

# **Fidos for Freedom, Inc.**

**Financial Statements  
September 30, 2023  
(With Comparative Totals for September 30, 2022)  
With Independent Auditor's Report Thereon**

**Fidos for Freedom, Inc.**  
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**Year ended September 30, 2023**

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The Board of Directors  
Fidos for Freedom, Inc.  
Laurel, MD

### Opinion

We have audited the accompanying financial statements of Fidos for Freedom, Inc. (“the Organization”) which comprise the statement of financial position as of September 30, 2023, and the related statements of activities and functional expenses and cash flows for the year then ended and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fidos for Freedom at September 30, 2023, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Fidos for Freedom and to meet other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern within one year from the date the financial statements are issued.

### Auditor’s Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

Vivian P. Jenkins, CPA

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Our focus is on your  
operations!

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used, and the reasonableness of, significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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



Silver Spring, MD  
January 24, 2024



**Fidos for Freedom, Inc.**  
Statement of Financial Position  
September 30, 2023  
(With Comparative Totals for September 30, 2022)

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 381,739	\$ 475,016
Accounts receivable	8,449	75
Prepaid expenses and other current assets	16,557	25,922
<i>Total Current Assets</i>	406,745	501,013
Property and equipment, net	829,943	809,165
Intellectual property, net	2,658	3,111
<b>Total Assets</b>	<b>1,239,346</b>	<b>1,313,289</b>
<b>Liabilities and Net Assets</b>		
Liabilities		
Accounts payable and accrued expenses	16,975	28,226
Accrued interest	-	18,906
Deferred revenue	13,955	21,390
Note payable, current	12,008	-
<i>Total Current Liabilities</i>	42,938	68,522
Note payable, net of current portion	478,390	500,000
Tenant deposits	5,793	4,804
<b>Total Liabilities</b>	527,121	573,326
Net Assets		
With Donor Restrictions	22,941	38,212
Without Donor Restrictions	689,284	701,751
<i>Total Net Assets</i>	712,225	739,963
<b>Total Liabilities and Net Assets</b>	<b>\$1,239,346</b>	<b>\$1,313,289</b>

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

**Fidos for Freedom, Inc.**  
Statement of Activities  
Year Ended September 30, 2023  
(With Comparative Totals for the Year Ended September 30, 2022)

	<b>2023 (Audited)</b>			<b>2022</b>
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>(Reviewed) Total</b>
<b>Support and Revenue</b>				
Rental Income	\$ 99,632	\$ -	\$ 99,632	\$ 89,151
Program service fees	9,295	-	9,295	3,939
Government grants	1,538	1,962	3,500	150,761
Private grants and contributions	113,009	20,979	133,988	142,703
In-kind contributions	14,500	-	14,500	16,600
Other income	2,286	-	2,286	2,345
Investment Income	15,857	-	15,857	3,478
	<u>256,117</u>	<u>22,941</u>	<u>279,058</u>	<u>408,977</u>
Gross special events revenue	120,550	-	120,550	118,256
Less cost of direct benefits to donors	<u>(71,840)</u>	<u>-</u>	<u>(71,840)</u>	<u>(61,792)</u>
Net special events revenue	48,710	-	48,710	56,464
Net assets released from restriction	38,212	<u>(38,212)</u>	<u>-</u>	<u>-</u>
Total Support and Revenue	<u>343,039</u>	<u>(15,271)</u>	<u>327,768</u>	<u>465,441</u>
<b>Expenses</b>				
Program Services	201,730	-	201,730	221,330
Building	70,020	-	70,020	74,989
Management and General	45,213	-	45,213	50,142
Fundraising	38,543	-	38,543	45,691
Total Expense	<u>355,506</u>	<u>-</u>	<u>355,506</u>	<u>392,152</u>
Change in Net Assets	(12,467)	(15,271)	(27,738)	73,289
Net Assets, Beginning of Year	<u>701,751</u>	<u>38,212</u>	<u>739,963</u>	<u>666,674</u>
Net Assets, End of Year	<u>\$ 689,284</u>	<u>\$ 22,941</u>	<u>\$ 712,225</u>	<u>\$ 739,963</u>

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

**Fidos for Freedom, Inc.**  
Statement of Functional Expenses  
Year Ended September 30, 2023 (Audited)

	<u>Program Services</u>				Building	Management and General	Fundraising	<u>Cost of Direct Benefits to Donors</u>	
	<u>Community Education</u>	<u>Service Dogs</u>	<u>Therapy Dogs</u>	<u>Total</u>				<u>Donors</u>	<u>Total</u>
Wages/Salaries	\$ 9,764	\$ 23,868	\$ 3,268	\$ 36,901	\$ 18,830	\$ 10,869	\$ 29,992	\$ -	\$ 96,591
Payroll Taxes/Direct Deposit Costs	778	1,711	311	2,800	1,633	855	2,489	-	7,777
Licenses, Permits, Fees	-	-	-	-	20	-	603	-	623
Members/Subscriptions Expense	1,803	1,312	705	3,820	-	2,357	3,600	-	9,777
Seminars/Staff Development	50	-	-	50	-	25	-	-	75
Office Expense	33	84	-	117	37	2,744	50	-	2,948
Insurance Expense	995	995	995	2,985	1,885	1,723	-	-	6,593
Professional Fees	-	-	-	-	-	6,250	749	-	6,999
Interest/Service Charges	394	396	395	1,184	988	12,682	-	-	14,855
Depreciation and Amortization	8,483	8,645	8,645	25,774	20,659	3,092	-	-	49,524
Facility Expenses	10,442	10,886	10,442	31,770	25,967	4,407	-	-	62,144
Client Services	-	932	-	932	-	-	-	-	932
Training Expenses	123	18,787	-	18,910	-	-	-	-	18,910
Food and Supplies	443	19,498	-	19,941	-	-	-	-	19,941
Veterinary Expenses	-	48,967	-	48,967	-	-	-	-	48,967
Educational Materials	575	-	-	575	-	-	191	-	766
Website/Online Expenses	2,500	-	-	2,500	-	-	-	-	2,500
Miscellaneous Program Expenses	1,265	1,548	1,587	4,401	-	-	-	-	4,401
Prizes	24	-	-	24	-	-	-	5,750	5,774
Rent and Facilities Costs	-	-	-	-	-	-	-	13,178	13,178
Food and Beverages	-	-	-	-	-	-	-	29,726	29,726
Entertainment	-	-	-	-	-	-	-	23,127	23,127
Other Expenses	-	40	40	81	-	-	869	58	1,008
Loss on Disposal of Assets	-	-	-	-	-	209	-	-	209
<b>Total expenses by function</b>	<b>37,673</b>	<b>137,668</b>	<b>26,389</b>	<b>201,731</b>	<b>70,019</b>	<b>45,213</b>	<b>38,543</b>	<b>71,840</b>	<b>427,345</b>
Less expenses included with revenues on the statement of activities									
Cost of direct benefits to donors	-	-	-	-	-	-	-	(71,840)	(71,840)
<b>Total expenses included in expense section on the statement of activities</b>	<b>\$ 37,673</b>	<b>\$ 137,668</b>	<b>\$ 26,389</b>	<b>\$ 201,731</b>	<b>\$ 70,019</b>	<b>\$ 45,213</b>	<b>\$ 38,543</b>	<b>\$ -</b>	<b>\$ 355,506</b>

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

**Fidos for Freedom, Inc.**  
Statement of Functional Expenses  
Year Ended September 30, 2022 (Reviewed)

	<u>Program Services</u>								<u>Cost of Direct Benefits to Donors</u>	
	<u>Community Education</u>	<u>Service Dogs</u>	<u>Therapy Dogs</u>	<u>Total</u>					<u>Building</u>	<u>Management and General</u>
Wages and Salaries	\$ 11,524	\$ 24,295	\$ 3,635	\$ 39,454	\$ 21,135	\$ 12,545	\$ 34,940	\$ -	\$ 108,074	
Payroll Taxes	861	1,893	344	3,098	1,807	947	2,754	-	8,606	
Licenses, Permits, Fees	-	-	-	-	613	-	636	-	1,250	
Membership and Subscriptions	741	1,227	682	2,650	-	2,351	3,400	-	8,401	
Seminars and Staff Development	177	-	-	177	-	10	-	-	187	
Office Expense	21	82	93	196	36	2,701	29	-	2,963	
Insurance Expense	957	957	957	2,871	1,422	1,621	-	-	5,914	
Professional Fees	-	-	-	-	-	21,020	-	-	21,020	
Direct Deposit Expenses	13	30	5	49	28	15	43	-	135	
Interest/Service Charges	2,369	2,365	2,365	7,099	5,922	915	1,135	-	15,070	
Depreciation and Amortization	5,747	5,910	5,910	17,567	13,965	2,090	-	-	33,622	
Facility Expenses	11,198	14,363	11,198	36,759	30,037	5,902	-	-	72,699	
Client Services	-	847	-	847	-	-	-	-	847	
Training Expenses	-	22,381	-	22,381	-	-	-	-	22,381	
Food and Supplies	-	17,071	-	17,071	-	-	-	-	17,071	
Veterinary Expenses	-	48,050	-	48,050	-	-	-	-	48,050	
Miscellaneous Program Expenses	15,057	2,565	3,049	20,671	22	-	146	-	20,839	
Prizes	-	-	-	-	-	-	-	26,773	26,773	
Rent and Facilities Costs	-	-	-	-	-	-	-	19,231	19,231	
Food and Beverages	-	-	-	-	-	-	-	4,096	4,096	
Entertainment	-	-	-	-	-	-	-	8,000	8,000	
Other Expenses	691	-	1,699	2,390	-	-	2,608	3,692	8,690	
Loss on Disposal of Assets	-	-	-	-	-	26	-	-	26	
<b>Total expenses by function</b>	<b>49,356</b>	<b>142,036</b>	<b>29,938</b>	<b>221,330</b>	<b>74,989</b>	<b>50,142</b>	<b>45,691</b>	<b>61,792</b>	<b>453,944</b>	
Less expenses included with revenues on the statement of activities										
Cost of direct benefits to donors	-	-	-	-	-	-	-	(61,792)	(61,792)	
<b>Total expenses included in expense section on the statement of activities</b>	<b>\$ 49,356</b>	<b>\$ 142,036</b>	<b>\$ 29,938</b>	<b>\$ 221,330</b>	<b>\$ 74,989</b>	<b>\$ 50,142</b>	<b>\$ 45,691</b>	<b>\$ -</b>	<b>\$ 392,152</b>	

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

**Fidos for Freedom, Inc.**  
Statement of Cash Flows  
Year Ended September 30, 2023  
(With Comparative Totals for the Year Ended September 30, 2022)

	<b>2023</b>	<b>2022</b>
	<b>(Audited)</b>	<b>(Reviewed)</b>
<i>Cash flow from operating activities:</i>		
Contributions and grants received	\$ 131,746	\$ 371,248
Program service payments received	9,295	3,881
Receipts from special events	47,024	120,561
Rents received	98,648	90,934
Interest received	15,772	3,478
Other receipts	707	1,392
Payments to employees and taxing authorities	(104,368)	(111,179)
Payments to vendors	(193,744)	(309,006)
Interest paid	(18,906)	-
<i>Net cash provided (used) by operating activities</i>	<u>(13,826)</u>	<u>171,309</u>
<i>Cash flow from investing activities:</i>		
Purchases of property and equipment	(69,850)	(295,597)
<i>Net cash used by investing activities</i>	<u>(69,850)</u>	<u>(295,597)</u>
<i>Cash flow from financing activities:</i>		
Repayments of note payable	(9,601)	-
<i>Net cash used by financing activities</i>	<u>(9,601)</u>	<u>-</u>
Net decrease in cash	(93,277)	(124,288)
Cash at the beginning of the year	<u>475,016</u>	<u>599,304</u>
<b>Cash at the end of the year</b>	<b><u>\$ 381,739</u></b>	<b><u>\$ 475,016</u></b>

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

# Fidos for Freedom, Inc.

Notes to Financial Statements

September 30, 2023

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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 assistances dogs for mobility challenged individuals, people who are deaf or hard of hearing, and veterans with combat related PTSD. In addition, the Organization provides visits with 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, the Organization provides 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.

### **Concentration Risk**

The Organization has managed significant cash balances that are subject to concentration risk as of September 30, 2023. Throughout the year, the Organization maintained remaining proceeds from a Small Business Administration loan, totaling \$260,000. Additionally, the Organization held reserves in Vanguard investment accounts, typically ranging between \$75,000- \$80,000. The Organization's cash balances do not surpass the \$500,000 threshold set by the Securities Investor Protection Corporation (SIPC). Furthermore, the Organization's cash holdings in any financial institution did not exceed the coverage limits of the Federal Deposit Insurance Corporation (FDIC) .

# Fidos for Freedom, Inc.

Notes to Financial Statements

September 30, 2023

The Organization owns a building, which houses its office and operations. The Organization leases space from this building to tenants. Nearly 75% and 79% of its rent revenue and 12% and 15% of its total revenue and support for the years ended September 30, 2023, and 2022, respectively, are derived from the rent and utility reimbursement of two tenants.

During 2022, the Organization received two one-time restricted grants to renovate the building's facades and interior. Nearly 51% of its contribution revenue and 28% of its total revenue and support for the year ended September 30, 2022, are derived from the two grants.

## 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.

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, 2023 and 2022:

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
Operating accounts	\$ 73,542	\$ 309,565
Money market and savings	308,038	165,262
Petty cash	159	189
Total Cash	<u>\$ 381,739</u>	<u>\$ 475,016</u>

## 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 programs 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.

# Fidos for Freedom, Inc.

Notes to Financial Statements

September 30, 2023

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Rent revenue is recognized over time per the terms of the lease agreements. For tenants previously 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 primarily due from tenants (Note 8). 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 that no allowance for doubtful accounts was required for the years ended September 30, 2023, and 2022.

## 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, if applicable. The Organization did not have any material unrelated business income tax liability for the years ended September 30, 2023, and 2022. 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, 2023, revealed no uncertain tax positions that would have a material impact on the financial statements, and management 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.

# Fidos for Freedom, Inc.

Notes to Financial Statements

September 30, 2023

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## **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.

## **Donated Goods and Services**

The Organization receives 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 goods received that meet the aforementioned criteria were \$14,500 and \$16,600 during the years ended September 30, 2023 and 2022, respectively.

The Organization receives substantial and valuable donations of services by volunteers who assist in the training of Assistance 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.

## **Adoption of New Accounting Standard**

In February 2016 the Financial Accounting Standards Board (FASB) issued Accounting Standards Codification (ASC), *Leases* (Topic 842), with subsequent amendments issued in 2018. Lessor accounting remains substantially the same as ASC 840, but with some targeted improvements to align lessor accounting with the lessee accounting model and with the revised revenue recognition guidance under ASC 606. The new standard and amendments require new qualitative and quantitative disclosures. The Organization adopted ASC 842 effective October 1, 2022.

# Fidos for Freedom, Inc.

Notes to Financial Statements

September 30, 2023

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## Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326)*, Measurement of Credit Losses on Financial Instruments (ASU 2016-13). The standard's main goal is to improve financial reporting by requiring earlier recognition of credit losses on financing receivables and other financial assets in scope. The standard is effective for fiscal years beginning after December 15, 2022. Management is evaluating the impact this will have on financial statements for the fiscal year ending September 30, 2024, the first year in which the standard is effective for the organization.

## Reclassifications

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

## Subsequent Events

Management evaluates subsequent events through the date which the financial statements were available to be issued. The accompanying financial statements recognize the effects of subsequent events that provided evidence about conditions that existed at the statement of financial position date, including the estimates inherent in the process of preparing financial statements. The accompanying financial statements do not recognize the effect of subsequent events with conditions that did not exist at the statement of financial position date (Note 11).

## 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;

# Fidos for Freedom, Inc.

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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 approximate 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 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following on September 30, 2023 and 2022:

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
Land	\$ 230,090	\$ 230,090
Building	259,464	259,464
Building improvements	897,606	827,756
Furniture and equipment	27,093	27,093
	<u>1,414,253</u>	<u>1,344,403</u>
Less: Accumulated depreciation	<u>(584,310)</u>	<u>(535,238)</u>
Property and equipment, net	<u>\$ 829,943</u>	<u>\$ 809,165</u>

Depreciation is included in facilities expenses in the statement of functional expenses. Depreciation expenses were \$49,072 and \$33,170 for the years ended September 30, 2023 and 2022, respectively.

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## NOTE 5 - INTANGIBLE ASSETS

Intangible assets consist of the following at September 30, 2023 and 2022:

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
Logo trademarks	\$ 4,511	\$ 4,511
Less: Accumulated amortization	<u>(1,853)</u>	<u>(1,400)</u>
Intellectual property, net	<u>\$ 2,658</u>	<u>\$ 3,111</u>

Amortization expense was \$452 and \$452 for the years ended September 30, 2023 and 2022, respectively. Over the next five years, amortization is expected to be \$452 for each year.

## NOTE 6 - 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 experienced a temporary loss of revenue due to COVID-19. At a fixed rate of 2.75% per annum, interest was 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 were deferred for a thirty-month period beginning the date of the promissory note. The beginning of repayment of the note was postponed twice by SBA, and commenced in December, 2022. Upon expiration of the deferment period, each payment was applied first to interest accrued to the date of receipt of each payment, and the balance, if any, was applied to principal. The note is payable thirty years from the date of the promissory note, maturing in October 2049. The note is secured by all tangible and intangible assets owned by the Organization.

The balance of the loan at September 30, 2023 and 2022 was \$490,398 and \$500,000, respectively.

Aggregate annual maturities of the SBA note payable are as follows:

<u>Years ending September 30,</u>	
2024	\$ 12,008
2025	13,449
2026	13,823
2027	14,208
2028	14,604
Thereafter	<u>422,306</u>
	<u>\$ 490,398</u>

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## NOTE 7 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available for the following purposes at September 30, 2023 and 2022:

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
Subject to the passage of time	\$ -	\$ -
Subject to expenditure for specified purpose:		
Dog sponsorships	\$ 20,979	\$ 5,921
Nutritional supplements	1,962	530
Construction	-	31,761
Total	<u>\$ 22,941</u>	<u>\$ 38,212</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose as follows for the year ended September 30, 2023:

Satisfaction of purpose restrictions	
Dog sponsorships	\$ (5,921)
Nutritional supplements	(530)
Construction	<u>(31,761)</u>
Total	<u>\$ (38,212)</u>

## NOTE 8 - 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 (Note 4). The Organization is responsible for all taxes, maintenance costs, insurance premiums, and utilities for all but their two largest tenants.

At September 30, 2023, seven of the ten tenants are on 1- to 15-year leases. Accounting principles generally accepted in the United States of America require that the total rent receivable from long-term leases should be recognized on a straight-line basis over the lease terms. Accordingly, the difference between the actual monthly receipts and the rental income recognized on the statement of activities is reported as a rent receivable asset or deferred rent liability on the statement of financial position.

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The following is a schedule of future minimum rentals under the long-term leases at September 30, 2023:

Years ending September 30,

2024	\$	77,838
2025		72,975
2026		61,884
2027		60,096
2028		<u>60,384</u>
	\$	<u>333,177</u>

### NOTE 9 - IN-KIND CONTRIBUTIONS

For the year ended September 30, 2023 and September 30, 2022, contributed nonfinancial assets recognized within the statement of activities included service dogs valued at \$14,500 and \$16,600, respectively. The dogs are valued using estimated U.S. principal market prices of identical or similar animals using pricing data under a “like-kind” methodology considering the dogs’ condition and utility for use at the time of the contribution. Contributed service dogs are used in program services.

### NOTE 10 - LIQUIDITY AND AVAILABILITY

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

	<b>2023</b> <b>(Audited)</b>	<b>2022</b> <b>(Reviewed)</b>
Cash and cash equivalents	\$ 381,739	\$ 475,016
Accounts receivable, net	<u>8,449</u>	<u>75</u>
Total financial assets	390,188	475,091
Less: Donor imposed restrictions	<u>(22,941)</u>	<u>(38,212)</u>
Available to meet cash needs within one year	<u>\$ 367,247</u>	<u>\$ 436,879</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.

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## **NOTE 11 - SUBSEQUENT EVENTS**

Management has evaluated the subsequent events after the statement of financial position date of September 30, 2023, through January 24, 2024. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.