

**FIDOS FOR FREEDOM, INC.**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2020 (REVIEWED)  
AND 2019 (AUDITED)**

**FIDOS FOR FREEDOM, INC.**  
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**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

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## INDEPENDENT ACCOUNTANT'S REVIEW REPORT

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

We have reviewed the accompanying financial statements of Fidos for Freedom, Inc, (a nonprofit organization), which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

### **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.

### **Accountant's Responsibility**

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

### **Accountant's Conclusion**

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

### **Report on 2019 Financial Statements**

The 2019 financial statements were audited by us, and we expressed an unmodified opinion on them in our report dated January 9, 2020. We have not performed any auditing procedures since that date.



GLASS JACOBSON, P.A.

Owings Mills, Maryland  
January 11, 2021

**FIDOS FOR FREEDOM, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

<b>ASSETS</b>		
	<b>2020</b>	<b>2019</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 196,965	\$ 91,436
Accounts receivable, net	5,154	75
Prepaid expenses	21,615	15,766
Total current assets	223,734	107,277
<b>PROPERTY AND EQUIPMENT - NET</b>	508,406	524,146
<b>OTHER ASSETS - INTANGIBLES - NET</b>	4,016	4,100
<b>TOTAL ASSETS</b>	\$ 736,156	\$ 635,523
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 27,355	\$ 21,868
Accrued interest	1,031	-
Unearned revenue	1,870	600
Current portion of note payable	-	7,472
Total current liabilities	30,256	29,940
<b>LONG-TERM LIABILITIES</b>		
Note payable	150,000	42,409
Security deposits	4,783	4,428
Total long-term liabilities	154,783	46,837
Total liabilities	185,039	76,777
<b>NET ASSETS</b>		
Without donor restrictions	549,576	528,081
With donor restrictions	1,541	30,665
Total net assets	551,117	558,746
<b>TOTAL LIABILITIES AND NET ASSETS</b>	\$ 736,156	\$ 635,523

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>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
Contributions	\$ 139,096	\$ 24,900	\$ 163,996
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	622	-	622
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>
<b>EXPENSES</b>			
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>
<b>CHANGE IN NET ASSETS</b>	21,495	(29,124)	(7,629)
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>528,081</u>	<u>30,665</u>	<u>558,746</u>
<b>NET ASSETS - END OF YEAR</b>	<u><u>\$ 549,576</u></u>	<u><u>\$ 1,541</u></u>	<u><u>\$ 551,117</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, 2019 (AUDITED)**

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
<b>REVENUE, GAINS AND OTHER SUPPORT</b>			
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>
<b>EXPENSES</b>			
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>
 <b>CHANGE IN NET ASSETS</b>	 9,678	 30,665	 40,343
 <b>NET ASSETS - BEGINNING OF YEAR</b>	 <u>518,403</u>	 <u>-</u>	 <u>518,403</u>
 <b>NET ASSETS - END OF YEAR</b>	 <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 FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020 (REVIEWED)**

	<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	\$ 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
<b>Total expenses</b>	<b>\$ 28,915</b>	<b>\$ 22,020</b>	<b>\$ 126,197</b>	<b>\$ 177,132</b>	<b>\$ 62,017</b>	<b>\$ 45,227</b>	<b>\$ 41,614</b>	<b>\$ 325,990</b>

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 (AUDITED)**

	<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
<b>Total expenses</b>	<b>\$ 30,422</b>	<b>\$ 29,360</b>	<b>\$ 117,567</b>	<b>\$ 177,349</b>	<b>\$ 74,236</b>	<b>\$ 32,208</b>	<b>\$ 44,541</b>	<b>\$ 328,334</b>

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, 2020 (REVIEWED) AND 2019 (AUDITED)**

	<u>2020</u>	<u>2019</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Grants and contributions received	\$ 179,397	\$ 180,381
Program receipts	9,299	9,655
Receipts from special events	19,383	53,089
Rents received	89,781	98,202
Interest received	2,652	2,336
Gain on sale of securities	723	-
Other revenue received	622	6,842
Payments to employees and taxing authorities	(98,993)	(102,369)
Payments to vendors	(181,355)	(174,881)
Interest paid	<u>(1,824)</u>	<u>(2,614)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<u>19,685</u>	<u>70,641</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in other assets - intangibles	(368)	(1,100)
Purchases of property, plant and equipment	<u>(13,907)</u>	<u>(13,577)</u>
<b>NET CASH (USED) BY INVESTING ACTIVITIES</b>	<u>(14,275)</u>	<u>(14,677)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from note payable	150,000	-
Payments on note payable	<u>(49,881)</u>	<u>(7,093)</u>
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<u>100,119</u>	<u>(7,093)</u>
<b>INCREASE IN CASH AND CASH EQUIVALENTS</b>	105,529	48,871
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>91,436</u>	<u>42,565</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 196,965</u>	<u>\$ 91,436</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, 2020 (REVIEWED) AND 2019 (AUDITED)**

	<b>2020</b>	<b>2019</b>
<b>RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Change in net assets	\$ (7,629)	\$ 40,343
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by operating activities:		
Depreciation and amortization	30,099	30,605
Pro bono legal fees received	-	(3,000)
(Increase) decrease in assets		
Accounts receivable	(5,079)	938
Prepaid expenses	(5,849)	(11,128)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	5,487	11,893
Accrued interest	1,031	-
Deferred revenue	1,270	600
Security deposits	355	390
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u>\$ 19,685</u></b>	<b><u>\$ 70,641</u></b>
 <b>SUPPLEMENTAL DISCLOSURES OF NON-CASH OPERATING TRANSACTIONS</b>		
Donated dogs and services recorded as contributions and related expenses	<u>\$ 13,050</u>	<u>\$ 17,100</u>
 <b>SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING TRANSACTIONS</b>		
Pro bono legal fees contributed for the acquisition of other assets - intangibles	<u>\$ -</u>	<u>\$ 3,000</u>

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

**FIDOS FOR FREEDOM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

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**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, 2020 (REVIEWED) AND 2019 (AUDITED)**

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**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 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 for both years ended September 30, 2020 and 2019.

**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, 2020 (REVIEWED) AND 2019 (AUDITED)**

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**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. The Organization did not have any material unrelated business income tax liability for the years ended September 30, 2020 and 2019. 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, 2020 revealed no uncertain tax positions that would have a material impact on the financial statements. The 2016 through 2018 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, 2020 and 2019 was \$13,050 and \$17,100, respectively.

**FIDOS FOR FREEDOM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

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**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 were \$0 and \$4,100 during the years ended September 30, 2020 and 2019, respectively.

The Organization receives substantial and valuable 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 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**

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 14) and disclosures related to net assets were expanded (note 9). The ASU has been applied retrospectively to all periods presented.

Effective October 1, 2019, the Foundation adopted the guidance issued in Accounting Standards Codification 606, "Revenue Recognition – Revenue from Contracts with Customers". This standard was adopted using the modified retrospective method as of October 1, 2019 and did not materially change the Foundation's timing of revenue recognition. Since the Foundation did not identify any accounting changes that impact its revenue recognition timing, no adjustment to net assets was required upon adoption.

**FIDOS FOR FREEDOM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

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**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 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.

**FIDOS FOR FREEDOM, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2020 (REVIEWED) AND 2019 (AUDITED)**

**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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Operating accounts (includes PayPal)	\$ 28,626	\$ 10,350
Money market and savings	168,139	80,886
Petty cash	<u>200</u>	<u>200</u>
 Total Cash	 <u>\$ 196,965</u>	 <u>\$ 91,436</u>

**NOTE 5 - ACCOUNTS RECEIVABLE**

Accounts receivable consists of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Tenant rents	\$ 1,342	\$ 75
Employee retention credit	<u>3,812</u>	<u>-</u>
	5,154	75
 Less allowance for doubtful accounts	 <u>-</u>	 <u>-</u>
 Accounts receivable - net	 <u>\$ 5,154</u>	 <u>\$ 75</u>

**NOTE 6 - PROPERTY AND EQUIPMENT - NET**

Property and equipment consists of the following at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land	\$ 230,090	\$ 230,090
Building	259,464	259,464
Building improvements	463,149	449,241
Furniture and equipment	<u>26,281</u>	<u>26,281</u>
	978,984	965,076
 Less: Accumulated depreciation	 <u>470,578</u>	 <u>440,930</u>
 Property and equipment - net	 <u>\$ 508,406</u>	 <u>\$ 524,146</u>

Depreciation expense was \$29,647 and \$30,605 for the years ended September 30, 2020 and 2019, respectively

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**NOTE 7 - INTANGIBLES – NET**

Intangible assets consists of the following at September 30, 2020 and 2019:

	<b>2020</b>	<b>2019</b>
Logo trademarks	\$ 4,468	\$ 4,100
	4,468	4,100
Less: Accumulated amortization	452	-
Other assets - intangible - net	\$ 4,016	\$ 4,100

Amortization expense was \$452 and \$0 for the years ended September 30, 2020 and 2019, respectively. Amortization expense is expected to be \$452 each year for the next five years.

**NOTE 8 - NOTE PAYABLE**

On June 3, 2020, the Organization obtained a \$150,000 secured note from the U.S. Small Business Administration. 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. Monthly installments of \$641 are being deferred for a twelve-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, 2020 and 2019 was \$150,000 and \$0, respectively.

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 bore interest at 4.850% per annum. Prior to being paid off using reserve funds in June 2020, principal and interest were payable in monthly installments of \$811 through maturity on August 3, 2025.

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**NOTE 8 - NOTE PAYABLE (CONTINUED)**

The balance of the loan at September 30, 2020 and 2019 was \$0 and \$49,882, respectively.

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

Year ending September 30,

2021	\$	-
2022		977
2023		3,640
2024		3,741
2025		3,845
Thereafter		<u>137,797</u>
	\$	<u><u>150,000</u></u>

**NOTE 9 - NET ASSETS**

Net assets with donor restrictions were available for the following purposes at September 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Dog training sponsorships	<u>\$ 1,541</u>	<u>\$ 30,665</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 leased out 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.

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**NOTE 10 - LESSOR LEASES (CONTINUED)**

As of September 30, 2020, seven 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, 2020:

Year ending September 30,

2021	\$	36,333
2022		32,535
2023		32,580
2024		30,600
2025		29,738
Thereafter		<u>13,938</u>
		<u>\$ 175,724</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 60% and 68% of its rent revenue and 18% and 18% of its total revenue and support for the years ended September 30, 2020 and 2019, respectively, are derived from the rent and utility reimbursement of two tenants. One tenant is on a month-to-month lease.

**NOTE 12 - RISKS AND UNCERTAINTIES**

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses in many industries. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. Therefore, the Organization expects this matter to negatively impact its operating results and cash flows, including the postponement of several of the Organization's events. However, the related financial impact and duration cannot be reasonably estimated at this time.

**NOTE 13 - SUBSEQUENT EVENTS**

Management has evaluated subsequent events through January 11, 2021, 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 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS**

The Organization financial assets available to meet cash needs for general expenditures within one year of September 30, 2020 are as follows:

Cash and cash equivalents	\$ 196,965
Accounts receivable	<u>5,154</u>
Total financial assets	202,119
Less: Donor imposed restrictions	<u>1,541</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 200,578</u>

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.