

**NEW HORIZONS SERVICE DOGS, INC.**

Financial Statements  
And  
Independent Auditor's Report

December 31, 2019 and 2018



Certified Public Accountants & Advisors

# NEW HORIZONS SERVICE DOGS, INC.

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
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, 2019 and 2018, and the related statements of activities and changes in net assets, and cash flows for the years then ended, and the related notes to the financial statements.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Horizons Service Dogs, Inc. as of December 31, 2019 and 2018, 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 6 and 7 are presented for purposes of additional analysis and are 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  
July 23, 2020

**NEW HORIZONS SERVICE DOGS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**DECEMBER 31, 2019 AND 2018**

	<u>ASSETS</u>	
	<u>2019</u>	<u>(As Restated) 2018</u>
<b>CURRENT ASSETS</b>		
Cash	\$ 399,129	\$ 763,799
Contributions receivable	40,786	11,200
Prepaid insurance	14,603	12,038
Other current assets	12,000	-
In-kind contributed asset	-	19,000
<b>TOTAL CURRENT ASSETS</b>	<b>466,518</b>	<b>806,037</b>
<b>PROPERTY AND EQUIPMENT, net</b>	<b>540,353</b>	<b>130,981</b>
<b>TOTAL ASSETS</b>	<b>\$ 1,006,871</b>	<b>\$ 937,018</b>
 <b><u>LIABILITIES AND NET ASSETS</u></b>  		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 6,069	\$ 13,645
Accrued expenses	13,092	8,082
Note payable, current portion	7,792	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>26,953</b>	<b>21,727</b>
<b>NOTE PAYABLE, net of current portion</b>	<b>309,729</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>336,682</b>	<b>21,727</b>
<b>NET ASSETS</b>		
Without donor restrictions	670,189	915,291
<b>TOTAL NET ASSETS</b>	<b>670,189</b>	<b>915,291</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,006,871</b>	<b>\$ 937,018</b>

See accompanying notes to financial statements.

**NEW HORIZONS SERVICE DOGS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			(As Restated) 2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>						
Contributions	\$ 325,341	\$ 10,600	\$ 335,941	\$ 970,121	\$ -	\$ 970,121
In-kind contributions and services	71,214	-	71,214	41,099	-	41,099
Special events contributions	1,455	-	1,455	-	-	-
Other income	1,012	-	1,012	22,930	-	22,930
Interest income	363	-	363	428	-	428
<b>TOTAL SUPPORT AND REVENUE</b>	<b>399,385</b>	<b>10,600</b>	<b>409,985</b>	<b>1,034,578</b>	<b>-</b>	<b>1,034,578</b>
Net assets released from restrictions	10,600	(10,600)	-	-	-	-
<b>EXPENSES</b>						
Program activities	581,047	-	581,047	429,405	-	429,405
Management and general	26,427	-	26,427	29,450	-	29,450
Fundraising	38,413	-	38,413	2,069	-	2,069
<b>TOTAL EXPENSES</b>	<b>645,887</b>	<b>-</b>	<b>645,887</b>	<b>460,924</b>	<b>-</b>	<b>460,924</b>
<b>OTHER EXPENSES</b>						
Loss on sale of asset	9,200	-	9,200	-	-	-
<b>CHANGE IN NET ASSETS</b>	<b>(245,102)</b>	<b>-</b>	<b>(245,102)</b>	<b>573,654</b>	<b>-</b>	<b>573,654</b>
<b>NET ASSETS, BEGINNING</b>	<b>915,291</b>	<b>-</b>	<b>915,291</b>	<b>341,637</b>	<b>-</b>	<b>341,637</b>
<b>NET ASSETS, ENDING</b>	<b>\$ 670,189</b>	<b>\$ -</b>	<b>\$ 670,189</b>	<b>\$ 915,291</b>	<b>\$ -</b>	<b>\$ 915,291</b>

See accompanying notes to financial statements.

**NEW HORIZONS SERVICE DOGS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018**

	<b>2019</b>	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ (245,102)	\$ 573,654
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	17,150	13,865
Loss on sale of in-kind contributed asset	9,200	-
Proceeds from sale of in-kind contributed asset	9,800	-
Net changes in operating assets and liabilities:		
Contributions receivable	(29,586)	-
Prepaid expenses	(2,565)	(1,273)
Other current assets	(12,000)	-
Accounts payable	(7,576)	(752)
Accrued expenses	5,010	8,082
	<b>(255,669)</b>	<b>593,576</b>
<b>NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES</b>		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property and equipment	(109,001)	(24,734)
	<b>(109,001)</b>	<b>(24,734)</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payments on notes payable	(2,479)	-
	<b>(2,479)</b>	<b>-</b>
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES</b>		
	<b>(367,149)</b>	<b>568,842</b>
<b>NET (DECREASE) INCREASE IN CASH</b>		
<b>CASH, BEGINNING OF YEAR</b>	<b>763,799</b>	194,957
<b>CASH, END OF YEAR</b>	<b>\$ 396,650</b>	<b>\$ 763,799</b>
<b>SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION</b>		
Cash paid for interest	\$ 7,445	\$ 99
Non-cash financing for building acquisition (Note 7)	<b>\$ 320,000</b>	<b>\$ -</b>

See accompanying notes to financial statements.

**NEW HORIZONS SERVICE DOGS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

	PROGRAM ACTIVITIES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
Advanced training	\$ 132,066	\$ -	\$ -	\$ 132,066
Salaries	118,189	5,423	2,298	125,910
Vet	69,829	-	-	69,829
Legal & professional	11,956	10,091	34,081	56,128
Supplies - animal	54,384	279	-	54,663
Rent and storage	43,475	-	-	43,475
Insurance	26,311	1,725	-	28,036
Contract labor	21,377	-	-	21,377
Auto	17,891	-	-	17,891
Depreciation	13,179	3,971	-	17,150
Taxes	14,052	-	-	14,052
Repairs & maintenance	9,384	100	-	9,484
Utilities	7,410	1,238	-	8,648
Interest	7,445	-	-	7,445
Printing, publications and postage	5,843	36	1,449	7,328
Telephone	5,530	1,016	-	6,546
Office	5,842	82	213	6,137
Travel & meetings	5,277	336	-	5,613
Meals & entertainment	5,091	196	22	5,309
Supplies - business	2,703	586	-	3,289
Miscellaneous	1,273	989	-	2,262
Dues & subscriptions	1,837	197	-	2,034
Licenses and permits	703	122	350	1,175
Advertising	-	40	-	40
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 581,047</b>	<b>\$ 26,427</b>	<b>\$ 38,413</b>	<b>\$ 645,887</b>

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	53,352	-	-	53,352
Auto	24,976	3,488	250	28,714
Rent and storage	21,600	-	-	21,600
Insurance	18,380	2,638	-	21,018
Depreciation	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	1,191	2,294	-	3,485
Office	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
<b>TOTAL FUNCTIONAL EXPENSES</b>	<b>\$ 429,405</b>	<b>\$ 29,450</b>	<b>\$ 2,069</b>	<b>\$ 460,924</b>

See accompanying notes to financial statements.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**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 procured 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 with a disabled individual. 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 – RESTATEMENT OF 2018 FINANCIAL STATEMENTS**

Certain previously reported December 31, 2018 financial amounts have been restated to reflect the impact of a vehicle donation (previously omitted). The summary of previously reported 2018 amounts and activity and their restated balances are reflected in the table below:

	As previously reported	As restated	Change
<b>STATEMENT OF FINANCIAL POSITION</b>			
<b>ASSETS</b>			
Other current assets	\$ -	\$ 19,000	\$ 19,000
<b>STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS</b>			
NET ASSETS, BEGINNING	322,637	341,637	19,000

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Presentation**

The financial statements of the Organization have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) “Audit and Accounting Guide for Not-for-Profit Organizations” (the “Guide”). (ASC) 958-205 was effective January 1, 2018.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity

As of December 31, 2019 and 2018 the Organization did not report any net assets with donor restrictions.

**Basis of Accounting**

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

**Contributions Receivable**

Contributions are recorded as receivables in the year the pledge is made. The Organization had \$40,786 and \$11,200 of contributions receivable at December 31, 2019 and 2018.

**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.

**In-Kind Contributed Asset**

In-kind contributed asset represents a donated asset recorded at fair market value. The in-kind contributed asset's fair market value was recognized as in-kind contribution revenue in a previous reporting period.

**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.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Cash and Cash Equivalents** *(Continued)*

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. As of December 31, 2019 and 2018, the Organization exceeded the FDIC insurance limit by \$149,096 and \$513,831, respectively. The Organization has not historically incurred losses on such accounts.

**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.

**Fair Value of Financial Instruments**

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

**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.

**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.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Revenue Recognition (Continued)**

During 2019, contributed services that would have otherwise been purchased consisted of approximately \$20,800 and \$5,400 for dog food and veterinarian supplies and services, respectively. These services were allocated among the Organization's various programs and activities.

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 among the Organization's various programs and activities.

Contributed volunteer services and puppy raising costs received but not recorded in the financial statements during 2019 and 2018 consist of the following:

- Volunteer service hours to support the programs and the general operations of the Organization were approximately 2,950 and 2150 during the years ended December 31, 2019 and 2018, 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.

	Approximate Number of Hours	Estimated Fair Market Value
<b>2019</b>	<b>2,920</b>	<b>\$ 29,200</b>
2018	1,230	\$ 12,300

- 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
<b>2019</b>	<b>91,500</b>	<b>\$ 200,600</b>
2018	128,600	\$ 219,500

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Tax Exempt Status**

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 2018, 2017, and 2016 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.

**Recently Adopted Accounting Standards**

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, "Revenue from Contracts with Customers (Topic 606)", which provides guidance for revenue recognition. Topic 606 affects any entity that either enters into contracts with customers to transfer goods or services. It supersedes the revenue recognition requirements in Topic 605, "Revenue Recognition," and most industry-specific guidance. The standard's core principle is that a Organization should recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which an Organization expects to be entitled in exchange for those goods or services. Effective as of January 1, 2019, the Organization adopted the new accounting standard ASC 606, Revenue from Contracts with Customers, for all open contracts and related amendments using the modified retrospective method.

The Organization recognizes revenue in accordance with ASC 606, the core principle of which is that an entity should recognize revenue 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 to receive in exchange for those goods or services.

# NEW HORIZONS SERVICE DOGS, INC.

## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

### NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Recently Adopted Accounting Standards *(Continued)***

To achieve this core principle, five basic criteria must be met before revenue can be recognized: (1) identify the contract with a customer; (2) identify the performance obligations in the contract; (3) determine the transaction price; (4) allocate the transaction price to performance obligations in the contract; and (5) recognize revenue when or as the Organization satisfies a performance obligation.

As such, the Organization's performance obligations are satisfied upon commencement of the transfer of the dog to the customer and revenue is recognized.

#### **Recent Accounting Pronouncement**

In February 2016, the FASB issued ASU 2016-02, Leases (Topic 842). ASU 2016-02 requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous standards. For leases with a term of 12 months or less, a lessee is permitted to make an accounting policy election by class of asset not to recognize lease assets and lease liabilities. ASU 2016-02 is effective for fiscal years beginning after December 15, 2019, and early application is permitted. The Organization is currently evaluating the impact of the provisions of ASU 2016-02 on the presentation of its financial statements.

### 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 - 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.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 6 – PROPERTY AND EQUIPMENT, NET**

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

	<u>2019</u>	<u>2018</u>
Buildings	\$ 307,828	\$ 151,302
Leasehold improvements	49,612	30,662
Furniture and equipment	51,557	48,985
Vehicle	173,698	168,698
Computers	<u>4,989</u>	<u>4,989</u>
	587,684	404,636
LESS: Accumulated depreciation	<u>(310,805)</u>	<u>(293,655)</u>
	276,879	110,981
PLUS: Land	<u>263,474</u>	<u>20,000</u>
	<u>\$ 540,353</u>	<u>\$ 130,981</u>

Depreciation expense for the year ended December 31, 2019 and 2018 totaled \$17,150 and \$13,865, respectively.

**NOTE 7 – NOTE PAYABLE**

The note payable is a purchase money promissory note (“note payable”) to a non-financial institutional lender, with monthly installments of \$2,481, including interest at 7.0%. Total interest expense related to the note payable to Regions Bank was \$7,445 and \$0 for the years ended December 31, 2019 and 2018, respectively. The note matures on August 22, 2024 and is collateralized by the real estate used to operate a new business location in West Palm Beach, Florida.

The following is the five-year minimum principal payments due on the note payable:

Year ending December 31:

2020	\$ 7,792
2021	8,355
2022	8,959
2023	9,607
2024	<u>282,808</u>
	317,521
Less current portion	<u>(7,792)</u>
Notes payable, net of current portion	<u>\$ 309,729</u>



**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**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, 2019.

Rent expense during each of the years ended December 31, 2019 and 2018 totaled \$21,600.

**NOTE 9 – 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 2019 and 2018, the Organization did not pay the Executive Director fees related to the terms of the contract. The Executive Director volunteered a total of an estimated 3,120 hours of uncompensated services to the Organization during 2019 and 2018. The value of the contract has not been recorded in the accompanying financial statements.

**NOTE 10 – IN-KIND CONTRIBUTIONS AND SERVICES**

During 2019 and 2018, 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:

	<b>2019</b>	<b>2018</b>
Rent	\$ 21,875	\$ -
Animal supplies	20,815	18,679
Employee training services	11,500	-
Other	8,013	9,740
Veterinary fees	5,261	7,180
Paralegal services	3,750	-
Vehicle	-	5,500
	<u>\$ 71,214</u>	<u>\$ 41,099</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.

**NEW HORIZONS SERVICE DOGS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**DECEMBER 31, 2019 AND 2018**

**NOTE 11 – 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 12 – SUBSEQUENT EVENTS**

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure, through July 23, 2020, the date the financial statements were available to be issued. Management is currently evaluating the impact of COVID-19 pandemic on the industry and has concluded that while it is reasonably possible that the virus could have a negative impact on the Organization's financial position and results of its operations, the specific financial impact is not readily determinable as of the date of these financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

On May 8, 2020 the Organization was granted a loan (the "Loan") from Truist Bank in the amount of approximately \$65,000, pursuant to the Paycheck Protection Program ("PPP") under Division A, Title I of the CARES Act, which was enacted March 27, 2020.

The Loan matures on May 8, 2022 and bears interest at a rate of 1.00% per annum, payable monthly commencing on December 8, 2020. The Note may be prepaid by the Organization at any time prior to maturity with no prepayment penalties. Funds from the Loan may only be used for payroll costs, costs used to continue group health care benefits, mortgage payments, rent, utilities and interest on other debt obligations. The Organization intends to use the entire Loan amount for qualifying expenses. Under the terms of the PPP, certain amounts of the Loan may be forgiven if they are used for qualifying expenses as described in the CARES Act.