

NEW HORIZONS SERVICE DOGS, INC.

Financial Statements
And
Independent Auditor's Report

December 31, 2018 and 2017



Certified Public Accountants & Advisors

NEW HORIZONS SERVICE DOGS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
New Horizons Service Dogs, Inc.

We have audited the accompanying financial statements of New Horizons Service Dogs, Inc. (a nonprofit organization) which comprise the statements of financial position as of December 31, 2018 and 2017, and the related statements of activities and changes in net assets and cash flows and statements of functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons Service Dogs, Inc. as of December 31, 2018 and 2017, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on pages 7 and 8 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Grennan Fender Hess & Poparad LLP

Grennan Fender Hess & Poparad LLP
Orlando, Florida
April 15, 2019

NEW HORIZONS SERVICE DOGS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|--|--------------------------|--------------------------|
| <u>ASSETS</u> | | |
| CURRENT ASSETS | | |
| Cash | \$ 763,799 | \$ 194,957 |
| Accounts receivable | 11,200 | 11,200 |
| Prepaid insurance | 12,038 | 10,765 |
| TOTAL CURRENT ASSETS | <u>787,037</u> | <u>216,922</u> |
| PROPERTY AND EQUIPMENT, net | <u>130,981</u> | <u>120,112</u> |
| TOTAL ASSETS | <u><u>\$ 918,018</u></u> | <u><u>\$ 337,034</u></u> |
| <u>LIABILITIES AND NET ASSETS</u> | | |
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 13,645 | \$ 14,397 |
| Accrued expenses | 8,082 | - |
| TOTAL LIABILITIES | <u>21,727</u> | <u>14,397</u> |
| NET ASSETS | | |
| Unrestricted | <u>896,291</u> | <u>322,637</u> |
| TOTAL NET ASSETS | <u>896,291</u> | <u>322,637</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u><u>\$ 918,018</u></u> | <u><u>\$ 337,034</u></u> |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2018

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Contributions | \$ 970,121 | \$ - | \$ 970,121 |
| In-kind contributions and services | 41,099 | - | 41,099 |
| Other income | 22,930 | - | 22,930 |
| Interest Income | 428 | - | 428 |
| TOTAL SUPPORT AND REVENUES | <u>1,034,578</u> | <u>-</u> | <u>1,034,578</u> |
| EXPENSES | | | |
| Program activities | 429,405 | - | 429,405 |
| Management and general | 29,450 | - | 29,450 |
| Fundraising | 2,069 | - | 2,069 |
| TOTAL EXPENSES | <u>460,924</u> | <u>-</u> | <u>460,924</u> |
| CHANGE IN NET ASSETS | 573,654 | - | 573,654 |
| NET ASSETS, BEGINNING | <u>322,637</u> | <u>-</u> | <u>322,637</u> |
| NET ASSETS, ENDING | <u>\$ 896,291</u> | <u>\$ -</u> | <u>\$ 896,291</u> |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2017

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|------------------------------------|---------------------|-----------------------------------|-------------------|
| SUPPORT AND REVENUES | | | |
| Contributions | \$ 171,879 | \$ 60,000 | \$ 231,879 |
| In-kind contributions and services | 34,149 | - | 34,149 |
| Interest Income | 247 | - | 247 |
| TOTAL SUPPORT AND REVENUES | <u>206,275</u> | <u>60,000</u> | <u>266,275</u> |
| EXPENSES | | | |
| Program activities | 309,295 | 60,000 | 369,295 |
| Management and general | 33,281 | - | 33,281 |
| Fundraising | 5,213 | - | 5,213 |
| TOTAL EXPENSES | <u>347,789</u> | <u>60,000</u> | <u>407,789</u> |
| CHANGE IN NET ASSETS | (141,514) | - | (141,514) |
| NET ASSETS, BEGINNING | <u>464,151</u> | <u>-</u> | <u>464,151</u> |
| NET ASSETS, ENDING | <u>\$ 322,637</u> | <u>\$ -</u> | <u>\$ 322,637</u> |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

| | <u>2018</u> | <u>2017</u> |
|---|--------------------------|--------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Changes in net assets | \$ 573,654 | \$ (141,514) |
| Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 13,865 | 19,194 |
| Net changes in operating assets and liabilities: | | |
| Accounts receivable | - | (11,200) |
| Prepaid expenses | (1,273) | (1,758) |
| Accounts payable | (752) | (9,464) |
| Accrued expenses | 8,082 | 5,613 |
| | <u>593,576</u> | <u>(139,129)</u> |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | | |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchases of property and equipment | (24,734) | (10,540) |
| Disposal of property and equipment | - | 3,794 |
| | <u>(24,734)</u> | <u>(6,746)</u> |
| NET CASH USED IN FINANCING ACTIVITIES | | |
| NET INCREASE (DECREASE) IN CASH | 568,842 | (145,875) |
| CASH, BEGINNING OF YEAR | <u>194,957</u> | <u>340,832</u> |
| CASH, END OF YEAR | <u><u>\$ 763,799</u></u> | <u><u>\$ 194,957</u></u> |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2018

| | PROGRAM ACTIVITIES | SUPPORTING SERVICES | | TOTAL |
|------------------------------------|-----------------------|---------------------------|-----------------|-------------------|
| | | MANAGEMENT AND GENERAL | FUNDRAISING | |
| Advanced training | \$ 114,241 | \$ - | \$ - | \$ 114,241 |
| Salaries | 68,381 | 3,955 | 305 | 72,641 |
| Supplies - animal | 66,029 | 303 | - | 66,332 |
| Vet expense | 53,352 | - | - | 53,352 |
| Auto expense | 24,976 | 3,488 | 250 | 28,714 |
| Rent and storage | 21,600 | - | - | 21,600 |
| Insurance | 18,380 | 2,638 | - | 21,018 |
| Depreciation expense | 11,092 | 2,773 | - | 13,865 |
| Legal & professional | - | 9,500 | - | 9,500 |
| Contract labor | 8,867 | 34 | - | 8,901 |
| Repairs & maintenance | 8,196 | 433 | - | 8,629 |
| Travel & meetings | 7,606 | 568 | - | 8,174 |
| Taxes | 5,726 | 600 | - | 6,326 |
| Utilities | 4,186 | 998 | - | 5,184 |
| Telephone | 3,750 | 814 | - | 4,564 |
| Printing, publications and postage | 2,895 | 95 | 1,314 | 4,304 |
| Miscellaneous expense | 1,191 | 2,294 | - | 3,485 |
| Office expense | 2,840 | 479 | - | 3,319 |
| Meals & entertainment | 2,782 | 45 | - | 2,827 |
| Dues & subscriptions | 2,255 | 285 | 200 | 2,740 |
| Supplies - business | 993 | (11) | - | 982 |
| Interest | - | 99 | - | 99 |
| Advertising | 30 | 60 | - | 90 |
| Licenses and permits | 37 | - | - | 37 |
| TOTAL FUNCTIONAL EXPENSES | \$ 429,405 | \$ 29,450 | \$ 2,069 | \$ 460,924 |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2017

| | PROGRAM ACTIVITIES | SUPPORTING SERVICES | | TOTAL |
|------------------------------------|-----------------------|---------------------------|-----------------|-------------------|
| | | MANAGEMENT AND GENERAL | FUNDRAISING | |
| Advanced training | \$ 89,167 | \$ - | \$ - | \$ 89,167 |
| Salaries | 53,881 | 3,575 | 2,659 | 60,115 |
| Vet expense | 49,587 | - | - | 49,587 |
| Supplies - animal | 46,989 | 663 | 520 | 48,172 |
| Rent and storage | 25,800 | - | - | 25,800 |
| Auto expense | 19,132 | 1,557 | - | 20,689 |
| Depreciation expense | 15,355 | 3,839 | - | 19,194 |
| Insurance | 17,072 | 1,963 | - | 19,035 |
| Repairs & maintenance | 13,876 | 583 | - | 14,459 |
| Travel & meetings | 8,996 | 1,434 | - | 10,430 |
| Legal & professional | - | 9,500 | - | 9,500 |
| Utilities | 5,795 | 1,449 | 291 | 7,535 |
| Supplies - business | 5,872 | 931 | 117 | 6,920 |
| Telephone | 4,221 | 1,049 | - | 5,270 |
| Taxes | 3,984 | 811 | - | 4,795 |
| Dues & subscriptions | 3,607 | 447 | - | 4,054 |
| Miscellaneous expense | 1,108 | 1,766 | 830 | 3,704 |
| Loss on disposal of asset | - | 3,567 | - | 3,567 |
| Meals & entertainment | 1,949 | 15 | 46 | 2,010 |
| Printing, publications and postage | 1,514 | - | - | 1,514 |
| Contract labor | 1,345 | - | - | 1,345 |
| Fundraising expense | - | - | 750 | 750 |
| Interest | - | 105 | - | 105 |
| Advertising | 45 | - | - | 45 |
| Licenses and permits | - | 27 | - | 27 |
| TOTAL FUNCTIONAL EXPENSES | \$ 369,295 | \$ 33,281 | \$ 5,213 | \$ 407,789 |

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 1 – NATURE OF ORGANIZATION

New Horizons Service Dogs, Inc. (the “Organization”) is a nonprofit, Florida corporation. The Organization was formed on April 17, 1995 to provide trained and certified service dogs to assist persons with disabilities, provide ongoing support to puppy raisers and raise public awareness regarding the needs of the disabled. The Organization’s support comes primarily from donor contributions.

Puppies derived from breeder canines are either held for breeding, placed with puppy raisers or are sold. Use of each canine depends primarily on an evaluation of individual behavioral characteristics. Breeder canines and puppies are raised and cared for by volunteer families or individuals until the Organization requires the canine for breeding purposes or to begin training for service work. Once a canine has completed service training, it is eligible for placement. Upon placement, the canine and the disabled partner go through a training period together and become a team. Lifetime follow-up and support is provided for each team.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The Organization has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to donor-imposed stipulations. Unrestricted net assets may be designated for specific purposes by the action of the Board of Directors.

Temporarily restricted net assets – Net assets whose use by the Organization is subject to donor-imposed restrictions that can be fulfilled by actions of the Organization pursuant to those restrictions or that expire by the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets – Net assets subject to donor imposed restrictions that require them to be maintained permanently by the Organization.

As of December 31, 2018 and 2017 the Organization had no permanently or temporarily restricted net assets.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of Accounting

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

The Organization's cash consists of demand deposits with multiple financial institutions, which are insured through the Federal Depository Insurance Corporation ("FDIC"). The FDIC provides insurance limits up to \$250,000 per financial institution. The Organization did not exceed the FDIC insurance limits for the year ended December 31, 2017 and exceeded the FDIC insurance limit by \$513,831 as of December 31, 2018. The Organization has not historically incurred losses on such accounts.

Contributions Receivable

Contributions are recorded as receivables in the year the pledge is made. The Organization had \$11,200 of contributions receivable at December 31, 2018 and 2017.

Property and Equipment

Property and equipment are reported on the basis of cost and depreciated using the straight-line method over the estimated useful lives of the assets which range from four to thirty years. Donated property and equipment are recorded at fair value on the date of the contribution. Maintenance and repairs are expensed as incurred and major replacements and improvements, with a cost in excess of \$500, are capitalized.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statement and the reported amounts of revenues and expense during the reporting period. Actual results could differ from those estimates.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized and recorded as increases in net assets when realized or realizable and earned at their estimated fair values on the dates of donation. Contributed services are recognized as revenue if the services create or enhance non-financial data or require specialized skills provided by individuals possessing those skills, and typically need to be purchased if not provided by donation. Contributed goods are recorded at fair market value.

During 2018, contributed services that would have otherwise been purchased consisted of approximately \$18,700 and \$7,200 for dog food and veterinarian supplies and services, respectively. These services were allocated amongst the Organization’s various programs and activities.

During 2017, contributed services that would have otherwise been purchased consisted of approximately \$18,800 and \$5,500 for dog food and veterinarian supplies and services, respectively. These services were allocated amongst the Organization’s various programs and activities.

Contributed volunteer services and puppy raising costs received but not recorded in the financial statements during 2018 and 2017 consist of the following:

- Volunteer service hours to support the programs and the general operations of the Organization were approximately 2,150 and 1800 during the years ended December 30, 2018 and 2017, respectively. The value of these service hours and costs are not recorded in the financial statements as management is unable to verify the actual fair market value of these services and costs.
- Community service hours - received for building repairs, animal and yard clean-up, and landscaping work were mandated by the judicial system. The value of community service hours are not recorded in the financial statements because they are not considered voluntarily contributed services.

| | <u>Approximate Number of Hours</u> | <u>Estimated Fair Market Value</u> |
|------|--|--|
| 2018 | 1,230 | \$ 12,300 |
| 2017 | 1,200 | \$ 12,000 |

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

- Breeder and puppy raisers hours and their out of pocket raising costs - received for daily growth, obedience classes, socializing, grooming, and veterinarian care. The value of these service hours and costs are not recorded in the financial statements because management is unable to adequately measure the fair market value of these services and costs due to the inexact nature of the benefits provided by these volunteers.

| | Approximate Number of Hours | Estimated Fair Market Value |
|------|--------------------------------|--------------------------------|
| 2018 | 128,600 | \$ 219,500 |
| 2017 | 132,000 | \$ 217,000 |

Liquidity

Assets are presented in the accompanying statement of financial position according to their nearness of conversion to cash and liabilities according to the nearness of their maturity and resulting use of cash.

In-Kind Contributions and Services

Contributions of non-cash goods and similar items, such as medical services, are recorded at the estimated fair value on the date of the contribution.

Fair value of Financial Instruments

The carrying value of assets and liabilities approximates fair value due to the short maturity of these instruments.

Tax Exempt Status

The Organization is exempt from federal 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 as an organization other than a private foundation under Section 509(a)(2). Additionally, the Organization is exempt from state income taxes pursuant to Chapter 220.13 of the Florida Statutes. Accordingly, no provision for income taxes has been recorded.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Tax Exempt Status (*Continued*)

The Organization recognizes the financial statement effects from a tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. Examples of tax positions include the tax-exempt status of the Organization and various positions related to the potential sources of unrelated business taxable income. The Organization's tax returns are filed annually and are subject to examination by federal, state and other applicable agencies, for the tax years 2016, 2015, and 2014 and may change upon examination. There are no open federal or state tax years under audit.

Financial Accounting Standards Board issued ASC 740-10 (Accounting for Uncertainty in Income Taxes), which prescribed a comprehensive model for how a company should measure, recognize, present, and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take. The Organization adopted ASC 740-10 and has not taken any uncertain tax positions that require disclosure in the financial statements.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program services and supporting activities benefited.

Recent Accounting Pronouncements

In August 2016, the FASB issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The new standard changes presentation and disclosure requirements with the intention of helping nonprofits provide more relevant information about their resources to donors, grantors, creditors and other financial statement users. This pronouncement decreases the number of net assets classes from three to two. The new classes will be "net assets with donor restrictions" and "net assets without donor restrictions." The standard will take effect for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Therefore, this ASU will be effective for the Organization's fiscal year ending December 31, 2018. Management is in the process of evaluating the impact of this new guidance.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (*Continued*)

Recent Accounting Pronouncements (*Continued*)

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This guidance is intended to improve comparability of accounting treatment for revenue recognition across geographies and industries, and to provide more useful information to financial statement readers through enhanced disclosure requirements. It replaces industry-specific guidance with a principles-based approach for revenue recognition, and is a step toward convergence of accounting principles generally accepted in the United States of America and International Financial Reporting Standards. In general, it requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This ASU, as deferred one year by ASU No. 2015-14, is effective for annual reporting periods beginning after December 15, 2018, and interim periods within annual periods beginning after December 31, 2019. Therefore, this ASU will be effective for the Organization for the fiscal year December 31, 2019. The ASU permits the use of either of two methods: a full retrospective or a retrospective with the cumulative effect and additional disclosures. Management has not yet selected a transition method, as the Organization is currently evaluating the impact of the new standard on its sources of support and financial statements, and is reviewing its revenue recognition policies and processes for any necessary amendments.

Reclassification

Certain Items in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

NOTE 3 – RELATED PARTY TRANSACTIONS

During 2009, the Organization entered a non-employment contract agreement with its Executive Director for compensation in exchange for administration of the Organization's day to day operations at a rate of \$40 per hour. During 2018 and 2017, the Organization did not pay the Executive Director fees related to the terms of the contract. The Executive Director volunteered an estimated 3,120 hours of un-compensated services to the Organization during 2018 and 2017, respectively. The value of the contract has not been recorded in the accompanying financial statements.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 4 - FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The Organization measures its investments at fair value on a recurring basis. The inputs used to develop fair value measures are ranked to indicate the quality and reliability of the resulting fair value measures, as follows:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

In determining the appropriate levels, the Organization performs a detailed analysis of the assets and liabilities that are measured at fair value. The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

NOTE 5 – PROPERTY AND EQUIPMENT, NET

Property and equipment, net consisted of the following at December 31, 2018 and 2017:

| | <u>2018</u> | <u>2017</u> |
|--------------------------------|-------------------|-------------------|
| Buildings | \$ 151,302 | \$ 151,302 |
| Leasehold improvements | 30,662 | 30,662 |
| Furniture and equipment | 48,985 | 45,966 |
| Vehicle | 168,698 | 147,082 |
| Computers | 4,989 | 4,989 |
| | <u>404,636</u> | <u>380,001</u> |
| LESS: Accumulated depreciation | <u>(293,655)</u> | <u>(279,889)</u> |
| | 110,981 | 100,112 |
| PLUS: Land | <u>20,000</u> | <u>20,000</u> |
| | <u>\$ 130,981</u> | <u>\$ 120,112</u> |

Depreciation expense for the year ended December 31, 2018 and 2017 was \$13,865 and \$19,194 , respectively.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 6 - CONCENTRATIONS

The Organization's financial instruments that are exposed to concentrations of credit risk consist of cash and cash equivalents, which include checking accounts with federally insured financial institutions. Such accounts may at times exceed federally insured limits. The Organization has not experienced any losses on such accounts.

NOTE 7 – IN-KIND CONTRIBUTIONS AND SERVICES

During 2018 and 2017, the Organization received donations of food and various other services. Donated items are recorded as contributions and capitalized or expensed in the period received at fair market value. A summary of the in-kind contributions received is as follows:

| | 2018 | 2017 |
|-----------------|------------------|------------------|
| Animal supplies | \$ 18,679 | \$ 19,039 |
| Other | 9,740 | 9,641 |
| Veterinary fees | 7,180 | 5,469 |
| Vehicle | 5,500 | - |
| | <u>\$ 41,099</u> | <u>\$ 34,149</u> |

Consistent with generally accepted accounting principle for not-for-profit organizations, donated services are recognized as contributions if the services create or enhance nonfinancial assets or require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The value of contributed time by unpaid volunteers is not reflected on these financial statements because the services did not enhance non-financial assets and the agency would not pay for the services if they were not donated.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization conducts parts of its operations from a leased facility in Wellington, Florida. The lease for this facility is classified as an operating lease, and it expired on June 30, 2018. They have continued on a month to month basis under the same terms through December 31, 2018.

Total rent expense during the year ended December 31, 2018 and 2017 was \$21,600 and \$25,800, respectively.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2018 AND 2017

NOTE 9 – ECONOMIC DEPENDENCE

The Organization is dependent upon the continued support from individuals to fund its operations, as services fees are not sufficient to cover the costs of the program.

In addition, the Organization receives substantial support from individuals, businesses and governmental entities in the Central Florida area. The financial strength of the Organization is therefore contingent upon the economy of Central Florida.

NOTE 10 – SUBSEQUENT EVENTS

Subsequent events were evaluated through April 15, 2019, which is the date the financial statements were available to be issued.