

FIDOS FOR FREEDOM, INC.

FINANCIAL STATEMENTS

**SEPTEMBER 30, 2021 (AUDITED)
AND 2020 (REVIEWED)**

FIDOS FOR FREEDOM, INC.
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INDEPENDENT AUDITOR'S 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, 2021, and the related statements of activities, functional expenses and cash flows for the year 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 audit. We conducted our audit 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 organization'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 organization'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, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The 2020 financial statements were reviewed by us, and our report thereon, dated January 11, 2021, 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 that reads "Glass Jacobson". The signature is written in a cursive, flowing style.

GLASS JACOBSON, P.A.

Owings Mills, Maryland

December 23, 2021

FIDOS FOR FREEDOM, INC.
STATEMENTS OF FINANCIAL POSITION
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

ASSETS		
	2021	2020
CURRENT ASSETS		
Cash and cash equivalents	\$ 599,304	\$ 196,965
Accounts receivable, net	66,394	5,154
Prepaid expenses	24,228	21,615
Total current assets	689,926	223,734
PROPERTY AND EQUIPMENT - NET	546,737	508,406
OTHER ASSETS - INTANGIBLES - NET	3,563	4,016
TOTAL ASSETS	\$ 1,240,226	\$ 736,156
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 38,774	\$ 27,355
Accrued interest	5,156	1,031
Unearned revenue	25,831	1,870
Total current liabilities	69,761	30,256
LONG-TERM LIABILITIES		
Note payable	500,000	150,000
Security deposits	3,791	4,783
Total long-term liabilities	503,791	154,783
Total liabilities	573,552	185,039
NET ASSETS		
Without donor restrictions	638,088	549,576
With donor restrictions	28,586	1,541
Total net assets	666,674	551,117
TOTAL LIABILITIES AND NET ASSETS	\$ 1,240,226	\$ 736,156

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

FIDOS FOR FREEDOM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021 (AUDITED)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 121,745	\$ 98,520	\$ 220,265
Government grants	45,966	35,869	81,835
Program revenue	5,877	-	5,877
Special events	46,082	-	46,082
Rent	83,658	-	83,658
Interest	1,626	-	1,626
Investment income	582	-	582
Other income	4,333	-	4,333
Net assets released from restriction	<u>107,344</u>	<u>(107,344)</u>	<u>-</u>
Total revenue, gains and other support	<u>417,213</u>	<u>27,045</u>	<u>444,258</u>
EXPENSES			
Program expenses	183,045	-	183,045
Building and rental	63,121	-	63,121
Management and general	33,987	-	33,987
Fundraising	<u>48,548</u>	<u>-</u>	<u>48,548</u>
Total expenses	<u>328,701</u>	<u>-</u>	<u>328,701</u>
CHANGE IN NET ASSETS	88,512	27,045	115,557
NET ASSETS - BEGINNING OF YEAR	<u>549,576</u>	<u>1,541</u>	<u>551,117</u>
NET ASSETS - END OF YEAR	<u><u>\$ 638,088</u></u>	<u><u>\$ 28,586</u></u>	<u><u>\$ 666,674</u></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, 2020 (REVIEWED)

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
REVENUE, GAINS AND OTHER SUPPORT			
Contributions	\$ 139,095	\$ 24,900	\$ 163,995
Government grants	28,451	-	28,451
Program revenue	9,299	-	9,299
Special events	19,383	-	19,383
Rent	93,235	-	93,235
Interest	2,652	-	2,652
Investment income	723	-	723
Other income	623	-	623
Net assets released from restriction	<u>54,024</u>	<u>(54,024)</u>	<u>-</u>
Total revenue, gains and other support	<u>347,485</u>	<u>(29,124)</u>	<u>318,361</u>
EXPENSES			
Program expenses	177,132	-	177,132
Building and rental	62,017	-	62,017
Management and general	45,227	-	45,227
Fundraising	<u>41,614</u>	<u>-</u>	<u>41,614</u>
Total expenses	<u>325,990</u>	<u>-</u>	<u>325,990</u>
CHANGE IN NET ASSETS	21,495	(29,124)	(7,629)
NET ASSETS - BEGINNING OF YEAR	<u>528,081</u>	<u>30,665</u>	<u>558,746</u>
NET ASSETS - END OF YEAR	<u>\$ 549,576</u>	<u>\$ 1,541</u>	<u>\$ 551,117</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, 2021 (AUDITED)

	<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	\$ 583	\$ 768	\$ 1,305	\$ 2,656	\$ 48	\$ 1,745	\$ 3,800	\$ 8,249
Client services	36	-	1,293	1,329	-	-	-	1,329
Community education	3,948	-	-	3,948	-	-	74	4,022
Depreciation and amortization	5,531	5,377	5,377	16,283	12,916	1,933	-	31,132
Golf tournament	-	-	-	-	-	-	14,619	14,619
Insurance	934	934	934	2,802	1,797	1,668	-	6,267
Interest	710	710	709	2,129	1,736	260	-	4,125
Maintenance and repairs	4,520	4,520	4,521	13,561	13,281	2,624	-	29,466
Office expenses	82	2	91	175	52	1,510	240	1,977
Payroll taxes	677	277	1,848	2,802	1,420	803	2,200	7,225
Professional fees	-	-	-	-	-	11,000	-	11,000
Real estate taxes	1,808	1,808	1,809	5,425	4,426	662	-	10,513
Salaries	8,162	3,345	22,275	33,782	17,126	9,678	26,525	87,111
Security	116	116	116	348	284	42	-	674
Telephone	935	935	935	2,805	-	343	-	3,148
Therapy dogs	-	1,227	-	1,227	-	-	-	1,227
Training services	287	-	79,703	79,990	-	-	-	79,990
Utilities	3,686	3,686	3,685	11,057	10,035	1,719	-	22,811
Volunteer banquet	-	1,000	1,022	2,022	-	-	-	2,022
Virtual fundraisers	416	-	288	704	-	-	1,090	1,794
Total expenses	\$ 32,431	\$ 24,705	\$ 125,911	\$ 183,045	\$ 63,121	\$ 33,987	\$ 48,548	\$ 328,701

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, 2020 (REVIEWED)

	<u>Program Expenses</u>				Building and Rental	Management and General	Fundraising	Total
	Community Education	Therapy Dogs	Service Dogs	Total Program				
Administrative	\$ 713	\$ 676	\$ 538	\$ 1,927	\$ -	\$ 1,695	\$ 3,904	\$ 7,526
Banquet	-	-	-	-	-	-	41	41
Client services	-	-	845	845	-	-	-	845
Community education	2,473	-	-	2,473	-	-	-	2,473
Concert	-	-	-	-	-	-	71	71
Depreciation and amortization	5,026	5,026	5,026	15,078	12,673	2,348	-	30,099
Golf tournament	-	-	-	-	-	-	225	225
Income taxes	-	-	-	-	1,422	-	-	1,422
Insurance	957	957	957	2,871	1,852	1,329	-	6,052
Interest	411	411	411	1,233	1,622	-	-	2,855
Maintenance and repairs	3,999	4,024	4,088	12,111	9,789	1,738	-	23,638
Office expenses	11	21	130	162	28	3,442	78	3,710
Payroll taxes	666	273	1,817	2,756	1,397	789	2,164	7,106
Paw fest	-	-	-	-	-	-	7,151	7,151
Professional fees	-	-	-	-	-	21,120	-	21,120
Real estate taxes	1,750	1,750	1,750	5,250	4,283	641	-	10,174
Salaries	8,610	3,528	23,495	35,633	18,065	10,209	27,980	91,887
Security	133	133	133	399	326	49	-	774
Telephone	786	786	786	2,358	-	338	-	2,696
Therapy dogs	-	1,055	-	1,055	-	-	-	1,055
Training services	-	-	82,841	82,841	-	-	-	82,841
Utilities	3,380	3,380	3,380	10,140	10,560	1,529	-	22,229
Total expenses	\$ 28,915	\$ 22,020	\$ 126,197	\$ 177,132	\$ 62,017	\$ 45,227	\$ 41,614	\$ 325,990

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, 2021 (AUDITED) AND 2020 (REVIEWED)

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants and contributions received	\$ 221,093	\$ 179,397
Program receipts	5,877	9,299
Receipts from special events	46,082	19,383
Rents received	107,794	89,781
Interest received	1,626	2,652
Gain on sale of securities	582	723
Other revenue received	4,333	622
Payments to employees and taxing authorities	(94,336)	(98,993)
Payments to vendors	(171,702)	(181,355)
Interest paid	<u>-</u>	<u>(1,824)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>121,349</u>	<u>19,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in other assets - intangibles	-	(368)
Purchases of property, plant and equipment	<u>(69,010)</u>	<u>(13,907)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(69,010)</u>	<u>(14,275)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from note payable	350,000	150,000
Payments on note payable	<u>-</u>	<u>(49,881)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>350,000</u>	<u>100,119</u>
INCREASE IN CASH AND CASH EQUIVALENTS	402,339	105,529
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>196,965</u>	<u>91,436</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 599,304</u>	<u>\$ 196,965</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, 2021 (AUDITED) AND 2020 (REVIEWED)

	2021	2020
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Change in net assets	\$ 115,557	\$ (7,629)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	31,132	30,099
(Increase) decrease in assets		
Accounts receivable, net	(61,240)	(5,079)
Prepaid expenses	(2,613)	(5,849)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	11,419	5,487
Accrued interest	4,125	1,031
Unearned revenue	23,961	1,270
Security deposits	(992)	355
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 121,349	\$ 19,685
 SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING TRANSACTIONS		
Donated dogs and services recorded as contributions and related expenses	\$ 18,600	\$ 13,050

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

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (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, 2021 (AUDITED) AND 2020 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Contributions and grants 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.

Other contributions, primarily from program and special events, are recognized as revenue at a point in time when received, as the actual benefits received by the contributions are minimal. Therefore, any portion of sponsor contributions that results from *quid pro quo* activities is not shown separately as an exchange component of the contribution.

Rent revenue is recognized over time per the terms of the lease agreements. For tenants paying month-to-month, rent is recognized as revenue at the point of time the rent is received. Rent received prior to the transfer of the right to use the Organization's building is reflected as unearned revenue.

Accounts receivable

Accounts receivable consist of amounts due from tenants and governmental entities. 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 payors 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 for both years ended September 30, 2021 and 2020.

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 and have a useful life greater than one year are capitalized. Repairs and maintenance charges that do not increase the useful lives of the assets are charged to expense as incurred.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, if applicable. The Organization did not have any material unrelated business income tax liability for the years ended September 30, 2021 and 2020. Accordingly, no provision for income taxes is made on these financial statements.

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, 2021 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2017 through 2019 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 contributions 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, 2021 and 2020 was \$18,600 and \$13,050, respectively.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 was \$0 during both years ended September 30, 2021 and 2020.

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

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.

Accounting pronouncements recently adopted

Effective October 1, 2019, the Organization adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition – Revenue from Contracts with Customers" and in Accounting Standards Codification 958, "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made". These standards were adopted using the modified retrospective method as of October 1, 2019 and did not materially change the Organization's timing of revenue recognition and type of exchange transactions. Since the Organization did not identify any accounting changes that impact its revenue recognition timing and exchange transactions, no adjustments to net assets were required upon adoption.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

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.

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 Organization'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.

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

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, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Operating accounts (includes PayPal)	\$ 445,789	\$ 28,626
Money market and savings	153,315	168,139
Petty cash	<u>200</u>	<u>200</u>
Total Cash	<u>\$ 599,304</u>	<u>\$ 196,965</u>

NOTE 5 - ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Tenant rents	\$ 175	\$ 1,342
Grants	16,000	-
Employee retention credit	<u>50,219</u>	<u>3,812</u>
	66,394	5,154
Less allowance for doubtful accounts	<u>-</u>	<u>-</u>
Accounts receivable - net	<u>\$ 66,394</u>	<u>\$ 5,154</u>

NOTE 6 - PROPERTY AND EQUIPMENT - NET

Property and equipment consists of the following at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Land	\$ 230,090	\$ 230,090
Building	259,464	259,464
Building improvements	532,158	463,149
Furniture and equipment	<u>26,281</u>	<u>26,281</u>
	1,047,993	978,984
Less: Accumulated depreciation	<u>501,256</u>	<u>470,578</u>
Property and equipment - net	<u>\$ 546,737</u>	<u>\$ 508,406</u>

FIDOS FOR FREEDOM, INC.
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2021 (AUDITED) AND 2020 (REVIEWED)

NOTE 6 - PROPERTY AND EQUIPMENT – NET (CONTINUED)

Depreciation expense was \$30,679 and \$29,647 for the years ended September 30, 2021 and 2020, respectively.

NOTE 7 - INTANGIBLES – NET

Intangible assets consists of the following at September 30, 2021 and 2020:

	2021	2020
Logo trademarks	\$ 4,468	\$ 4,468
Less: Accumulated amortization	905	452
Other assets - intangible - net	\$ 3,563	\$ 4,016

Amortization expense was \$453 for both years ended September 30, 2021 and 2020. Over the next five years, amortization is expected to be \$452 for each year.

NOTE 8 - NOTE PAYABLE

On June 3, 2020, the Organization obtained a \$150,000 secured note from the U.S. Small Business Administration. On September 3, 2021, the Organization modified the loan amount to \$500,000. This Economic Injury Disaster Loan was obtained under the provisions of the CARES Act, enacted on March 27, 2020, to provide economic relief to businesses that are currently experiencing a temporary loss of revenue due to COVID-19.

At a fixed rate of 2.75% per annum, interest is being accrued starting the date of the promissory note and only on the principal balance. Under the terms of the modified loan agreement, monthly installments of \$2,203 are being deferred for a twenty-four month period beginning the date of the promissory note. Upon expiration of the deferment period, each payment will be applied first to interest accrued to the date of receipt of each payment, and the balance, if any, will be applied to principal. The note is payable thirty years from the date of the promissory note, maturing on June 3, 2050. The note is secured by all tangible and intangible assets owned by the Organization.

The balance of the loan at September 30, 2021 and 2020 was \$500,000 and \$150,000, respectively.

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NOTE 8 - NOTE PAYABLE (CONTINUED)

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

Year ending September 30,		
	2022	\$ -
	2023	2,596
	2024	12,920
	2025	13,279
	2026	13,649
	Thereafter	<u>457,556</u>
		<u>\$ 500,000</u>

NOTE 9 - NET ASSETS

Net assets with donor restrictions were available for the following purposes at September 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Dog sponsorships	\$ 3,517	\$ 1,541
PG County Coucil District 1 Grant	2,694	-
Lowe's Grant	<u>22,375</u>	<u>-</u>
Total	<u>\$ 28,586</u>	<u>\$ 1,541</u>

NOTE 10 - LESSOR LEASES

The Organization leases office space to tenants under noncancelable operating leases with terms of one to ten years. The amount of office space available for lease consists of approximately 42% 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, 2021, four of the ten leases are on 1 – 10 year leases. The following is a schedule of future minimum rentals under the long-term leases at September 30, 2021:

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NOTE 10 - LESSOR LEASES (CONTINUED)

Year ending September 30,		
	2022	\$ 32,535
	2023	32,580
	2024	30,600
	2025	29,738
	2026	28,014
	Thereafter	<u>14,076</u>
		<u>\$ 167,543</u>

NOTE 11 - CURRENT VULNERABILITY DUE TO CERTAIN CONCENTRATIONS

At times during the year, the Organization maintains cash balances at financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limits. Management believes the risk in these situations to be minimal.

The Organization owns a building, which houses its office and operations. The Organization leases space from this building to tenants. Nearly 79% and 60% of its rent revenue and 15% and 18% of its total revenue and support for the years ended September 30, 2021 and 2020, respectively, are derived from the rent and utility reimbursement of two tenants. One of these two tenants is on a month-to-month lease.

During 2021, the Organization received a one-time restricted grant to renovate the building's bathroom. Nearly 29% of its contribution revenue and 18% of its total revenue and support for the year ended September 30, 2021, are derived from the one grant. The Organization did not have a grant concentration for the year ended September 30, 2020.

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization financial assets available to meet cash needs for general expenditures within one year of September 30, 2021 are as follows:

Cash and cash equivalents	\$ 599,304
Accounts receivable, net	<u>66,394</u>
Total financial assets	665,698
Less: Donor imposed restrictions	<u>28,586</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 637,112</u>

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NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (CONTINUED)

The Organization is partially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the Organization must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditures within one year.

As a part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

NOTE 13 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 23, 2021, the date which the financial statements were available to be issued. Subsequent to year end, the organization entered into a contract to replace the roof of its building committing \$147,115 of its funds for those services.