

FIDELCO GUIDE DOG FOUNDATION, INC.

Independent Auditors' Report and
Financial Statements

June 30, 2020 and 2019



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

FIDELCO GUIDE DOG FOUNDATION, INC.

Contents

June 30, 2020 and 2019

Independent Auditors' Report.....	1 - 2
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets.....	4
Statements of Functional Expenses	5 - 6
Statements of Cash Flows.....	7
Notes to Financial Statements.....	8 - 18

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, 2020 and 2019, 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, 2020 and 2019, 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.

A handwritten signature in black ink that reads "R. Whittlesey PC". The signature is written in a cursive style with a large, looped initial "R".

Hartford, Connecticut
February 10, 2021

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Financial Position

June 30, 2020 and 2019

	2020	Restated 2019
Assets		
Cash and cash equivalents	\$ 403,714	\$ 1,029,989
Investments:		
Securities	11,893,211	12,392,926
Held in trust by others	1,681,056	1,742,746
Charitable remainder trusts	219,719	224,272
Land, building and equipment, net	5,440,521	5,791,334
Other assets	165,359	168,273
Contributions receivable	128,143	113,312
Total assets	\$ 19,931,723	\$ 21,462,852
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 160,048	\$ 350,746
Pension benefit obligation	2,146,250	1,386,400
DECD loan	172,496	192,120
Line of credit	893,000	655,000
Total liabilities	3,371,794	2,584,266
Net assets:		
Net assets without donor restrictions:		
Operations	(1,738,051)	249,564
Land, building and equipment	5,268,025	5,599,214
Total net assets without donor restrictions	3,529,974	5,848,778
Net assets with donor restrictions	13,029,955	13,029,808
Total net assets	16,559,929	18,878,586
Total liabilities and net assets	\$ 19,931,723	\$ 21,462,852

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, 2020 and 2019

	2020	Restated 2019
Changes in net assets without donor restrictions:		
Program support and revenue:		
Contributions	\$ 3,503,106	\$ 3,335,251
Sales of products and services	20,081	96,130
Events	69,147	13,487
Other program	21,565	89,185
Total program support and revenue	3,613,899	3,534,053
Operating Expenses:		
Program services	4,357,660	3,764,221
Management and general	1,556,674	1,509,845
Fundraising and special events	1,065,655	937,749
Total operating expenses	6,979,989	6,211,815
Change in net assets without donor restrictions before other revenue/(expenses)	(3,366,090)	(2,677,762)
Other revenue/(expenses):		
Gain from investments, net	105,514	625,327
Rental income, net	71,013	51,748
Pension benefits related changes other than net periodic pension cost	(185,159)	(189,045)
Paycheck protection program	727,900	-
Net assets released from program and time restrictions	328,018	1,384,524
Total other revenue/(expenses)	1,047,286	1,872,554
Changes in net assets without donor restrictions	(2,318,804)	(805,208)
Changes in net assets with donor restrictions:		
Contributions	394,408	411,432
Change in value of trusts	(66,243)	(24,428)
Net assets released from program and time restrictions	(328,018)	(1,384,524)
Changes in net assets with donor restrictions	147	(997,520)
Total change in net assets	(2,318,657)	(1,802,728)
Net assets, beginning of year	18,878,586	20,681,314
Net assets, end of year	\$ 16,559,929	\$ 18,878,586

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, 2020

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 2,084,647	\$ 605,862	\$ 626,035	\$ 3,316,544
Employee benefits	882,933	238,111	168,695	1,289,739
Depreciation	316,311	33,687	28,073	378,071
Payroll taxes	164,648	63,585	78,638	306,871
Kennel and medical costs	288,141	-	-	288,141
Utilities	185,346	22,239	19,305	226,890
Office supplies	61,838	126,347	23,845	212,030
Travel, meals, entertainment	170,791	1,300	2,744	174,835
Other	81,148	50,979	33,141	165,268
Office software	-	156,448	-	156,448
Consulting fees	111,225	36,895	-	148,120
Insurance	-	136,186	-	136,186
Professional fees	-	80,746	-	80,746
Marketing	-	-	74,193	74,193
Special Events	-	-	10,144	10,144
Conferences	6,349	825	842	8,016
Technology	4,283	3,464	-	7,747
Total expenses	<u>\$ 4,357,660</u>	<u>\$ 1,556,674</u>	<u>\$ 1,065,655</u>	<u>\$ 6,979,989</u>

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 (reclassified)

	<u>Program</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel costs	\$ 1,797,155	\$ 535,054	\$ 458,729	\$ 2,790,938
Employee benefits	597,959	126,607	74,206	798,772
Depreciation	313,356	34,619	28,918	376,893
Payroll taxes	110,955	87,733	94,074	292,762
Kennel and medical costs	299,081	-	-	299,081
Utilities	182,621	29,004	24,538	236,163
Office supplies	111,153	101,190	102,825	315,168
Travel, meals, entertainment	201,969	-	2,798	204,767
Other	60,340	36,244	49,496	146,080
Office software	-	229,570	-	229,570
Consulting fees	78,155	63,886	-	142,041
Insurance	4,980	141,678	-	146,658
Professional fees	-	118,933	-	118,933
Marketing	-	-	73,270	73,270
Special Events	-	-	28,895	28,895
Conferences	2,414	444	-	2,858
Technology	4,083	4,883	-	8,966
Total expenses	<u>\$ 3,764,221</u>	<u>\$ 1,509,845</u>	<u>\$ 937,749</u>	<u>\$ 6,211,815</u>

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, 2020 and 2019

	2020	Restated 2019
Cash Flows from Operating Activities		
Total change in net assets	\$ (2,318,657)	\$ (1,802,728)
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	378,071	376,893
Net change in unrealized gain/loss on investments	248,097	(347,170)
Realized (gain)/loss on sale of investments	(104,470)	6,331
Net change in value of trusts	66,243	24,428
Change in operating assets and liabilities:		
Other assets	2,914	(57,280)
Contributions receivable	(14,831)	819,649
Accounts payable and accrued liabilities	(190,698)	108,607
Pension benefit obligation	759,850	348,406
Net change in cash from operating activities	(1,173,481)	(522,864)
Cash Flows from Investing Activities		
Purchases of investments	(569,551)	(148,268)
Proceeds from sales of investments	925,639	608,637
Purchases of fixed assets	(27,258)	(169,020)
Net change in cash from investing activities	328,830	291,349
Cash Flows from Financing Activities		
Proceeds from line of credit	290,404	1,330,000
Principal payments on line of credit	(52,404)	(675,000)
Principal payments on DECD loan	(19,624)	(28,954)
Net change in cash from financing activities	218,376	626,046
Net change in cash and cash equivalents	(626,275)	394,531
Cash and cash equivalents, beginning of year	1,029,989	635,458
Cash and cash equivalents, end of year	\$ 403,714	\$ 1,029,989
Supplemental Cash Flow Information		
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, 2020 and 2019

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 Fidelco 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)

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.

Fidelco's policy is to present 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.

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.

Adoption of New Accounting Pronouncement - Effective July 1, 2019, Fidelco adopted ASU 2018-08 – Not-For-Profit Entities (Topic 958): "Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made." The update clarified guidance about whether a transfer of assets is a contribution or an exchange transaction and whether a contribution is conditional or unconditional. In comparison to the year ended June 30, 2019, the effect of adopting the new accounting principle has no effect on contribution revenue.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$73,643 and \$80,812 as of June 30, 2020 and 2019 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, 2020 and 2019, there was also \$54,500 and \$32,500 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 - Fidelco maintains its cash in bank accounts which, at times, may exceed federally insured limits. The Fidelco 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.

Reclassifications - Certain prior year amounts have been reclassified to conform to the current year presentation.

Restatement - During the year ended June 30, 2020, Fidelco determined that its shares of a beneficial interest in a perpetual remainder trust was overstated. The effect of the restatement decreased the charitable remainder trust and net assets as of June 30, 2019 by \$298,907, and decreased revenue for the year ended June 30, 2019 by \$3,024.

Major Donors - Contributions received from major donors were as follows for the years ended June 30, 2020 and 2019:

Donor	2020		2019	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 918,570	23.6%	\$ -	0.0%
B	208,320	5.3%	-	0.0%
C	168,746	4.3%	-	0.0%
D	135,000	3.5%	135,000	3.6%
E	123,137	3.2%	-	0.0%
F	24,684	0.6%	451,985	12.1%
G	-	0.0%	246,419	6.6%
H	-	0.0%	215,066	5.7%
I	-	0.0%	134,651	3.6%
	<u>\$ 1,578,457</u>	<u>40.5%</u>	<u>\$ 1,183,121</u>	<u>31.6%</u>

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, 2020 through February 10, 2021, the date the financial statements were available to be issued. See note 12.

NOTE 2 – FAIR VALUE MEASUREMENTS

The following table details the financial instruments carried at fair value as of June 30, 2020 and 2019 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	2020			Total
	Level 1	Level 2	Level 3	
Domestic:				
Short-term investments	\$ 1,714,433	\$ -	\$ -	\$ 1,714,433
Equity securities	4,539,361	-	-	4,539,361
Debt securities	-	2,479,186	-	2,479,186
Fixed income	1,020,487	-	-	1,020,487
Real estate and REITs	402,779	-	-	402,779
Government backed securities	-	163,147	-	163,147
International and emerging markets:				
Equity securities	1,364,385	-	-	1,364,385
Debt securities	-	209,433	-	209,433
	<u>\$ 9,041,445</u>	<u>\$ 2,851,766</u>	<u>\$ -</u>	<u>\$ 11,893,211</u>
	2019			Total
	Level 1	Level 2	Level 3	Total
Domestic:				
Short-term investments	\$ 2,268,341	\$ -	\$ -	\$ 2,268,341
Equity securities	4,748,304	-	-	4,748,304
Debt securities	-	2,148,353	-	2,148,353
Fixed income	1,069,025	-	-	1,069,025
Real estate and REITs	86,517	-	-	86,517
Government backed securities	-	160,544	-	160,544
International and emerging markets:				
Equity securities	1,544,494	-	-	1,544,494
Debt securities	-	367,348	-	367,348
	<u>\$ 9,716,681</u>	<u>\$ 2,676,245</u>	<u>\$ -</u>	<u>\$ 12,392,926</u>

NOTE 3 – ENDOWMENT ASSETS

The reconciliation of Fidelco’s endowment assets is as follows:

Balance, July 1, 2018	\$ 14,030,352
Contributions	411,432
Change in value of trusts	(24,428)
Appropriation of endowment assets for expenditures	<u>(1,384,524)</u>
Balance, June 30, 2019	13,032,832
Contributions	394,408
Change in value of trusts	(66,243)
Appropriation of endowment assets for expenditures	<u>(331,042)</u>
Balance, June 30, 2020	<u><u>\$ 13,029,955</u></u>

NOTE 4 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The following table reflects the Fidelco’s financial assets as of June 30, 2020 and 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions. Amounts not available include net assets with donor restrictions that are intended to fund initiatives not considered in the annual operating budget.

	<u>2020</u>	<u>2019</u>
Financial assets available at year end:		
Cash and cash equivalents	\$ 403,714	\$ 1,029,989
Accounts receivable - due within one year	12,258	11,893
Contribution receivable - due within one year	54,500	43,500
Investment securities	<u>11,893,211</u>	<u>12,392,926</u>
Total financial assets	12,363,683	13,478,308
Less amounts with donor restrictions	(11,129,180)	(11,062,790)
Less securities pledged for line of credit	<u>(893,000)</u>	<u>(655,000)</u>
Net financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 341,503</u></u>	<u><u>\$ 1,760,518</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.

Fidelco also has a line of credit of \$1,500,000, of which, \$897,404 is available at June 30, 2020 that it could draw upon in the event of 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, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Land and improvements	\$ 1,199,642	\$ 1,199,642
Building and improvements	8,364,327	8,359,136
Equipment and vehicles	1,391,580	1,428,517
	<u>10,955,549</u>	<u>10,987,295</u>
Less: accumulated depreciation	<u>(5,515,028)</u>	<u>(5,195,961)</u>
	<u>\$ 5,440,521</u>	<u>\$ 5,791,334</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2020</u>	<u>2019</u>
Amounts with time restrictions:		
Charitable remainder trust	\$ 219,719	\$ 224,272
Contributions receivable	128,143	113,312
	<u>347,862</u>	<u>337,584</u>
Amount with purpose restrictions:		
Guide dog placement program for veterans	387,351	329,031
Partner with vision	140,000	160,000
Various programs	17,789	4,550
	<u>545,140</u>	<u>493,581</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	1,681,056	1,742,746
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>12,136,953</u>	<u>12,198,643</u>
Total net assets with donor restrictions	<u>\$ 13,029,955</u>	<u>\$ 13,029,808</u>

NOTE 6 – NET ASSETS WITH DONOR RESTRICTIONS (CONTINUED)

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

	<u>2020</u>	<u>2019</u>
Guide dog placement program for veterans	\$ 150,000	\$ 312,808
Partner with vision	140,000	130,000
Contributions receivable	22,000	846,269
Various programs	16,018	95,447
	<u>\$ 328,018</u>	<u>\$ 1,384,524</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, 2020 and 2019, using a measurement date of the same date:

	<u>2020</u>	<u>2019</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 3,504,716	\$ 3,026,221
Service cost	157,146	142,178
Interest cost	122,740	125,238
Actuarial (gain)/loss	590,085	299,081
Benefits paid	(82,772)	(88,002)
Present value, end of year	<u>4,291,915</u>	<u>3,504,716</u>
Change in plan assets:		
Fair value (level 1), beginning of year	2,118,316	1,988,227
Actual return (loss) on assets, less expense charges	(32,929)	69,232
Contributions	143,050	148,859
Benefits paid	(82,772)	(88,002)
Fair value (level 1), end of year	<u>2,145,665</u>	<u>2,118,316</u>
Unfunded status of pension benefits	<u>\$ 2,146,250</u>	<u>\$ 1,386,400</u>
Components of net periodic pension benefits cost:		
Service cost	\$ 157,146	\$ 142,178
Interest cost	122,740	125,238
Expected return on plan assets	(128,561)	(121,109)
Amortization of unrecognized net loss	33,834	13,054
Net periodic pension benefit cost	<u>\$ 185,159</u>	<u>\$ 159,361</u>

NOTE 7 – PENSION PLAN (CONTINUED)

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at June 30, 2020 and 2019:

	<u>2020</u>	<u>2019</u>
Weighted average discount rate	2.80%	3.55%
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.

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, 2020 and 2019:

Asset category:	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	2%	2%
Debt securities	36%	34%
Equity securities	56%	59%
Exchange traded funds	6%	5%
	<u>100%</u>	<u>100%</u>

The following future pension benefits are expected to be paid:

For the year ended June 30, 2021	\$ 124,000
2022	149,000
2023	149,000
2024	148,000
2025	154,000
Five years thereafter	941,000
	<u>\$ 1,665,000</u>

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% (2.20% at June 30, 2020 and 2019). The line of credit matures on August 29, 2021 and is secured by investment securities. As of June 30, 2020 and 2019, \$893,000 and \$655,000 was drawn on the line of credit.

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.

NOTE 9 – DECD LOAN (CONTINUED)

The following minimum principal payments are required:

For the year ending June 30, 2021	\$	37,149
2022		30,768
2023		31,346
2024		32,311
2025		32,641
Thereafter		8,281
	\$	<u>172,496</u>

Due to the effects of COVID-19, loan payments were deferred from April 1, 2020 to August 1, 2020. Regular amortized payments resumed on September 1, 2020.

NOTE 10 – OPERATING DEFICIT AND MANAGEMENT’S PLANS

Fidelco’s management and board are regularly evaluating its programs, service and operations. In light of the COVID-19 pandemic, there has been a greater emphasis on digital presence and fundraising. New partnerships have been forged to help extend the Fidelco messaging in expanded markets in New England, and an initiative to launch fundraising efforts in additional states is underway. Fidelco is also creating relationships with foundations that have not previously provided support. Expenses continue to be tightly managed.

NOTE 11 – PAYCHECK PROTECTION PROGRAM

During April 2020, The Organization received approval for a Small Business Administration (SBA) Paycheck Protection Program (PPP) loan in the amount of \$727,900. Under the PPP, funds are forgivable if utilized for qualified expenditures according to the program criteria incurred over the eight week or twenty-four week period (the covered period) following the date of funding. In order to qualify for forgiveness, the funding must be spent on eligible payroll expenses, with up to 40% may be spent on other eligible expenditures, such as rent and utilities. As outlined by the SBA, any unforgiven balance must be repaid over two years at an annual interest rate of 1% with an initial deferment period of ten months from the end of the covered period (interest will accrue).

NOTE 12 – SUBSEQUENT EVENTS

On November 23, 2020, the full amount of the \$727,900 PPP loan was forgiven by the SBA.

On February 10, 2021, the Organization received a second PPP loan in the amount of \$612,693. The second PPP loan has similar terms as the first loan. The Organization expects the entire amount to be forgiven in fiscal year 2021.

NOTE 13 – UNCERTAINTY

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic. COVID-19 has caused significant disruption in the national and global economy. Fidelco’s operating activities, liquidity and cash flows, may be adversely affected by this global pandemic. While the disruption is currently expected to be temporary, there is uncertainty related to the duration. Therefore, while Fidelco expects this matter to negatively impact the business, the related financial impact cannot be reasonable estimated at this time.

NOTE 13 – UNCERTAINTY (CONTINUED)

Management has responded to this pandemic by actively applying for and receiving federal funding to help subsidize operational expenses during the crisis. Management has purchased personal protective equipment and updated safety policies and procedures to provide the safest environment for all clients and personnel throughout the organization.

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