

**INTERNATIONAL HEARING
DOG, INC.**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

TOGETHER WITH INDEPENDENT AUDITORS' REPORT

INTERNATIONAL HEARING DOG, INC.
FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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January 14, 2021

Independent Auditors' Report

Board of Directors
International Hearing Dog
Henderson, Colorado

We have audited the accompanying financial statements of **International Hearing Dog, Inc.** (a Colorado nonprofit corporation) which comprise the statement of financial position as of September 30, 2020, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 of material misstatement.

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

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 International Hearing Dog as of September 30, 2020, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited International Hearing Dog's 2019 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 18, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Taylor ROTH and Company PLLC

TAYLOR, ROTH AND COMPANY, PLLC
CERTIFIED PUBLIC ACCOUNTANTS
DENVER, COLORADO

INTERNATIONAL HEARING DOG, INC.
STATEMENT OF FINANCIAL POSITION
SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020	2019
<u>Assets</u>		
Cash and cash equivalents	\$ 104,386	\$ 54,107
Grants receivable	45,000	-
Prepaid expenses	-	3,845
Inventory (Note 3)	13,508	13,973
Investments (Note 4)	1,217,351	1,264,763
Net property and equipment (Note 5)	166,176	174,094
Total assets	\$1,546,421	\$1,510,782
<u>Liabilities and net assets</u>		
<u>Liabilities</u>		
Accounts payable	\$ 8,146	\$ 6,651
Accrued payroll costs	32,679	26,242
Line of credit (Note 6)	-	-
Commitment and contingency (Note 7)		
Total liabilities	40,825	32,893
<u>Net assets</u>		
Without donor restrictions		
Undesignated	288,245	213,126
Board designated endowment (Note 4)	1,217,351	1,264,763
Total net assets	1,505,596	1,477,889
Total liabilities and net assets	\$1,546,421	\$1,510,782

The accompanying notes are an integral part of these financial statements

INTERNATIONAL HEARING DOG, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<u>Revenue and other support</u>				
Foundations	\$ 196,193	\$ -	\$ 196,193	\$ 154,773
PPP forgivable loan (Note 8)	98,400	-	98,400	-
Fundraising, net, (Note 9)	82,203	-	82,203	52,929
Individuals	68,269	-	68,269	69,141
Wills and bequests	60,000	-	60,000	10,000
Service clubs	30,955	-	30,955	36,682
Corporate contributions	7,952	-	7,952	-
Dog sponsorships	-	-	-	32,500
Business groups	-	-	-	3,242
Increase in cash value of life insurance	-	-	-	1,303
All other	179	-	179	3,414
In-kind (Note 10)	7,166	-	7,166	13,064
	<u>551,317</u>	<u>-</u>	<u>551,317</u>	<u>377,048</u>
Total revenue and other support				
Program services	435,738	-	435,738	556,700
Supporting services				
Management and general	125,108	-	125,108	83,808
Fundraising	46,353	-	46,353	43,244
	<u>607,199</u>	<u>-</u>	<u>607,199</u>	<u>683,752</u>
Total expense				
Change in net assets				
before interest and investment income	(55,882)	-	(55,882)	(306,704)
Investment income	83,589	-	83,589	23,592
	<u>27,707</u>	<u>-</u>	<u>27,707</u>	<u>(283,112)</u>
Change in net assets				
Net assets, beginning of year	1,477,889	-	1,477,889	1,761,001
Net assets, end of year	<u>\$ 1,505,596</u>	<u>\$ -</u>	<u>\$ 1,505,596</u>	<u>\$ 1,477,889</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL HEARING DOG, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	2020			2019	
	Supporting services				
	Program Services	Management and General	Fund- raising	Total	Total
Salaries	\$ 311,603	\$ 33,788	\$ 30,034	\$ 375,425	\$ 416,676
Payroll taxes and benefits	51,777	5,614	4,991	62,382	60,192
Audit and accounting fees	-	24,731	-	24,731	7,425
Service dog placement	20,166	-	-	20,166	34,170
Veterinarian care	14,608	-	-	14,608	13,994
Office operations	-	11,751	-	11,751	17,299
Phone	5,620	2,809	2,810	11,239	11,041
Dog food and supplies	10,843	-	-	10,843	8,288
Utilities	5,146	2,573	2,573	10,292	11,262
Insurance	-	10,754	-	10,754	7,564
Executive director search	-	6,672	-	6,672	-
Repair and maintenance	5,037	379	-	5,416	10,165
IT support	-	5,315	-	5,315	-
Interim executive director support	-	2,000	2,000	4,000	-
Grant writer	-	-	3,090	3,090	-
Dog operations	2,691	-	-	2,691	14,110
Fees and registrations	1,922	-	-	1,922	7,302
Staff and volunteer development	1,600	-	-	1,600	-
Cost of goods sold	-	1,001	-	1,001	-
Postage	-	406	407	813	5,737
Professional fees	-	-	-	-	29,150
Promotion	-	-	-	-	1,367
Other	4,725	628	448	5,801	11,637
Total	\$ 435,738	\$ 108,421	\$ 46,353	\$ 590,512	\$ 667,379
Depreciation	-	16,687	-	16,687	16,373
Total	\$ 435,738	\$ 125,108	\$ 46,353	\$ 607,199	\$ 683,752

The accompanying notes are an integral part of these financial statements

INTERNATIONAL HEARING DOG, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2020
(WITH COMPARATIVE TOTALS FOR 2019)

	<u>2020</u>	<u>2019</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 27,707	\$ (283,112)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	16,687	16,373
Loss (gain) on disposal of fixed assets	1,086	
Loss (gain) on investments	(32,769)	27,898
<u>Changes in operating assets and liabilities</u>		
(Increase)decrease in grants receivable	(45,000)	-
(Increase)decrease in prepaid expenses	3,845	(2,426)
(Increase)decrease in inventory	465	(4,264)
(Increase)decrease in other assets	-	17,134
Increase(decrease) in accounts payable	1,495	(2,230)
Increase(decrease) in payroll accruals	6,437	12,071
Net cash (used)provided by operating activities	<u>(20,047)</u>	<u>(218,556)</u>
<u>Cash flows from investing activities</u>		
(Purchases) of investments	(563)	(10,518)
(Reinvestment) of earnings	(50,256)	(50,891)
Proceeds from investments	131,000	310,000
(Purchases) of fixed assets	<u>(9,855)</u>	<u>(7,450)</u>
Net cash provided(used) by investing activities	<u>70,326</u>	<u>241,141</u>
Net increase(decrease) in cash and cash equivalents	50,279	22,585
Cash and cash equivalents, beginning of year	<u>54,107</u>	<u>31,522</u>
Cash and cash equivalents, end of year	<u>\$ 104,386</u>	<u>\$ 54,107</u>

The accompanying notes are an integral part of these financial statements

INTERNATIONAL HEARING DOG, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2020

NOTE 1 - NATURE OF ACTIVITIES

International Hearing Dog, Inc. (the Organization) was established for the purpose of training and placing hearing dogs with deaf individuals, with or without multiple handicaps, at no charge to the recipient. The Organization's mission is to empower Deaf and hard of hearing individuals by purposefully training specially selected dogs to alert to sounds, carefully matching these dogs with Deaf and hard of hearing handlers and supporting the paired teams throughout a lifetime of the match. The Organization operates the following major programs:

Dog Training – The training and placement of hearing dogs at no cost to the recipient. The recipient may choose to pay for the certification or for additional equipment.

Education – To raise public awareness regarding the legal access rights of a hearing dog and the role of a hearing dog in assisting the deaf and hard of hearing.

In March of 2020, due to the COVID-19 pandemic (the pandemic), the Organization faced new challenges that required an immediate response. One week before Colorado's Stay-at-Home order began on March 24th, the Organization focused primarily on designing and implementing a Volunteer Foster Home Pilot Program to recruit and screen for volunteer fosters. The Organization conducted training with each foster in order to prepare them for the expectations of their role as well as provide the necessary instruction on dog care, obedience cues and sound alert training. The Organization also created a portal for the Fosters daily and weekly updated reports.

Due to the pandemic, the Organization also stopped traveling to place dogs. Further, as the dog/client teams often require additional visits from trainers during their first six-month transition, the Organization was not able to safely provide that support during the pandemic. Consequently, after careful consideration, the Organization determined that it will not be placing dogs outside of Colorado at least through the end of 2020.

The Organization is supported primarily through foundations, fundraising, and individuals.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES

1. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

2. Basis of Presentation

The financial statements of the Organization have been prepared in accordance with U.S. generally accepted accounting principles which require the Organization to report its financial position and activities according to the following net asset classifications:

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Continued)

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

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

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

3. Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

4. Accounts Receivable

The Organization states accounts receivable at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

6. Capitalization and Depreciation

The Organization follows the practice of capitalizing all expenditures for furniture and equipment in excess of \$1,500. The fair value of donated assets is similarly capitalized. Depreciation of furniture and equipment is provided over the estimated useful lives of the respective assets on a straight-line basis.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

8. Income Taxes

The Organization has received an Internal Revenue Service exemption from federal income taxes under Section 501(c)(3). Accordingly, no provision or liability for income taxes has been provided in the accompanying financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PROCEDURES (Concluded)

9. Functional Reporting of Expenses

For the year ended September 30, 2020, the costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The significant expenses allocated are salaries and payroll taxes, which are allocated based on time and effort. Dog delivery and supplies, dog operations and utilities are allocated assigned directly to the program or functional area benefited.

10. Fair Value Measurements

The Organization is subject to the provisions of the *Fair Value Measurements and Disclosures* accounting standard. This standard requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for the asset or liability (Level 3).

At year-end, the Organization's investments consist of stock and mutual funds and are stated at fair value using Level 1 inputs.

11. Summarized Prior-Year Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended September 30, 2019, from which the summarized information was derived.

12. New Accounting Pronouncement

The Organization adopted Accounting Standards Update (ASU) No. 2018-08 – Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The standards updated provides enhanced guidance to assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal transactions) and (2) determining whether a contribution is conditional. The accounting guidance may delay revenue recognition for certain grants and contributions that no longer meet the definition of unconditional. The Organization does not believe the application of the provisions of the standards update materially changed the recognition of contributions received during the year.

13. Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received; conditional promises to give with a measurable performance barrier and a right of return are not recognized until the conditions on which they depend have been met.

14. Subsequent Events

Management has evaluated subsequent events through January 14, 2021, the date the financial statements were available to be issued and found no events that would materially alter the results presented herein.

NOTE 3 - INVENTORY

Inventory consists of collars, leashes, kennels, videos, patches and other promotional items. Items are valued at cost and the majority are not for sale to the general public.

NOTE 4 - INVESTMENTS – BOARD DESIGNATED ENDOWMENT

Investments (Level 1 inputs) are stated at their fair market values as follows:

<u>Description</u>	<u>Fair Value</u>
Cash and cash alternatives	\$ 62,159
Mutual funds	<u>1,155,192</u>
Total	<u>\$ 1,217,351</u>

Investment income is summarized as follows:

<u>Description</u>	<u>Amount</u>
Net realized and unrealized gain(loss) on investments	\$ 32,769
Interest and dividend income	59,378
Less management fees	<u>(9,122)</u>
Net investment return	<u>\$ 83,025</u>

In addition, the Organization generated \$564 in operating interest from cash and cash equivalents.

Annually, the board of directors determines the allocation of funds for operations. Changes in board designated net assets for the year ended September 30, 2020 consisted of:

<u>Description</u>	<u>Amount</u>
Balance, beginning of year	\$ 1,264,763
Additions	563
Withdrawals	(131,000)
Net investment income	<u>83,025</u>
Balance, end of year	<u>\$ 1,217,351</u>

NOTE 5 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

<u>Description</u>	<u>Amount</u>
Buildings and improvements	\$ 242,262
Leasehold improvements	48,837
Office equipment	20,521
Kennels	<u>1,885</u>
Total	313,505
Accumulated depreciation	<u>(147,329)</u>
Net property and equipment	<u>\$ 166,176</u>

Depreciation expense for the current year was \$16,687.

NOTE 6 - LINE OF CREDIT

The Organization has a \$450,000 revolving line of credit with an interest rate of 3.15% at year-end. At year-end, there was no outstanding balance on the line of credit.

NOTE 7 - COMMITMENT AND CONTINGENCY

The buildings and improvements owned by International Hearing Dog (Organization) are located at their Henderson Colorado address. The property on which these buildings rest is leased primarily from the Colorado Division of Wildlife under a twenty-five-year lease agreement. Due to discrepancies in prior years surveying, there is, however, a strip of land, .282 acre, which is not owned by the Division of Wildlife that runs across the property on which the buildings are located. This strip of land is not subject to any long-term lease agreement but is leased on a year-by-year basis. In case future difficulties arise in property ownership and possession, arrangements to have the buildings moved will be the sole responsibility of the Organization.

The Organization will make payments of \$100 per annum until the lease ends July 31, 2039. Either party may terminate the agreement but must provide a one-year prior written notice. The Organization will have three options to extend the lease for another twenty-five-year term, potentially totaling 100 years.

NOTE 8 - PAYROLL PROTECTION PROGRAM

On April 17, 2020, the Organization borrowed \$98,400 under the Payroll Protection Program (PPP). Congress established the PPP to provide relief to small businesses during the COVID-19 pandemic as part of the \$2 trillion Coronavirus Aid, Relief, And Economic Security (CARES) Act. The loans and accrued interest are forgivable after eight weeks and up to 24 weeks, as long as the borrower uses the loan proceeds for eligible purposes. A contribution is recorded for the amount forgiven. The Organization has used the funds in accordance with the note, provided necessary support and chosen to record the full amount as forgiven in this fiscal year.

NOTE 9 - FUNDRAISING EVENTS

The current year fund-raising event revenue consisted of:

<u>Description</u>	<u>Amount</u>
Gross revenue	\$ 101,449
Less: direct expenses	<u>(19,246)</u>
Total	<u>\$ 82,203</u>

NOTE 10 - IN-KIND REVENUE AND EXPENSE

Donated goods and services are reflected in the accompanying statements at their estimated values at date of receipt. Donated goods and services for the current year amounted to:

<u>Description</u>	<u>Amount</u>
Dog food and supplies	\$ 6,243
Office supplies	780
Staff development	125
Printing and postage	<u>18</u>
Total	<u>\$ 7,166</u>

NOTE 11 - PENSION PLAN

The Organization has a SIMPLE IRA plan that will match up to three percent of the employee's salary. Total pension expense for the current year was \$6,196.

NOTE 12 - CONCENTRATION OF CREDIT RISK

The Organization has significant investments in stock, as well as stock and bond mutual funds. The market value of these investments is subject to fluctuation on a year-to-year basis. Management and the board review their strategic plan and approve withdrawals for general operations as needed.

NOTE 13 - AVAILABILITY AND LIQUIDITY

The following represents financial assets available for general operating expenditures within one year at September 30, 2020:

	<u>Amount</u>
Financial assets at year-end:	
Cash and cash equivalents	\$ 104,387
Grants receivable	45,000
Investments	<u>1,217,351</u>
Total financial assets	1,366,738
Less: amounts not available for general expenditures within one year, due to:	
Board designated endowment (less 2020 budget)	<u>(1,217,351)</u>
Financial assets available to meet general operating expenditures within one year	<u>\$ 149,387</u>

The Organization's goal is to maintain available financial assets sufficient to meet five months of general operating expenses. Management and the board reviewed their 2021 budget and determined the budget will not require calling drawing on the endowment.