

**FIDELCO GUIDE DOG FOUNDATION, INC.**

Independent Auditors' Report and  
Financial Statements

June 30, 2019 and 2018



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# FIDELCO GUIDE DOG FOUNDATION, INC.

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June 30, 2019 and 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Fidelco Guide Dog Foundation, Inc.

We have audited the accompanying financial statements of Fidelco Guide Dog Foundation, Inc., which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, statement of functional expenses, 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.

### ***Auditors' 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 auditors' 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 auditors consider 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 Fidelco Guide Dog Foundation, Inc. as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*Whittlesey PC*

Hartford, Connecticut  
March 6, 2020

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Financial Position

June 30, 2019 and 2018

	2019	Restated 2018
<b>Assets</b>		
Cash and cash equivalents	\$ 1,029,989	\$ 635,458
Investments:		
Securities	12,392,926	12,512,456
Held in trust by others	1,742,746	1,765,159
Charitable remainder trusts	523,179	528,218
Land, building and equipment, net	5,791,334	5,999,206
Other assets	168,273	110,993
Contributions receivable	113,312	932,961
Total assets	\$ 21,761,759	\$ 22,484,451
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 350,746	\$ 242,138
Pension benefit obligation	1,386,400	1,037,994
DECD loan	192,120	221,074
Line of credit	655,000	-
Total liabilities	2,584,266	1,501,206
Net assets:		
Net assets without donor restrictions:		
Operations	(2,223,873)	(1,169,139)
Land, building and equipment	5,599,214	5,778,132
Board designated	2,473,437	2,044,993
Total net assets without donor restrictions	5,848,778	6,653,986
Net assets with donor restrictions	13,328,715	14,329,259
Total net assets	19,177,493	20,983,245
Total liabilities and net assets	\$ 21,761,759	\$ 22,484,451

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

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statement of Activities and Changes in Net Assets

For the years ended June 30, 2019 and 2018

	2019	Restated 2018
<b>Changes in net assets without donor restrictions:</b>		
Program support and revenue:		
Contributions	\$ 3,335,251	\$ 2,394,275
Sales of products and services	96,130	106,371
Events	13,487	79,015
Other program	89,185	61,850
Total program support and revenue	3,534,053	2,641,511
Operating Expenses:		
Program services	3,753,967	4,480,526
Management and general	1,520,099	709,357
Fundraising and special events	937,749	620,117
Total operating expenses	6,211,815	5,810,000
Change in net assets without donor restrictions before other revenue/(expenses)	(2,677,762)	(3,168,489)
Other revenue/(expenses):		
Gain from investments, net	625,327	900,034
Rental income, net	51,748	75,913
Pension benefits related changes other than net periodic pension cost	(189,045)	375,957
Net assets released from program and time restrictions	1,384,524	256,610
Total other revenue/(expenses)	1,872,554	1,608,514
Changes in net assets without donor restrictions	(805,208)	(1,559,975)
<b>Changes in net assets with donor restrictions:</b>		
Contributions	411,432	1,418,098
Gain from investments	(27,452)	48,171
Net assets released from program and time restrictions	(1,384,524)	(256,610)
Changes in net assets with donor restrictions	(1,000,544)	1,209,659
Total change in net assets	(1,805,752)	(350,316)
Net assets, beginning of year	20,983,245	21,333,561
Net assets, end of year	\$ 19,177,493	\$ 20,983,245

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

## FIDELCO GUIDE DOG FOUNDATION, INC.

### Statement of Functional Expenses

For the year ended June 30, 2019

	Program	Management and General	Fundraising	Total
Personnel costs	\$ 1,797,155	\$ 535,054	\$ 458,729	\$ 2,790,938
Employee benefits	597,959	126,607	74,206	798,772
Consulting fees	78,155	63,886	-	142,041
Depreciation	313,356	34,619	28,918	376,893
Office supplies	105,879	106,464	102,825	315,168
Kennel and medical costs	299,081	-	-	299,081
Payroll taxes	110,955	87,733	94,074	292,762
Utilities	182,621	29,004	24,538	236,163
Travel, meals, entertainment	201,969	-	2,798	204,767
Other	60,340	265,814	122,766	448,920
Insurance	-	146,658	-	146,658
Professional fees	-	118,933	-	118,933
Special Events	-	-	28,895	28,895
Conferences	2,414	444	-	2,858
Technology	4,083	4,883	-	8,966
<b>Total expenses</b>	<b>\$ 3,753,967</b>	<b>\$ 1,520,099</b>	<b>\$ 937,749</b>	<b>\$ 6,211,815</b>

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

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Statements of Cash Flows

For the years ended June 30, 2019 and 2018

	2019	Restated 2018
<b>Cash Flows from Operating Activities</b>		
Total change in net assets	\$ (1,805,752)	\$ (350,316)
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	376,893	360,358
Net gain on investments in securities	(667,891)	(974,132)
Net loss/(gain) on investments held in trust by others	22,413	(70,059)
Change in value of contributions receivable from remainder trust	5,039	21,888
Change in operating assets and liabilities:		
Other assets	(57,280)	7,214
Contribution receivable	819,649	(859,200)
Accounts payable and accrued liabilities	108,608	(7,377)
Pension benefit obligation	348,406	(147,406)
Net change in cash from operating activities	(849,915)	(2,019,030)
<b>Cash Flows from Investing Activities</b>		
Purchases of investments	(20,404)	(568,163)
Proceeds from sale of investments	807,825	2,289,667
Purchases of fixed assets	(169,021)	(37,872)
Net change in cash from investing activities	618,400	1,683,632
<b>Cash Flows from Financing Activities</b>		
Proceeds from line of credit	1,330,000	445,000
Principal payments on line of credit	(675,000)	(445,000)
Principal payments on DECD loan	(28,954)	(28,374)
Net change in cash from financing activities	626,046	(28,374)
Net change in cash and cash equivalents	394,531	(363,772)
Cash and cash equivalents, beginning of year	635,458	999,230
Cash and cash equivalents, end of year	\$ 1,029,989	\$ 635,458
<b>Supplemental Cash Flow Information</b>		
Cash paid for interest	\$ 7,426	\$ 8,878

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

# FIDELCO GUIDE DOG FOUNDATION, INC.

## Notes to Financial Statements

June 30, 2019 and 2018

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### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Organization* - Fidelco Guide Dog Foundation, Inc. (“Fidelco”) is incorporated as a charitable and educational organization under the laws of the State of Connecticut. Its principal purposes include:

- Promoting increased independence and mobility to men and women who are blind by providing them with the highest quality guide dogs.
- Providing educational services to blind clients utilizing Fidelco guide dogs over the working life of their animals.
- Training and “in-community” placement of the highest quality guide dogs.
- Maintaining Fidelco guide dog performance to the highest professional level attainable.
- Continuing to refine the breed of the Fidelco German Shepherd dog through genetic and clinical methods.
- Developing improved training methods.
- Educating the public on how blind persons can lead independent and productive lives through the use of a guide dog.

*Basis of Presentation* - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. An estimate that is particularly critical and is susceptible is the valuation for expenses and liabilities for pension benefits. Actual results could differ from those estimates.

The Foundation complies with the *Financial Statements of Not-for-Profit Organizations* topic of the Financial Accounting Standards Board (FASB) Codification. Under this topic, Fidelco is required to report information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions.

*Net assets without donor restrictions* - These net assets are defined as assets that are free of donor-imposed restrictions and include all investment income and appreciation not subject to donor-imposed restrictions.

*Net assets with donor restrictions* - These net assets include contributions, unconditional promises to give and other inflows of assets whose use by Fidelco is limited by donor imposed stipulations that either expire by the passage of time or can be fulfilled and removed by actions of Fidelco. This classification includes investment income and appreciation, which can be expended, but for which restrictions have not yet been met.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Adoption of New Accounting Pronouncement* - For the year ended June 30, 2019, Fidelco adopted the Financial Accounting Standard Board's Accounting Standards Update ("ASU") No. 2016-14 – Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. Main provisions of this guidance include: presentation of two classes of net assets versus the previously required three; and the recognition of underwater endowment funds as a reduction in net assets with donor restrictions. The guidance also enhances disclosures for board designated amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. Amounts previously reported as unrestricted net assets are now reported as net assets without donor restrictions. Amounts previously reported as temporarily restricted and permanently restricted net assets are now reported as net assets with donor restrictions.

*Cash and Cash Equivalents* - Fidelco considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

*Investments* - Investments are reported at fair value and reflect any gain or loss in the statements of activities. Gains and losses are considered unrestricted unless restricted by donor stipulation or law. Non-monetary investments received as gifts are immediately sold and recorded at the realized value.

*Fair Value Measurements* - Fair value is based on exit price in the principal market for the asset or liability being measured at fair value, and is the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. A three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities is described as follows:

Level 1 - Asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.

Level 2 - Asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Assets and liabilities whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

*Endowment Assets* - Fidelco's endowment funds are subject to the *Connecticut Uniform Prudent Management of Institutional Funds Act*, which includes enhanced disclosures for the endowment funds.

Fidelco adopted a spending policy designed to support Fidelco's mission. The policy provides funds for current operating needs while allowing growth of principal to support future operations. The use of funds is subject to approval by the Board of Directors.

Fidelco's policy is to present board designated investment income and donor restricted investments held in trust income distributions earned during the year with net assets without donor restrictions. Currently, none of Fidelco's investment earnings or donor restricted investments held in trust income distributions are subject to donor restrictions.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*Subsequent Events* - In connection with the preparation of the financial statements, management has evaluated events for footnote disclosure or adjustments required in its financial statements for the year then ended June 30, 2019 through March 6, 2020, the date the financial statements were available to be issued.

*Contributions* - Contributions received are recorded as net assets with or without donor restricted support, depending on the existence and/or nature of any donor or time restrictions.

Contributions are recognized when the donor makes a promise to give to Fidelco that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities and changes in net assets as net assets released from restrictions.

Fidelco records unconditional promises to give that are expected to be collected within one year at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed at the date of the gift using risk-adjusted interest rates applicable to the years in which the promises are expected to be received. The contribution receivable consists of one multi-year pledge from a trust, which was discounted at 6% with a balance of \$80,812 and \$75,692 as of June 30, 2019 and 2018 and a total of \$137,433 will be received over a 23 year period which began in 2012. Fidelco will receive payments of \$27,487 during the years ending June 30, 2020, 2025, 2030 and 2035. As of June 30, 2019 and 2018, there was also \$32,500 and \$847,269 in other contributions owed to Fidelco.

Fidelco is the beneficiary under various wills and trust agreements of which the total realizable amount is not presently determinable. Such amounts are recorded when a will is declared valid by a probate court and the proceeds are measurable.

*Charitable Remainder Trusts* - Fidelco received contributions in the form of charitable remainder trusts. Under the terms of the trusts, Fidelco is to receive the assets of each trust upon the death of the donor while the donor is to receive the income from the trust investments for life. Fidelco is not the Trustee of the trusts. Upon notification of each trust, Fidelco records receipt of the contribution at fair market value discounted for the present value of the estimated future payments based on the life expectancy of each donor and the expected rate of return on trust assets. Life expectancy is based on published actuarial tables. Should the donor surpass the projection per the actuarial table, the contribution is carried at the current fair market value. Changes in the value of each trust at the financial statement date were adjusted for appreciation or depreciation in trust assets and the updated life expectancy of each donor.

*Tax Exempt Status* - The Internal Revenue Service (“IRS”) determined that Fidelco is exempt from Federal income taxes as a public charity under Section 501(c)(3) of the Internal Revenue Code. Consequently, Fidelco is exempt from state income taxes and no provision for income taxes has been made in the accompanying financial statements.

*Fixed Assets* - Fidelco capitalizes all expenditures for building and equipment having a useful life of greater than one year. Purchased buildings and equipment are recorded at cost. Donated building and equipment are recorded at the approximate fair value at the date of donation.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The building has a life of forty (40) years, improvements range from five (5) to twenty (20) years, and equipment and vehicles range from three (3) to six (6) years.

Expenditures for repairs and maintenance are charged to expense as incurred. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in income for the period.

*Gifts of Long-Lived Assets* - Fidelco reports gifts of land, building and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Upon expiration of donor stipulations, Fidelco sells the long-lived assets or places the long-lived assets in service.

*Contributed Products and Services* - Contributed products and services are recorded at their estimated values at date of receipt. The majority of Fidelco's contributed products and services relate to various advertising media and services received in connection with promoting Fidelco and its principal fundraising activities.

*Functional Allocation of Expenses* - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. These costs include direct and indirect costs that have been allocated based on time and effort, on a consistent basis, among the program and supporting services benefited.

*Pension Plan* - Fidelco maintains a contributory defined benefit pension plan covering all full-time employees. It is Fidelco's policy to fund pension costs accrued.

*Concentration of Credit Risk* - The Company maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Fidelco invests in various debt and equity securities. These investment securities are recorded at market value. Accordingly, the investment securities can fluctuate because of interest rates, reinvestment, credit and other risks, depending on the nature of the specific investment; therefore, it is at least reasonably possible that these factors will result in changes in the value of Fidelco's investments, which could materially affect amounts reported in the financial statements.

*Reclassification* - Certain reclassifications have been made to the June 30, 2018 financial statements to conform to the June 30, 2019 financial statement presentation.

*Restatement* - During the year ended June 30, 2019, Fidelco determined that it had not properly recorded a beneficial interest in a perpetual remainder trust. The effect of the restatement increased investments held in trust by others and net assets as of June 30, 2018 by \$432,612, and decreased revenue for the year ended June 30, 2018 by \$3,118.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*Major Donors* - Contributions received from major donors were as follows for the years ended June 30, 2019 and 2018:

Donor	2019		2018	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 451,985	12.1%	-	0.0%
B	246,419	6.6%	-	0.0%
C	215,066	5.7%	-	0.0%
D	135,000	3.6%	135,000	3.5%
E	134,651	3.6%	-	0.0%
F	13,366	0.4%	834,755	21.9%
G	-	0.0%	199,126	5.2%
H	100,000	2.7%	155,000	4.1%
I	41,667	1.1%	150,448	3.9%
	<u>\$ 1,338,154</u>	<u>23.7%</u>	<u>\$ 1,474,329</u>	<u>34.7%</u>

**NOTE 2 – FAIR VALUE MEASUREMENTS**

The following table details the financial instruments carried at fair value as of June 30, 2019 and 2018 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	2019			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and mutual funds	\$ 8,561,139	\$ -	\$ -	\$ 8,561,139
Debt securities and mutual funds	-	3,739,684	-	3,739,684
REIT	86,518	-	-	86,518
Government mortgage backed securities	-	5,585	-	5,585
	<u>8,647,657</u>	<u>3,745,269</u>	<u>-</u>	<u>12,392,926</u>
Held in trust by others	1,227,089	515,657	-	1,742,746
Charitable remainder trusts	346,786	176,393	-	523,179
	<u>\$ 10,221,532</u>	<u>\$ 4,437,319</u>	<u>\$ -</u>	<u>\$ 14,658,851</u>
	2018			
	Level 1	Level 2	Level 3	Total
Investments:				
Equity securities and mutual funds	\$ 8,344,596	\$ -	\$ -	\$ 8,344,596
Debt securities and mutual funds	-	4,078,009	-	4,078,009
REIT	83,241	-	-	83,241
Government mortgage backed securities	-	6,610	-	6,610
	<u>8,427,837</u>	<u>4,084,619</u>	<u>-</u>	<u>12,512,456</u>
Held in trust by others	1,277,015	488,144	-	1,765,159
Charitable remainder trusts	356,559	171,659	-	528,218
	<u>\$ 10,061,411</u>	<u>\$ 4,744,422</u>	<u>\$ -</u>	<u>\$ 14,805,833</u>

**NOTE 2 – FAIR VALUE MEASUREMENTS (CONTINUED)**

Investments held in trust by others represent the market value of Fidelco’s rights to split-interest agreements. Fidelco’s split-interest agreement assets are classified as donor restricted net assets because they are perpetual trusts. The present value of the future payments is estimated to equal the current market value of these investments, and they are recorded by Fidelco at this value.

**NOTE 3 – ENDOWMENT ASSETS**

The reconciliation of Fidelco’s endowment assets by net asset category is as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance, January 1, 2018	\$ 3,446,911	\$ 12,683,870	\$ 16,130,781
Investment income	246,401	-	246,401
Realized losses	(97)	(21,888)	(21,985)
Unrealized gains	653,730	70,059	723,789
Contributions	-	1,850,710	1,850,710
Appropriation of endowment assets for expenditures	<u>(2,301,952)</u>	<u>(253,492)</u>	<u>(2,555,444)</u>
Balance, December 31, 2018	2,044,993	14,329,259	16,374,252
Investment income	284,488	-	284,488
Realized losses	(6,331)	-	(6,331)
Unrealized gains	347,170	(27,452)	319,718
Contributions	-	411,432	411,432
Appropriation of endowment assets for expenditures	<u>(196,883)</u>	<u>(1,384,524)</u>	<u>(1,581,407)</u>
Balance, December 31, 2019	<u><u>\$ 2,473,437</u></u>	<u><u>\$ 13,328,715</u></u>	<u><u>\$ 15,802,152</u></u>

#### NOTE 4 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The following represents Fidelco’s financial assets as of June 30, 2019 which are available for general expenditure in the next twelve months:

Financial assets available at year end:	
Cash and cash equivalents	\$ 1,029,989
Accounts receivable - due within one year	11,893
Contribution receivable - due within one year	43,500
Investment securities	<u>12,392,926</u>
Total financial assets	<u>13,478,308</u>
Less amounts with donor restrictions	(11,062,790)
Less amounts designated as quasi-endowment	(2,473,437)
Less securities pledged for line of credit	<u>(655,000)</u>
Net financial assets available to meet general expenditures over the next twelve months	<u><u>\$ (712,919)</u></u>

Fidelco manages its liquidity by preparing annual budgets that provide sufficient funds to operate within a prudent range of financial soundness and stability and meet other obligations as they become due.

The quasi-endowment fund is used to fund programs as needed. These funds can be released upon approval from the Board of Directors to help fund the different programs.

Fidelco also has a line of credit of \$1,500,000, of which, \$845,000 is available at June 30, 2019 that it could draw upon in the event of an unanticipated liquidity need.

#### NOTE 5 – LAND, BUILDING AND EQUIPMENT

Balances of major classes of depreciable assets and total accumulated depreciation are as follows as of June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Land and improvements	\$ 1,199,642	\$ 1,199,642
Building and improvements	8,359,136	8,308,732
Equipment and vehicles	<u>1,428,517</u>	<u>1,309,900</u>
	10,987,295	10,818,274
Less: accumulated depreciation	<u>(5,195,961)</u>	<u>(4,819,068)</u>
	<u><u>\$ 5,791,334</u></u>	<u><u>\$ 5,999,206</u></u>

**NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS**

Net assets with donor restrictions comprised of the following as of June 30:

	<u>2019</u>	<u>2018</u>
Amounts with time restrictions:		
Charitable remainder trust	\$ 523,179	\$ 528,218
Contributions receivable	113,312	932,961
	<u>636,491</u>	<u>1,461,179</u>
Amount with purpose restrictions:		
Guide dog placement program for veterans	329,031	555,031
Partner with vision	160,000	60,000
Various programs	4,550	31,993
	<u>493,581</u>	<u>647,024</u>
Amounts with permanent donor restrictions:		
Successor guide dog program	7,800,000	7,800,000
First time placement program	1,195,897	1,195,897
Investments - held in trust by others	1,742,746	1,765,159
Puphouse maintenance program	650,000	650,000
Apprentice program	300,000	300,000
Guide dog placement program	250,000	250,000
Guide dog training program	250,000	250,000
Endowment fund - other	10,000	10,000
	<u>12,198,643</u>	<u>12,221,056</u>
Total net assets with donor restrictions	<u>\$ 13,328,715</u>	<u>\$ 14,329,259</u>

Net assets released from time and purpose restrictions for the years ended June 30 were as follows:

	<u>2019</u>	<u>2018</u>
Contributions receivable	\$ 846,269	\$ -
Guide dog placement program for veterans	312,808	159,850
Partner with vision	130,000	90,000
Various programs	95,447	6,760
	<u>\$ 1,384,524</u>	<u>\$ 256,610</u>

## NOTE 7 – PENSION PLAN

Fidelco has a defined benefit pension plan covering substantially all employees who meet the eligibility requirements of the pension plan. The employer contribution is 2.3% of employee contributions. Pension benefits are based on years of credited service and employees' average annual earnings, as defined in the plan. Fidelco's funding policy is to make the minimum annual contribution required by applicable regulations.

The following table sets forth the plan's funded status and amount recognized in the financial statements as of and for the years ended June 30, 2019 and 2018, using a measurement date of the same date:

	<u>2019</u>	<u>2018</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 3,026,221	\$ 2,936,896
Service cost	142,178	159,904
Interest cost	125,238	116,201
Actuarial (gain)/loss	299,081	(128,409)
Benefits paid	(88,002)	(58,371)
Present value, end of year	<u>3,504,716</u>	<u>3,026,221</u>
Change in plan assets:		
Fair value (level 1), beginning of year	1,988,227	1,751,496
Actual return on assets, less expense charges	69,232	126,173
Contributions	148,859	168,929
Benefits paid	(88,002)	(58,371)
Fair value (level 1), end of year	<u>2,118,316</u>	<u>1,988,227</u>
Unfunded status of pension benefits	<u>\$ 1,386,400</u>	<u>\$ 1,037,994</u>
Components of net periodic pension benefits cost:		
Service cost	\$ 142,178	\$ 159,904
Interest cost	125,238	116,201
Expected return on plan assets	(121,109)	(107,576)
Amortization of unrecognized net loss	13,054	228,951
Net periodic pension benefit cost	<u>\$ 159,361</u>	<u>\$ 397,480</u>

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Weighted average discount rate	3.55%	4.20%
Assumed rate of future compensation increase	3.00%	3.00%
Expected long-term rate of return on plan assets	6.00%	6.00%

The expected long-term rate of return on the plan assets is determined by applying historical average investment returns from published indexes relating to the current allocation of assets in the portfolio. Asset allocation is determined by the Board of Directors.

**NOTE 7 – PENSION PLAN (CONTINUED)**

All pension plan assets consist of mutual funds and are valued utilizing Level 1 inputs, which consist of unadjusted quoted prices in active markets for identical assets. Pension plan assets are categorized as follows at June 30, 2019 and 2018:

	2019	2018
Asset category:		
Cash and cash equivalents	2%	2%
Debt securities	34%	30%
Equity securities	59%	62%
Exchange traded funds	5%	6%
	100%	100%

The following future pension benefits are expected to be paid:

For the year ended June 30, 2020	\$ 97,000
2021	121,000
2022	146,000
2023	146,000
2024	145,000
Five years thereafter	873,000
	\$ 1,528,000

**NOTE 8 – LINE OF CREDIT**

Fidelco has a \$1,500,000 line of credit, which is secured by investments held at Charles Schwab & Co. The interest rate is set at the bank's prime rate less 1% (4% at June 30, 2019). The line of credit matures on November 29, 2020 and is secured by Fidelco's investment securities. As of June 30, 2019, \$655,000 was drawn upon.

**NOTE 9 – DECD LOAN**

During 2015, Fidelco entered into a loan agreement with the State of Connecticut Department of Economic and Community Development for \$300,000. Monthly installments are made of \$2,764 until maturity in 2025, with interest charged at rate of 2% per annum. The loan was used to purchase equipment which is used as collateral for the loan.

The following minimum principal payments are required:

For the year ending June 30, 2020	\$ 29,537
2021	30,152
2022	30,768
2023	31,346
2024	32,311
Thereafter	38,006
	\$ 192,120

## **NOTE 10 – OPERATING DEFICIT AND MANAGEMENT’S PLANS**

As reflected in the accompanying financial statements, Fidelco has losses in net assets with donor restrictions of \$806,040 and \$1,500,804 for the years ended June 30, 2019 and 2018, respectively. As of June 30, 2019 and 2018, Fidelco’s net assets without donor restrictions less land, building and equipment is \$287,184 and \$886,854, respectively.

Fidelco’s management and board are regularly evaluating its programs, services and operations. There has been more of a focus on revamping development by hiring an employee whose focus is on the oversight of development and grant writing. Management is currently trying to increase different revenue sources along with maintaining current revenue sources. Controls have been put in place to improve monitoring of budgeted expenses compared to revenue. There has been a reorganization of senior leadership to help cut cost and increase the scope of activities that will be performed. Management will continue to pursue additional opportunities to increase revenue and control costs and expects to reverse these losses within 12-24 months.

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