

FIDELCO GUIDE DOG FOUNDATION, INC.

Independent Auditors' Report and
Financial Statements

June 30, 2021 and 2020



ASSURANCE | ADVISORY | TAX | TECHNOLOGY

FIDELCO GUIDE DOG FOUNDATION, INC.

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June 30, 2021 and 2020

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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, 2021 and 2020, 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

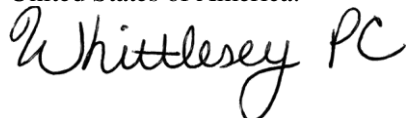
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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, 2021 and 2020, 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.



Hartford, Connecticut
January 17, 2022

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Financial Position

June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 410,026	\$ 403,714
Investments:		
Securities	12,777,260	11,893,211
Held in trust by others	1,892,815	1,681,056
Charitable remainder trusts	256,867	219,719
Land, building and equipment, net	5,187,468	5,440,521
Other assets	158,464	165,359
Contributions receivable	118,162	128,143
Total assets	<u>\$ 20,801,062</u>	<u>\$ 19,931,723</u>
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 140,685	\$ 160,048
Pension benefit obligation	1,729,317	2,146,250
DECD loan	145,090	172,496
Line of credit	1,495,596	893,000
Total liabilities	<u>3,510,688</u>	<u>3,371,794</u>
Net assets:		
Net assets without donor restrictions:		
Operations	(1,040,229)	(1,738,051)
Land, building and equipment	5,042,378	5,268,025
Total net assets without donor restrictions	<u>4,002,149</u>	<u>3,529,974</u>
Net assets with donor restrictions	<u>13,288,225</u>	<u>13,029,955</u>
Total net assets	<u>17,290,374</u>	<u>16,559,929</u>
Total liabilities and net assets	<u>\$ 20,801,062</u>	<u>\$ 19,931,723</u>

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

FIDELCO GUIDE DOG FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

For the years ended June 30, 2021 and 2020

	2021	2020
Change in net assets without donor restrictions:		
Program support and revenue:		
Contributions	\$ 2,323,844	\$ 3,503,106
Sales of products and services	49,471	20,081
Events	18,584	69,147
Other program	95,045	21,565
Total program support and revenue	2,486,944	3,613,899
Operating expenses:		
Program services	3,967,865	4,357,660
Management and general	1,610,580	1,556,674
Fundraising and special events	870,475	1,065,655
Total operating expenses	6,448,920	6,979,989
Change in net assets without donor restrictions before other revenue/(expenses)	(3,961,976)	(3,366,090)
Other revenue/(expenses):		
Gain from investments, net	2,808,861	105,514
Rental income, net	66,805	71,013
Pension benefits related changes other than net periodic pension cost	691,480	(185,159)
Paycheck protection program	612,693	727,900
Net assets released from program and time restrictions	254,312	328,018
Total other revenue/(expenses)	4,434,151	1,047,286
Change in net assets without donor restrictions	472,175	(2,318,804)
Change in net assets with donor restrictions:		
Contributions	263,675	394,408
Change in value of trusts	248,907	(66,243)
Net assets released from program and time restrictions	(254,312)	(328,018)
Change in net assets with donor restrictions	258,270	147
Change in net assets	730,445	(2,318,657)
Net assets, beginning of year	16,559,929	18,878,586
Net assets, end of year	\$ 17,290,374	\$ 16,559,929

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, 2021

	Program	Management and General	Fundraising	Total
Personnel costs	\$ 1,992,652	\$ 559,348	\$ 522,637	\$ 3,074,637
Employee benefits	694,584	193,150	101,974	989,708
Depreciation	292,829	30,463	25,477	348,769
Utilities	223,223	28,315	24,394	275,932
Kennel and medical costs	265,549	-	-	265,549
Payroll taxes	139,044	52,428	71,539	263,011
Office software	-	234,748	-	234,748
Office supplies	59,144	115,161	45,510	219,815
Insurance	-	199,882	-	199,882
Professional fees	9,100	157,555	-	166,655
Travel, meals, entertainment	125,425	961	518	126,904
Other	83,526	28,960	11,693	124,179
Consulting fees	75,074	5,798	-	80,872
Marketing	-	-	59,955	59,955
Technology	4,458	3,546	-	8,004
Special events	-	-	6,430	6,430
Conferences	3,257	265	348	3,870
	<u>\$ 3,967,865</u>	<u>\$ 1,610,580</u>	<u>\$ 870,475</u>	<u>\$ 6,448,920</u>
Total expenses	<u>\$ 3,967,865</u>	<u>\$ 1,610,580</u>	<u>\$ 870,475</u>	<u>\$ 6,448,920</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, 2020

	Program	Management and General	Fundraising	Total
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	\$ 4,357,660	\$ 1,556,674	\$ 1,065,655	\$ 6,979,989

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, 2021 and 2020

	2021	2020
Cash Flows from Operating Activities		
Total change in net assets	\$ 730,445	\$ (2,318,657)
Adjustments to reconcile total change in net assets to net change in cash from operating activities:		
Depreciation	348,769	378,071
Unrealized (gain)/loss on investments	(2,197,388)	248,097
Realized (gain)/loss on sale of investments	(417,690)	(104,470)
Net change in value of trusts	(248,907)	66,243
Change in operating assets and liabilities:		
Other assets	6,895	(8,600)
Contributions receivable	9,981	(3,317)
Accounts payable and accrued liabilities	(19,363)	(190,698)
Pension benefit obligation	(416,933)	759,850
Net change in cash from operating activities	(2,204,191)	(1,173,481)
Cash Flows from Investing Activities		
Purchases of investments	(569,551)	(148,268)
Proceeds from sales of investments	2,300,580	504,356
Purchases of fixed assets	(95,716)	(27,258)
Net change in cash from investing activities	1,635,313	328,830
Cash Flows from Financing Activities		
Proceeds from line of credit	1,942,596	913,000
Principal payments on line of credit	(1,340,000)	(675,000)
Principal payments on DECD loan	(27,406)	(19,624)
Net change in cash from financing activities	575,190	218,376
Net change in cash and cash equivalents	6,312	(626,275)
Cash and cash equivalents, beginning of year	403,714	1,029,989
Cash and cash equivalents, end of year	\$ 410,026	\$ 403,714
Supplemental Cash Flow Information		
Cash paid for interest	\$ 30,731	\$ 7,426

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

FIDELCO GUIDE DOG FOUNDATION, INC.

Notes to Financial Statements

June 30, 2021 and 2020

NOTE 1 – ORGANIZATION AND 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 \$49,495 and \$73,643 as of June 30, 2021 and 2020 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, 2025, 2030 and 2035. As of June 30, 2021 and 2020, there was also \$68,667 and \$54,500 in other contributions owed to Fidelco. As of June 30, 2021 and 2020 there was no allowance for bad debt.

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. Buildings have 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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 fair 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.

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

Donor	2021		2020	
	Contribution	Percent of Total	Contribution	Percent of Total
A	\$ 240,000	9.5%	\$ 50,000	1.3%
B	135,000	5.3%	135,000	3.5%
C	90,000	3.5%	90,000	2.3%
D	73,919	2.9%	68,660	1.8%
E	62,014	2.4%	62,876	1.6%
	<u>\$ 600,933</u>	<u>23.6%</u>	<u>\$ 406,536</u>	<u>10.5%</u>

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, 2021 through January 17, 2022, the date the financial statements were available to be issued.

NOTE 2 – GAIN ON INVESTMENTS, NET

Gain on investments was comprised of the following for the year ended June 30:

	2021	2020
Dividends and interest	\$ 247,377	\$ 331,167
Realized gains	417,690	104,470
Unrealized gains/(losses)	2,197,388	(248,097)
	<u>2,862,455</u>	<u>187,540</u>
Investment expenses	(53,594)	(82,026)
Gain from investments, net	<u>\$ 2,808,861</u>	<u>\$ 105,514</u>

NOTE 3 – FAIR VALUE MEASUREMENTS

The following table details the financial instruments carried at fair value as of June 30, 2021 and 2020 and indicates the fair value hierarchy of the valuation techniques used to determine fair value:

	2021			
	Level 1	Level 2	Level 3	Total
Domestic:				
Short-term investments	\$ 2,230,768	\$ -	\$ -	\$ 2,230,768
Equity securities	3,166,181	-	-	3,166,181
Debt securities	-	4,743,841	-	4,743,841
Fixed income	427,044	-	-	427,044
Real estate and REITs	350,797	-	-	350,797
Government backed securities	-	161,138	-	161,138
International and emerging markets:				
Equity securities	1,522,779	-	-	1,522,779
Debt securities	-	174,712	-	174,712
	<u>\$ 7,697,569</u>	<u>\$ 5,079,691</u>	<u>\$ -</u>	<u>\$ 12,777,260</u>
	2020			
	Level 1	Level 2	Level 3	Total
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>

NOTE 4 – ENDOWMENT ASSETS

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

Balance, July 1, 2019	\$ 13,029,808
Contributions	394,408
Change in value of trusts	(66,243)
Net assets released from program and time restrictions	<u>(328,018)</u>
Balance, June 30, 2020	13,029,955
Contributions	263,675
Change in value of trusts	248,907
Net assets released from program and time restrictions	<u>(254,312)</u>
Balance, June 30, 2021	<u>\$ 13,288,225</u>

NOTE 5 – AVAILABILITY AND LIQUIDITY OF RESOURCES

The following table reflects Fidelco’s financial assets as of June 30, 2021 and 2020, 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.

	<u>2021</u>	<u>2020</u>
Financial assets available at year end:		
Cash and cash equivalents	\$ 410,026	\$ 403,714
Accounts receivable - due within one year	12,144	12,258
Contribution receivable - due within one year	28,667	54,500
Investment securities	<u>12,777,260</u>	<u>11,893,211</u>
Total financial assets	13,228,097	12,363,683
Less amounts with donor restrictions	(11,138,543)	(11,129,180)
Less collateral pledged for line of credit	<u>(1,495,596)</u>	<u>(893,000)</u>
Net financial assets available to meet general expenditures over the next twelve months	<u>\$ 593,958</u>	<u>\$ 341,503</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.

NOTE 6 – LAND, BUILDING AND EQUIPMENT

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

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 1,199,642	\$ 1,199,642
Building and improvements	8,391,514	8,364,327
Equipment and vehicles	<u>1,460,110</u>	<u>1,391,580</u>
	11,051,266	10,955,549
Less: accumulated depreciation	<u>(5,863,798)</u>	<u>(5,515,028)</u>
	<u>\$ 5,187,468</u>	<u>\$ 5,440,521</u>

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Amounts with time restrictions:		
Charitable remainder trust	\$ 256,867	\$ 219,719
Contributions receivable	77,437	128,143
	<u>334,304</u>	<u>347,862</u>
Amount with purpose restrictions:		
Guide dog placement program for veterans	265,351	387,351
Partner with vision	140,000	140,000
Various programs	151,858	17,789
	<u>557,209</u>	<u>545,140</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	1,892,815	1,681,056
Puphouse maintenance program	650,000	650,000
Apprentice program	300,000	300,000
Guide dog placement program	298,000	250,000
Guide dog training program	250,000	250,000
Endowment fund - other	10,000	10,000
	<u>12,396,712</u>	<u>12,136,953</u>
Total net assets with donor restrictions	<u>\$ 13,288,225</u>	<u>\$ 13,029,955</u>

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

	<u>2021</u>	<u>2020</u>
Guide dog placement program for veterans	\$ 167,000	\$ 150,000
Partner with vision	-	140,000
Contributions receivable	64,044	22,000
Various programs	23,268	16,018
	<u>\$ 254,312</u>	<u>\$ 328,018</u>

NOTE 8 – 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.

NOTE 8 – PENSION PLAN (CONTINUED)

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, 2021 and 2020, using a measurement date of the same date:

	<u>2021</u>	<u>2020</u>
Change in projected benefit obligations:		
Present value, beginning of year	\$ 4,291,915	\$ 3,504,716
Service cost	203,482	157,146
Interest cost	118,771	122,740
Actuarial (gain)/loss	95,105	590,085
Benefits paid	<u>(111,753)</u>	<u>(82,772)</u>
Present value, end of year	<u>4,597,520</u>	<u>4,291,915</u>
Change in plan assets:		
Fair value (level 1), beginning of year	2,145,665	2,118,316
Actual return (loss) on assets, less expense charges	626,617	(32,929)
Contributions	207,674	143,050
Benefits paid	<u>(111,753)</u>	<u>(82,772)</u>
Fair value (level 1), end of year	<u>2,868,203</u>	<u>2,145,665</u>
Unfunded status of pension benefits	<u>\$ 1,729,317</u>	<u>\$ 2,146,250</u>
Components of net periodic pension benefits cost:		
Service cost	\$ 203,482	\$ 157,146
Interest cost	118,771	122,740
Expected return on plan assets	(130,970)	(128,561)
Amortization of unrecognized net loss	83,264	33,834
Net periodic pension benefit cost	<u>\$ 274,547</u>	<u>\$ 185,159</u>

Weighted-average assumptions used to determine benefit obligations and net periodic benefit cost were as follows at June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Weighted average discount rate	2.85%	2.80%
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 8 – 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:

	2021	2020
Asset category:		
Cash and cash equivalents	2%	2%
Debt securities	31%	36%
Equity securities	61%	56%
Exchange traded funds	6%	6%
	100%	100%

The following future pension benefits are expected to be paid:

For the year ended June 30, 2022	\$ 154,000
2023	155,000
2024	155,000
2025	158,000
2026	172,000
Five years thereafter	1,039,000
	\$ 1,833,000

NOTE 9 – 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% (2.25% at June 30, 2021 and 2020). The line of credit matures on May 28, 2022 and is secured by investment securities. As of June 30, 2021 and 2020, \$1,495,596 and \$893,000 was drawn on the line of credit.

NOTE 10 – 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 on September 1, 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, 2022	\$ 30,768
2023	31,346
2024	32,311
2025	32,641
2026	18,024
	\$ 145,090

NOTE 11 – 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 12 – 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).

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 2022.

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 impact the business, the related financial impact cannot be reasonably estimated at this time.

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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