

NEW HORIZONS SERVICE DOGS, INC.

Financial Statements
And
Independent Auditor's Report

December 31, 2020 and 2019



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.

Opinion

We have audited the accompanying financial statements of New Horizons Service Dogs, Inc. (a nonprofit organization), which comprise statements of financial position as of December 31, 2020 and 2019 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 New Horizons Service Dogs, Inc. as of December 31, 2020 and 2019, and changes in net assets, and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 New Horizons Service Dogs, Inc. and to meet our 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 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.

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 New Horizons Service Dogs, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities 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 generally accepted auditing standards 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, including omissions, are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 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 New Horizons Service Dogs, Inc.'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 New Horizons Service Dogs, Inc.'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.

Grennan Fender Hess & Poparad LLP

Grennan Fender Hess & Poparad LLP
Orlando, Florida
May 6, 2021

NEW HORIZONS SERVICE DOGS, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2020 AND 2019

ASSETS

	2020	2019
CURRENT ASSETS		
Cash and cash equivalents	\$ 647,124	\$ 399,129
Contributions receivable	21,674	40,786
Prepaid insurance	17,852	14,603
Other current assets	-	12,000
TOTAL CURRENT ASSETS	686,650	466,518
PROPERTY AND EQUIPMENT, net	689,125	540,353
TOTAL ASSETS	\$ 1,375,775	\$ 1,006,871

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	18,017	\$ 6,069
Accrued expenses	5,044	13,092
Notes payable, current portion	55,263	7,792
TOTAL CURRENT LIABILITIES	78,324	26,953
NOTES PAYABLE, net of current portion	470,437	309,729
TOTAL LIABILITIES	548,761	336,682
NET ASSETS		
Without donor restrictions	733,150	670,189
With donor restrictions	93,864	-
TOTAL NET ASSETS	827,014	670,189
TOTAL LIABILITIES AND NET ASSETS	\$ 1,375,775	\$ 1,006,871

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, 2020 AND 2019

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE						
Contributions	\$ 377,161	\$ 262,375	\$ 639,536	\$ 325,341	\$ 10,600	\$ 335,941
In-kind contributions and services	66,065	-	66,065	71,214	-	71,214
Other income	19,926	-	19,926	1,012	-	1,012
Special events contributions	18,829	-	18,829	1,455	-	1,455
Interest income	183	-	183	363	-	363
TOTAL SUPPORT AND REVENUE	482,164	262,375	744,539	399,385	10,600	409,985
Net assets released from restrictions	168,511	(168,511)	-	10,600	(10,600)	-
EXPENSES						
Program activities	515,651	-	515,651	581,047	-	581,047
Fundraising	50,606	-	50,606	38,413	-	38,413
Management and general	24,957	-	24,957	26,427	-	26,427
TOTAL EXPENSES	591,214	-	591,214	645,887	-	645,887
OTHER INCOME (EXPENSES)						
Gain (loss) on sale of asset	3,500	-	3,500	(9,200)	-	(9,200)
CHANGE IN NET ASSETS	62,961	93,864	156,825	(245,102)	-	(245,102)
NET ASSETS, BEGINNING OF YEAR	670,189	-	670,189	915,291	-	915,291
NET ASSETS, END OF YEAR	\$ 733,150	\$ 93,864	\$ 827,014	\$ 670,189	\$ -	\$ 670,189

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 156,825	\$ (245,102)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation	24,130	17,150
Gain on sale of property and equipment	(3,500)	-
Loss on sale of in-kind contributed asset	-	9,200
Proceeds on sale of in-kind contributed asset	-	9,800
Net changes in operating assets and liabilities:		
Contributions receivable	19,112	(29,586)
Prepaid insurance	(3,249)	(2,565)
Other current assets	12,000	(12,000)
Accounts payable	11,948	(5,097)
Accrued expenses	(8,048)	5,010
	209,218	(253,190)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
	209,218	(253,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(172,902)	(109,001)
Proceeds from sale of property and equipment	3,500	-
	(169,402)	(109,001)
NET CASH USED IN INVESTING ACTIVITIES		
	(169,402)	(109,001)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from notes payable	215,300	-
Payments on notes payable	(7,121)	(2,479)
	208,179	(2,479)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
	208,179	(2,479)
NET INCREASE (DECREASE) IN CASH	247,995	(364,670)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	399,129	763,799
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 647,124	\$ 399,129
SUPPLEMENTAL DISCLOSURE OF NON-CASH INFORMATION		
Cash paid for interest	\$ 20,173	\$ 7,445
Non-cash financing for building acquisition	\$ -	\$ 320,000

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	PROGRAM ACTIVITIES	SUPPORTING SERVICES		TOTAL
		MANAGEMENT AND GENERAL	FUNDRAISING	
Salaries	\$ 105,145	\$ 4,733	\$ -	\$ 109,878
Legal and professional	11,612	10,015	49,761	71,388
Advanced training	61,754	-	-	61,754
Vet	65,313	-	-	65,313
Animal supplies	48,373	-	-	48,373
Insurance	35,653	473	-	36,126
Repairs and maintenance	33,276	-	-	33,276
Rent and storage	25,975	-	-	25,975
Taxes	24,751	-	-	24,751
Depreciation	19,304	4,826	-	24,130
Interest	22,477	-	-	22,477
Contract labor	18,886	-	-	18,886
Auto	10,073	463	-	10,536
Utilities	7,308	874	-	8,182
Telephone	6,877	1,156	-	8,033
Dues and subscriptions	3,811	472	-	4,283
Office	2,690	1,377	93	4,160
Advertising	3,250	40	-	3,290
Supplies - business	2,184	320	-	2,504
Meals and entertainment	1,932	127	-	2,059
Printing, publications and postage	1,199	11	752	1,962
Travel and meetings	1,861	-	-	1,861
Miscellaneous	1,847	-	-	1,847
Licenses and permits	100	70	-	170
TOTAL FUNCTIONAL EXPENSES	\$ 515,651	\$ 24,957	\$ 50,606	\$ 591,214

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 and professional	11,956	10,091	34,081	56,128
Animal supplies	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 and 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 and meetings	5,277	336	-	5,613
Meals and entertainment	5,091	196	22	5,309
Supplies - business	2,703	586	-	3,289
Miscellaneous	1,273	989	-	2,262
Dues and subscriptions	1,837	197	-	2,034
Licenses and permits	703	122	350	1,175
Advertising	-	40	-	40
TOTAL FUNCTIONAL EXPENSES	\$ 581,047	\$ 26,427	\$ 38,413	\$ 645,887

See accompanying notes to financial statements.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 1 – NATURE OF ORGANIZATION

New Horizons Service Dogs, Inc. (the “Organization”) is a nonprofit Florida corporation located in Orange City. 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 – 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.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

As of December 31, 2020 the Organization had \$93,864 in donor restricted net assets. As of December 31, 2019 the Organization did not report any net assets with donor restrictions.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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.

Contributions Receivable

Contributions are recorded as receivables in the year the pledge is made. The Organization had \$21,674 and \$40,786 of contributions receivable at December 31, 2020 and 2019, respectively.

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 Organizations 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. As of December 31, 2020 and 2019, the Organization exceeded the FDIC insurance limit by \$393,868 and \$149,096, 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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

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.

During 2020, contributed services that would have otherwise been purchased consisted of approximately \$15,000 and \$5,600 for dog food and veterinarian supplies and services, respectively. These services were allocated among the Organization's various programs and activities.

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.

Contributed volunteer services and puppy raising costs received but not recorded in the financial statements during 2020 and 2019 consist of the following:

- Volunteer service hours to support the programs and the general operations of the Organization were approximately 1,300 and 2,950 during the years ended December 31, 2020 and 2019, 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.
- Breeder and puppy raisers hours and their out of pocket raising costs - received for daily growth, obedience classes, socializing, grooming, and veterinarian care. The Organization received approximately 119,450 and 91,500 hours for the years ended December 31, 2020 and 2019, respectively. 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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- 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
2020	1,850	\$ 18,500
2019	2,920	\$ 29,200

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 2019, 2018, and 2017, and may change upon examination. There are no open federal or state tax years under audit.

The FASB has 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 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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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

Recently Adopted Accounting Standards

In May 2014, the 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 this new accounting standard 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.

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.

NOTE 3 - 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.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 4 - 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 5 – PROPERTY AND EQUIPMENT, NET

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

	<u>2020</u>	<u>2019</u>
Buildings	\$ 313,592	\$ 307,828
Leasehold improvements	177,156	49,612
Furniture and equipment	53,557	51,557
Vehicle	186,292	173,698
Computers	4,989	4,989
	<u>735,586</u>	<u>587,684</u>
Less: accumulated depreciation	<u>(309,935)</u>	<u>(310,805)</u>
	425,651	276,879
Plus: land	<u>263,474</u>	<u>263,474</u>
	<u>\$ 689,125</u>	<u>\$ 540,353</u>

Depreciation expense for the years ended December 31, 2020 and 2019 totaled \$24,130 and \$17,150, respectively.

NOTE 6 – 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 2020 and 2019, 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 2020 and 2019. The value of the contract has not been recorded in the accompanying financial statements.

NOTE 7 – 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 and South Florida area. The financial strength of the Organization is therefore contingent upon the economy of Central and South Florida.

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

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, 2020, after which the lease was terminated.

Rent expense during the years ended December 31, 2020 and 2019 totaled \$25,975 and \$43,475, respectively.

NOTE 9 – IN-KIND CONTRIBUTIONS AND SERVICES

During 2020 and 2019, 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 and services received is as follows:

	2020	2019
Leasehold improvements	\$ 19,633	\$ -
Animal supplies (dog food)	15,003	20,815
Employee training services	11,500	11,500
Veterinary fees	5,639	5,261
Vehicle	4,391	-
Rent	4,375	21,875
Advertising	3,250	-
Other	2,274	8,013
Paralegal services	-	3,750
	\$ 66,065	\$ 71,214

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 10 – NOTES PAYABLE

On August 22, 2019 the Company executed a purchase money promissory note with a non-financial institutional lender, with monthly installments of principal and interest totaling \$2,481, and an interest rate of 7.0%. Interest expense related to the note payable to Regions

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 10 – NOTES PAYABLE (Continued)

Bank totaled \$21,980 and \$7,445 for the years ended December 31, 2020 and 2019, respectively. The note matures on August 22, 2024 and is collateralized by the real estate used to operate a business location in West Palm Beach, Florida. At December 31, 2020 and 2019 the note carried a balance of \$310,400 and \$317,521, respectively.

Paycheck Protection Program Loan

On May 8, 2020 the Company was granted a U.S. Small Business Administration (“SBA”) loan (the “Loan”) from Truist Bank in the amount of \$65,300, 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. The Loan may be prepaid by the Company at any time prior to maturity with no prepayment penalties. 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. The Company used the entire Loan amount for qualifying expenses.

Economic Injury Disaster Loan

On June 10, 2020 the Company executed the standard loan documents required for securing a loan from the SBA under its Economic Injury Disaster Loan (“EIDL”) assistance program in light of the impact of the COVID-19 pandemic on the Company’s business. The principal amount of the EIDL is \$150,000, with proceeds to be used for working capital purposes. Interest on the EIDL accrues at the rate of 2.75% per annum and installment payments, including principal and interest, are due monthly beginning twelve months from the date of the EIDL, in the amount of \$641. The balance of principal and interest is payable thirty years from the date of the promissory note. In connection with the EIDL, the Company executed the documents, including the SBA Secured Disaster Note, the Loan Authorization and Agreement, and the Security Agreement, all dated June 10, 2020, each between the SBA and the Company.

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

Year ending December 31:

2021	\$	55,263
2022		35,684
2023		17,299
2024		291,171
2025		7,692
Thereafter		118,591
	\$	<u>525,700</u>

NEW HORIZONS SERVICE DOGS, INC.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2020 AND 2019

NOTE 11 – SUBSEQUENT EVENTS

The Company evaluated subsequent events and transactions that occurred after the balance sheet date up to the date that the financial statements were available to be issued.

Management is currently evaluating the impact of the 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 Company'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.