>	<u>\$ 408,242</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for:		
Interest expense	<u>\$ 25,612</u>	<u>\$ 30,354</u>

Educated Canines Assisting With Disabilities

Notes to Financial Statements

December 31, 2022

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. Programs include the Breeding, Veterinary and Canine Volunteer program, Canine Education and Client Service program, Client and Graduate Service program, and the Educational program provided through public relations and marketing. ECAD is primarily supported by public donations and grants from private foundations. 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 (U. S. GAAP) 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 FASB Accounting Standards Update (ASU) 2018-08, “*Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*”. The ASU assists 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. Substantially all of ECAD’s revenue and support for 2022 and 2021 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. ECAD has no conditional grants at December 31, 2022 or 2021.

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 collection is estimated and recorded via a reduction to support. 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 collection at December 31, 2022 or 2021, as one was not considered necessary by management. See Note 2.

Contributed Services and Other Nonfinancial Assets – Under U.S. GAAP, contributed services are recognized as both support and expense at their estimated fair values if they create or enhance nonfinancial assets or if they require specialized skills that would need to be purchased if they were not donated. ECAD received approximately \$20,000 and \$4,800 in contributed veterinary services during 2022 and 2021, respectively. ECAD also receives donated services from a variety of unpaid volunteers in connection with certain programs. The value of these services have not been estimated or reflected in the accompanying financial statements since the services do not meet the criteria for recognition under U.S. GAAP.

Other contributed nonfinancial assets such as property and equipment, commonly referred to as “gifts-in-kind”, are also recorded and reported as contributed support. During 2022, ECAD received land and a residential building valued at the time and recorded at \$330,000. As of the date of issuance of the financials, ECAD has signed a purchase and sale agreement for the property, although the closing has not yet taken place. ECAD did not receive any nonfinancial assets during the year ended December 31, 2021.

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

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). Contributed investments are recorded as their estimated fair values as of the date of the gift.

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 1 inputs. ECAD's investments are carried at fair value based on Level 1 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.

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, 2022 and 2021 was \$104,593 and \$109,589, respectively. The costs of improvements in process are not depreciated until placed in service.

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.

Advertising – ECAD charges advertising costs to expense as incurred. Advertising expense approximated \$88,000 and \$83,000 for the years ended December 31, 2022 and 2021, 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, 2022 through June 7, 2023, the date the accompanying financial statements were available to be issued.

Note 2 – Promises to Give

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

	<u>2022</u>	<u>2021</u>
Time restricted	\$ 140,000	\$ -
Unrestricted	938	938
	<u>\$ 140,938</u>	<u>\$ 938</u>
Amounts due in:		
Less than one year	\$ 140,938	\$ 938
One to five years	-	-
	<u>\$ 140,938</u>	<u>\$ 938</u>

The time restricted promises to give to ECAD at December 31, 2022 represent the second installments on two-year grants awarded by two private foundations.

Note 3 - Investments

ECAD's investments consist of the following:

December 31, 2022

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	\$ 275,911	\$ 315,144	\$ 39,233
Equity Securities	337,309	430,623	93,314
Money Market Funds	21,954	21,954	-
	<u>\$ 635,174</u>	<u>\$ 767,721</u>	<u>\$ 132,547</u>

December 31, 2021

	<u>Cost</u>	<u>Fair Value</u>	<u>Unrealized Gains (Losses)</u>
Mutual Funds	\$ 349,956	\$ 366,140	\$ 16,184
Equity Securities	263,113	390,750	127,637
Money Market Funds	15,667	15,667	-
	<u>\$ 628,736</u>	<u>\$ 772,557</u>	<u>\$ 143,821</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>2022</u>	<u>2021</u>
Financial assets at year-end:		
Cash and cash equivalents	\$ 485,522	\$ 408,242
Promises to give	140,938	938
Investments	<u>767,721</u>	<u>772,557</u>
Total financial assets	1,394,181	1,181,737
Less amounts not available to be used within one year:		
Purpose restricted net assets (Note 5)	<u>(1,000)</u>	<u>-</u>
Financial assets available to meet general expenditures and liabilities over the next twelve months	<u>\$ 1,393,181</u>	<u>\$ 1,181,737</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, 2022 and 2021, ECAD does not have any net assets with donor restrictions that are perpetual in nature.

At December 31, 2022, net assets with donor restrictions which are temporary in nature consist of \$140,000 of time restricted net assets and \$1,000 of donations restricted for the capital campaign and expansion of facilities. At December 31, 2021, ECAD did not have any net assets with donor restrictions that were temporary in nature.

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

	<u>2022</u>	<u>2021</u>
Capital campaign - expansion of facilities	\$ -	\$ 153,930
Time restricted	140,000	40,000
Canine Magic (specific placement to autistic child)	24,339	-
New handler class	13,612	20,318
Other	-	1,000
	<u>\$ 177,951</u>	<u>\$ 215,248</u>

Note 6 – Notes Payable

Vehicle Notes Payable – During 2018 and 2020, 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 monthly payments of \$660 through October of 2026, with an effective interest rate of 1.9%. The aggregate balance of these notes is \$36,773 and \$50,485 at December 31, 2022 and 2021, respectively.

Note 6 – Notes Payable (Cont.)

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 \$12,348 and \$16,978 at December 31, 2022 and 2021, 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 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 \$517,042 and \$540,531 at December 31, 2022 and 2021, 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>	
2023	\$ 43,874
2024	38,775
2025	37,903
2026	36,020
2027	30,773
Thereafter	<u>378,818</u>
	<u>\$ 566,163</u>

Note 7 – Paycheck Protection Program Loans 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. 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 had been forgiven in full, and ECAD was released from obligation under the debt instrument.

Additionally, in February of 2021, ECAD applied for, and received, a second PPP loan in the amount of \$136,000 under terms similar to the first loan and later that year, in August of 2021, ECAD was notified by the SBA that the loan and accrued interest had also been forgiven in full and it was released from the debt instrument. The amount of the loan forgiveness of \$136,000 in 2021, is reflected as support in the accompanying statement of activities and changes in net assets.

Note 8 – Employee Benefit Plan

Effective in 2022, ECAD implemented a 401(k) retirement plan for eligible employees. Through a salary reduction program, the retirement plan allows employees to contribute up to the annual IRS limits and it allows ECAD to make matching contributions up to 50% of an employee's deferral up to 4% of compensation. Total matching contributions for the year ended December 31, 2022 was \$1,363.

Note 9 – 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 \$37,276 in 2022 and \$30,925 in 2021 from members of its Board of Directors, as well as \$20,000 and \$10,000 from the founders in 2022 and 2021, respectively, which are included in 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 through the note's maturity in February of 2023, at which time all of the outstanding principal balance and unpaid interest is 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 prepayments made during 2022 or 2021. The balance under this related party note agreement is \$100,000 at both December 31, 2022 and 2021. Interest incurred on the note approximated \$3,000 for both 2022 and 2021.

At the time of the note's maturity subsequent to the year's end, ECAD had not repaid the note. A new long-term note agreement is expected to be executed in 2023 although the terms have not yet been finalized. The note balance continues to be reported as a long-term liability in the accompanying statement of financial position at December 31, 2022.

Note 10 – 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 \$153,000 of account balances in excess of federally-insured limits at December 31, 2022, based on bank balances. ECAD has not experienced any losses in its deposit accounts.

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

Debt – At December 31, 2022, ECAD has outstanding \$517,042 of borrowings from one bank (see Note 6), representing 78% of its total debt and 68% of its total liabilities. In addition, ECAD's financing debt includes a \$100,000 note payable to its founders for the purchase of land, representing 13% of its total liabilities (see Note 9).

Promises to Give – At December 31, 2022, recorded promises to give to ECAD consist of grants from two private foundations in the amounts of \$100,000 and \$40,000. See Note 2.

Contributions – In 2022, ECAD received \$500,000 of unrestricted contributions from one donor, representing approximately 21% of its total revenues and support. In 2021, \$250,000 of unrestricted contributions was received from this same donor, representing approximately 14% of its total revenues and support.

Note 11 – Expansion of Facilities

ECAD's success, coupled with the increase in demand for service dogs, has led to a long and growing wait list. As a result, subsequent to December 31, 2022, ECAD has commenced a \$15 million comprehensive campaign to raise the necessary funds to ensure a successful future. The funds raised from this 3-year campaign will focus on increasing building capacity, canine capacity and human capacity with the goal of enhancing the rate and reach at which this mission is achieved.

A key component of this campaign is a new 7000 sq ft state-of-art Canine Residence Center and Offices to ensure that there is adequate space to house the increase in canine and human capital. The existing Canine Residence is over twenty years old and beginning to disintegrate. Over time, use, weather, and other environmental factors have caused declines in the structural integrity of the kennel. Without efficient and safe housing for the dogs, ECAD cannot continue its mission of helping individuals with disabilities regain independence. The service dogs in training are the single most important asset in the mission; without them, there is no ECAD. As such, it is of the greatest importance to improve and update the housing conditions for the dogs as soon as possible.

This campaign will also fund the necessary steps to increase ECAD's breeding program, which will result in both an increase in human-canine teams and a need for an increase in human capital. An organizational assessment showed that over the past four years, the staffing levels have not increased with the volume of work and overall expenses of the organization. Therefore, as part of the increase in training capacity, ECAD will also hire more dog trainers and support staff to ensure that all dogs continue to receive the highest level of training and that clients continue to be fully supported through every step of the process.

In addition to the renovation, modernization, and expansion of current facilities and operations, campaign dollars will fund ECAD's current operational expenses for the next three years. These funds ensure that ECAD is able to maintain its current standard of placements while going through such a transformational period of growth.

The need to train and place more assistance dog teams is overwhelming. The current facilities and infrastructure cannot meet this demand. And incremental growth will not meet the escalating need. The \$15 million comprehensive campaign is designed to not only address the immediate needs to scale and achieve a more significant rate of placements, but to also prepare ECAD for the future.