

FIDOS FOR FREEDOM, INC.

FINANCIAL STATEMENTS

**SEPTEMBER 30, 2019 (AUDITED)
AND 2018 (REVIEWED)**

FIDOS FOR FREEDOM, INC.
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INDEPENDENT ACCOUNTANT'S REVIEW REPORT

Board of Directors
Fidos For Freedom, Inc.
Laurel, Maryland

We have audited the accompanying financial statements of Fidos for Freedom, Inc, (a nonprofit organization), which comprise the statements of financial position as of September 30, 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.

Auditor's 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 audit 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 auditor's 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 Fidos for Freedom, Inc., as of September 30, 2019, and the results of its operations and with its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2018 financial statements were reviewed by us, and our report thereon, dated January 8, 2019, stated we were not aware of any material modifications that should be made to those financial statements for them to be in conformity with accounting principles generally accepted in the United States of America. However, a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements.

A handwritten signature in black ink, appearing to read "Glass Jacobson". The signature is written in a cursive, flowing style.

GLASS JACOBSON, P.A.

Owings Mills, Maryland
January 9, 2020

FIDOS FOR FREEDOM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

ASSETS		
	2019	2018
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,436	\$ 42,565
Accounts receivable, net	75	1,013
Prepaid expenses	15,766	4,638
Total current assets	107,277	48,216
PROPERTY AND EQUIPMENT - NET	524,146	541,174
OTHER ASSETS - INTANGIBLES - NET	4,100	-
TOTAL ASSETS	\$ 635,523	\$ 589,390
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 21,868	\$ 9,975
Deferred rent	600	-
Current portion of note payable	7,472	7,121
Total current liabilities	29,940	17,096
LONG-TERM LIABILITIES		
Note payable	42,409	49,853
Security deposits	4,428	4,038
Total long-term liabilities	46,837	53,891
Total liabilities	76,777	70,987
NET ASSETS		
Without donor restrictions	528,081	518,403
With donor restrictions	30,665	-
Total net assets	558,746	518,403
TOTAL LIABILITIES AND NET ASSETS	\$ 635,523	\$ 589,390

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

FIDOS FOR FREEDOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 121,227	\$ 79,254	\$ 200,481
Program revenue	9,655	-	9,655
Special events	53,089	-	53,089
Rent	96,274	-	96,274
Interest	2,336	-	2,336
Other income	6,842	-	6,842
Net assets released from restriction	<u>48,589</u>	<u>(48,589)</u>	<u>-</u>
 Total revenue, gains and other support	 <u>338,012</u>	 <u>30,665</u>	 <u>368,677</u>
EXPENSES			
Program expenses	177,349	-	177,349
Building and rental	74,236	-	74,236
Management and general	32,208	-	32,208
Fundraising	<u>44,541</u>	<u>-</u>	<u>44,541</u>
 Total expenses	 <u>328,334</u>	 <u>-</u>	 <u>328,334</u>
 CHANGE IN NET ASSETS	 9,678	 30,665	 40,343
 NET ASSETS - BEGINNING OF YEAR	 <u>518,403</u>	 <u>-</u>	 <u>518,403</u>
 NET ASSETS - END OF YEAR	 <u>\$ 528,081</u>	 <u>\$ 30,665</u>	 <u>\$ 558,746</u>

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

FIDOS FOR FREEDOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (REVIEWED)

	<u>Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 93,689	\$ -	\$ 93,689
Program revenue	8,528	-	8,528
Special events	38,638	-	38,638
Rent	81,251	-	81,251
Other income	50	-	50
Net assets released from restriction	<u>11,304</u>	<u>(11,304)</u>	<u>-</u>
Total revenue, gains and other support	<u>233,460</u>	<u>(11,304)</u>	<u>222,156</u>
EXPENSES			
Program expenses	187,804	-	187,804
Building and rental	64,998	-	64,998
Management and general	29,584	-	29,584
Fundraising	<u>17,249</u>	<u>-</u>	<u>17,249</u>
Total expenses	<u>299,635</u>	<u>-</u>	<u>299,635</u>
CHANGE IN NET ASSETS	(66,175)	(11,304)	(77,479)
NET ASSETS - BEGINNING OF YEAR	<u>584,578</u>	<u>11,304</u>	<u>595,882</u>
NET ASSETS - END OF YEAR	<u>\$ 518,403</u>	<u>\$ -</u>	<u>\$ 518,403</u>

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

FIDOS FOR FREEDOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Program Expenses</u>				Building and Rental	Management and General	Fundraising	Total
	<u>Community Education</u>	<u>Therapy Dogs</u>	<u>Service Dogs</u>	<u>Total Program</u>				
Administrative	\$ 271	\$ 644	\$ 509	\$ 1,424	\$ 20	\$ 2,279	\$ 3,251	\$ 6,974
Banquet	-	5,599	5,599	11,198	-	-	-	11,198
Client services	-	-	585	585	-	-	-	585
Community education	3,834	-	-	3,834	-	-	-	3,834
Concert	-	-	-	-	-	-	2,496	2,496
Depreciation	5,264	5,264	5,264	15,792	12,885	1,928	-	30,605
Golf tournament	-	-	-	-	-	-	7,167	7,167
Income taxes	-	-	-	-	444	-	-	444
Insurance	950	950	950	2,850	1,835	1,711	-	6,396
Interest	-	-	-	-	2,614	-	-	2,614
Maintenance and repairs	3,571	3,374	4,040	10,985	20,316	1,236	-	32,537
Office expenses	-	10	252	262	88	2,178	455	2,983
Payroll taxes	688	282	1,879	2,849	1,444	816	2,237	7,346
Professional fees	-	-	-	-	-	8,400	-	8,400
Real estate taxes	1,788	1,788	1,788	5,364	4,377	655	-	10,396
Salaries	8,904	3,649	24,296	36,849	18,682	10,557	28,935	95,023
Security	141	141	141	423	448	52	-	923
Telephone	696	696	696	2,088	-	256	-	2,344
Therapy dogs	-	2,648	-	2,648	-	-	-	2,648
Training services	-	-	67,253	67,253	-	-	-	67,253
Utilities	4,315	4,315	4,315	12,945	11,083	2,140	-	26,168
Total expenses	\$ 30,422	\$ 29,360	\$ 117,567	\$ 177,349	\$ 74,236	\$ 32,208	\$ 44,541	\$ 328,334

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

FIDOS FOR FREEDOM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018 (REVIEWED)

	<u>Program Expenses</u>				<u>Building and Rental</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
	<u>Community Education</u>	<u>Therapy Dogs</u>	<u>Service Dogs</u>	<u>Total Program</u>				
Administrative	\$ 786	\$ 1,860	\$ 1,489	\$ 4,135	\$ 590	\$ 2,432	\$ 6	\$ 7,163
Banquet	-	4,566	4,565	9,131	-	-	-	9,131
Client services	-	-	623	623	-	-	-	623
Community education	2,038	-	-	2,038	-	-	350	2,388
Concert	-	-	-	-	-	-	1,710	1,710
Depreciation	5,497	5,497	5,497	16,491	14,625	-	-	31,116
Golf tournament	-	-	-	-	-	-	10,971	10,971
Income taxes	-	-	-	-	501	-	-	501
Insurance	2,019	2,019	2,019	6,057	4,584	1,708	-	12,349
Interest	-	-	-	-	2,728	910	-	3,638
Maintenance and repairs	6,842	6,843	6,843	20,528	12,456	1,483	-	34,467
Office expenses	-	33	3,298	3,331	-	1,491	149	4,971
Payroll taxes	1,233	452	2,426	4,111	763	705	294	5,873
Professional fees	-	-	-	-	-	8,000	-	8,000
Real estate taxes	2,238	2,239	2,239	6,716	5,322	633	-	12,671
Salaries	16,358	5,805	30,606	52,769	9,800	9,046	3,769	75,384
Security	82	81	81	244	194	23	-	461
Telephone	553	554	554	1,661	-	1,660	-	3,321
Therapy dogs	-	826	-	826	-	-	-	826
Training services	-	-	44,216	44,216	-	-	-	44,216
Utilities	4,975	4,976	4,976	14,927	13,435	1,493	-	29,855
Total expenses	\$ 42,621	\$ 35,751	\$ 109,432	\$ 187,804	\$ 64,998	\$ 29,584	\$ 17,249	\$ 299,635

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

FIDOS FOR FREEDOM, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	\$ 180,381	\$ 85,535
Program receipts	9,655	8,528
Receipts from special events	53,089	38,638
Rents received	98,202	87,801
Interest received	2,336	13
Other revenue received	6,842	50
Payments to employees and taxing authorities	(102,369)	(81,257)
Payments to vendors	(174,881)	(171,429)
Interest paid	<u>(2,614)</u>	<u>(3,638)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>70,641</u>	<u>(35,759)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in other assets - intangibles	(1,100)	-
Purchases of property, plant and equipment	<u>(13,577)</u>	<u>(13,840)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(14,677)</u>	<u>(13,840)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on note payable	<u>(7,093)</u>	<u>(7,855)</u>
NET CASH (USED) BY FINANCING ACTIVITIES	<u>(7,093)</u>	<u>(7,855)</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	48,871	(57,454)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>42,565</u>	<u>100,019</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 91,436</u>	<u>\$ 42,565</u>

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

FIDOS FOR FREEDOM, INC.
STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE YEARS ENDED SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

	<u>2019</u>	<u>2018</u>
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Change in net assets	\$ 40,343	\$ (77,479)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided (used) by operating activities:		
Depreciation and amortization	30,605	31,116
Pro bono legal fees received	(3,000)	-
(Increase) decrease in assets		
Promises to give	-	2,346
Accounts receivable	938	6,884
Prepaid expenses	(11,128)	3,117
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	11,893	(1,422)
Deferred revenue	600	-
Security deposits	390	(321)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 70,641</u>	<u>\$ (35,759)</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING TRANSACTIONS		
Donated dogs and services recorded as contributions and related expenses	<u>\$ 17,100</u>	<u>\$ 10,500</u>
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING TRANSACTIONS		
Pro bono legal fees contributed for the acquisition of other assets - intangibles	<u>\$ 3,000</u>	<u>\$ -</u>

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

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 1 - NATURE OF ORGANIZATION

Fidos For Freedom, Inc. (the Organization) (formerly known as Helping Paws, Inc. and Phydeaux For Freedom, Inc.) was incorporated under the laws of the State of Maryland in June 1987, and is organized under Section 501(c)(3) of the Internal Revenue Code as a non-profit, tax exempt organization. The Organization is committed to providing quality trained Service Dogs to mobility challenged individuals; Hearing Dogs to people who are deaf or hard of hearing; Service dogs to combat related PTSD veterans; and Therapy Dogs to patients residing in healthcare facilities, to students in libraries and schools, and for stress relief visits to other workplace facilities, who reap the companionship benefits both physically and emotionally. The Organization also educates the community in the use of quality trained dogs through disability awareness presentations and demonstrations. In addition, they provide a Junior Volunteer Program for youth, enabling hands-on experience with training of dogs and working with physically challenged individuals while earning community service hours.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Method of accounting

The financial statements are prepared on the accrual basis of accounting.

Financial statement presentation

The Organization follows the Not-For-Profit Entities Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), which requires it to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions based on the existence or absence of donor imposed restrictions. Amounts contributed that are designated for future periods or donor restricted for specific purpose are reported as with donor restrictions.

Use of estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from those estimates.

Cash and cash equivalents

For purposes of the statements of cash flows, the Organization considers all short-term debt securities purchased with an initial maturity of three months or less to be cash equivalents.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Contributions received are recorded as without donor restrictions or with donor restrictions, depending on the existence and nature of any donor restrictions. Support that is not restricted by the donor is reported as an increase in net assets without donor restrictions. All other donor restricted support is reported as an increase in net assets with donor restrictions, depending on the nature of the restriction. When a restriction expires (that is when a stipulated time restriction ends or purpose restriction is accomplished), 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 restriction. Restricted contributions whose restrictions are met in the same reporting period are recorded as contributions without donor restrictions.

Accounts receivable

Accounts receivable primarily consist of rents due from tenants. A receivable is considered past due if payments have not been received within the agreed upon invoice terms. The Organization utilizes the allowance method of accounting for doubtful accounts. The allowance is based on experience, third-party contracts and other circumstances, which may affect the ability of customers to meet their obligations. It is the Organization's policy to charge off uncollectible accounts when management determines the receivable will not be collected. Management has reviewed all receivables and has determined to set allowance for doubtful accounts of \$-0- and \$10,839 for the years ended September 30, 2019 and 2018, respectively.

Property and equipment

Property and equipment acquisitions are recorded at cost, if purchased, or at fair market value when donated. Depreciation is computed on the straight-line method over the estimated useful lives of the depreciable assets. Upon sale or retirement, the cost and related accumulated depreciation are eliminated from the respective accounts, and the resulting gain or loss is included in the change in net assets. Expenditures for property and equipment in excess of \$2,500 are capitalized. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to expense as incurred.

Income taxes

The Organization is a nonprofit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as other than a private foundation. Rents received from debt financed property are subject to tax under Section 511. The Organization did not have any material unrelated business income tax liability for the years ended September 30, 2019 and 2018. Accordingly, no provision for income taxes is made on these financial statements.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income taxes (continued)

The Organization has adopted FASB ASC 740-10-25, Accounting for Uncertainty in Income Taxes. The Organization will record a liability for uncertain tax positions when it is more likely than not that a tax position would not be sustained if examined by the taxing authority. The Organization continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Organization's evaluation on September 30, 2019 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2015 through 2017 tax years remain subject to examination by the IRS. The Organization does not believe that any reasonably possible changes will occur within the next twelve months that will have a material impact on the financial statements.

Donated assets

Donations of marketable securities and other noncash donations are recorded as contributions at fair value at the date of donation. Such donations are reported as increases in net assets without donor restrictions unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as new assets with donor restrictions. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies net assets with donor restrictions to net assets without donor restrictions at that time.

Donations of dogs are recorded as net assets without donor restrictions at their estimated fair value. While the Organization recognizes these donated dogs as one of the Organization's most valuable assets, from a financial reporting perspective, the dogs are not classified as assets of Fidos For Freedom, Inc., and therefore are not reflected in the financial statements. The estimated value of dogs donated for the years ended September 30, 2019 and 2018 was \$17,100 and \$10,500, respectively.

Donated services

The Organization received in-kind support in the form of services. This support is recorded if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donations. Donated services received that meet the aforementioned criteria were \$4,100 and \$-0- during the years ended September 30, 2019 and 2018.

The Organization receives substantial donations of services by volunteers who assist in the training of the Service Dogs, Hearing Dogs, and Therapy Dogs. These services do not meet the criteria for recognition as contributed services.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Functional expense allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied.

Directly identifiable expenses are charged to service programs. Expenses related to more than one function are charged to service programs on the basis of periodic time and square footage studies. Management and general expenses include those expenses that are not directly identifiable with any specific program function but provide the overall support and direction of the Organization. Management and general expenses are charged to service programs on the basis of periodic time and square footage studies.

Reclassifications

Certain reclassifications have been made to the 2018 financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

Accounting pronouncements recently adopted

In 2016, the FASB issued Accounting Standards Update (ASU 2016-14, *Presentation of Financial Statements for Not-for-Profit Entities*). The Organization adopted the provisions of this new standard during the year ended September 30, 2019. In accordance with the ASU, net assets are classified as net assets without donor restrictions and net assets with donor restrictions that were previously reported as unrestricted net assets and temporarily restricted net assets. In addition to the changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (note 13) and disclosures related to net assets were expanded (note 9). The ASU has been applied retrospectively to all periods presented.

NOTE 3 - FAIR VALUE MEASUREMENTS

The Organization has adopted FASB ASC 820-10 in order to establish a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles (GAAP) that is intended to result in increased consistency and comparability in fair value measurements and disclosures. FASB ASC 820-10 also expands disclosures about fair value measurements and applies whenever other authoritative literature requires (or permits) certain assets or liabilities to be measured at fair value, but does not expand the use of fair value.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 3 - FAIR VALUE MEASUREMENTS (CONTINUED)

Under FASB ASC 820-10, items carried at fair value on a recurring basis consist of derivative financial instruments. Items carried at fair value on a non-recurring basis generally consist of assets held for sale. The Organization also uses fair value concepts to test various long-lived assets for impairment.

FASB ASC 820-10 requires that fair value be determined by providing a fair value hierarchy consisting of three levels, generally ranging from the most objective determination of fair value to the most subjective. The levels vary depending on the objectivity of the information used in valuation techniques to determine fair value. GAAP refers to the levels as categories of input into those techniques. The three general valuation levels that may be used to measure fair value are as described below:

1. Level 1 inputs are quoted prices in active markets for identical assets or liabilities;
2. Level 2 inputs generally are available indirect information, such as quoted prices for similar assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active. Additional level 2 inputs may be other than quoted prices that are observable for the asset or liability or inputs derived principally from or corroborated by observable market data by correlation or other means; and
3. Level 3 inputs are the most subjective, are generally based on the entity's own assumptions on how knowledgeable parties would price assets or liabilities, and are developed using the best information available in the circumstances.

The carrying values of cash; operating assets and liabilities, such as accounts receivable and accounts payable; and accrued expenses approximates fair value due to the relative short maturity of these instruments. The amounts shown for notes payable approximate fair value since the interest rates are at current market rates.

NOTE 4 - CASH

The Organization considers all monies available for current use in checking, savings, money market, petty cash and undeposited funds to be cash. Cash consists of the following at September 30,

	2019	2018
Operating accounts (includes PayPal)	\$ 10,350	\$ 12,361
Money market and savings	80,886	30,004
Petty cash	200	200
Total Cash	\$ 91,436	\$ 42,565

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Tenant rents	\$ 75	\$ 2,810
Tenant utility reimbursements	<u>-</u>	<u>9,042</u>
	75	11,852
Less allowance for doubtful accounts	<u>-</u>	<u>10,839</u>
Accounts receivable - net	<u>\$ 75</u>	<u>\$ 1,013</u>

NOTE 6 - PROPERTY AND EQUIPMENT - NET

Property and equipment consists of the following at September 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land	\$ 230,090	\$ 230,090
Building	259,464	259,464
Building improvements	449,241	435,664
Furniture and equipment	<u>26,282</u>	<u>26,281</u>
	965,077	951,499
Less: Accumulated depreciation	<u>440,931</u>	<u>410,325</u>
Property and equipment - net	<u>\$ 524,146</u>	<u>\$ 541,174</u>

Depreciation expense was \$30,605 and \$31,116 for the years ended September 30, 2019 and 2018, respectively.

NOTE 7 - INTANGIBLES – NET

The Organization obtained a trademark for its logo and was placed in service on September 30, 2019. The cost of the trademark totaled \$4,100. As of the year ended September 30, 2019, no amortization expense was charged against the trademark. The trademark will amortize \$410 per year for the next 10 years.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 (AUDITED) AND 2018 (REVIEWED)

NOTE 8 - NOTE PAYABLE

On August 3, 2018, the Organization obtained a \$57,544 unsecured note from Sandy Spring Bank, the proceeds of which were used to refinance the prior note from BB&T to replace the roof of the Organization's building. The note bears interest at 4.850% per annum. Principal and interest are payable in monthly installments of \$811 through maturity on August 3, 2025.

The balance of the loan at September 30, 2019 and 2018 was \$49,882 and \$56,974, respectively.

On November 21, 2014, the Organization obtained a \$100,000 promissory note from BB&T, the proceeds of which were used to replace the roof of the Organization's building. The Organization only withdrew \$90,000 of the available proceeds. The note was collateralized by the building. The note bore interest at prime plus 0.50% per annum. Prior to being paid off, principal and interest were payable in monthly installments of \$1,003 through maturity on November 21, 2019, at which any unpaid principal and interest would be due.

Aggregate annual maturities of the note payable over each of the next five years and thereafter are as follows:

<u>Year Ending September 30,</u>	
2020	\$ 7,472
2021	7,855
2022	8,250
2023	8,665
2024	9,098
Thereafter	<u>8,541</u>
	<u>\$ 49,881</u>

NOTE 9 - NET ASSETS

Net assets with donor restrictions were available for the following purposes at September 30, 2019:

	2019	2018
Dog training sponsorships	\$ 30,665	\$ -

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NOTE 10 - LESSOR LEASES

The Organization leases office space to tenants under noncancelable operating leases with terms of one to ten years. The amount office space leased out consists of approximately 47% of the building and improvements mentioned in Note 6. The Organization is responsible for all taxes, maintenance costs, insurance premiums, and, with the exception of their two largest tenants, utilities.

As of September 30, 2019, eight of the ten leased spaces are on 1 – 10 year leases. The following is a schedule of future minimum rentals under the long-term leases at September 30, 2019:

Year ending September 30,

2020	\$	37,802
2021		35,178
2022		26,895
2023		27,600
2024		27,600
Thereafter		<u>25,415</u>
		<u>\$ 180,490</u>

NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

The Organization owns a building, which houses its office and operations. The Organization leases space from this building to tenants. Nearly 68% and 73% of its rent revenue and 18% and 27% of its total revenue and support for the years ended September 30, 2019 and 2018, respectively, are derived from the rent and utility reimbursement of two tenants. One tenant is on a month-to-month lease. One tenant, after being delinquent in its rent payments and utility reimbursements, which accounts for approximately 0% and 99% of the Organization's accounts receivables as of September 30, 2019 and 2018, respectively, is making payments in a timelier manner. This tenant signed a 10-year lease during the year ended September 30, 2019.

NOTE 12 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 9, 2020, the date which the financial statements were available to be issued. No significant subsequent events have been identified that would require adjustment of the accompanying financial statements.

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NOTE 13 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization financial assets available to meet cash needs for general expenditures within one year of September 30, 2019 are as follows:

Cash and cash equivalents	\$ 91,436
Accounts receivable	<u>75</u>
Total financial assets	91,511
Less: Donor imposed restrictions	<u>30,665</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 60,846</u>