

Service Dog Project Inc.



Training Dogs for the Mobility Impaired

REPORT ON AUDIT OF FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020

SERVICE DOG PROJECT, INC.

REPORT ON AUDIT OF FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Service Dog Project, Inc.

Opinion

We have audited the accompanying financial statements of Service Dog Project, Inc. (a Massachusetts nonprofit organization), which comprise the statement of financial position as of December 31, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Service Dog Project, Inc. as of December 31, 2021, and the changes in net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

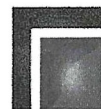
Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Service Dog Project, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Service Dog Project, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.



Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Service Dog Project, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Service Dog Project, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Summarized Comparative Information

We previously reviewed Service Dog Project, Inc.'s 2020 financial statements and in our conclusion dated October 28, 2021, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended December 31, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

BJHC PC

Topsfield, Massachusetts
November 2, 2022

SERVICE DOG PROJECT, INC.

STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2021 AND 2020

ASSETS

	2021	2020
Cash and cash equivalents, substantially all in interest bearing accounts	\$ 298,486	\$ 376,566
Grants and contributions receivable	174,404	7,645
Other receivable	207,475	51,190
Prepaid insurance	11,159	10,555
Due from officer	2,588	2,588
Property and equipment, net	323,440	362,494
TOTAL ASSETS	<u>\$ 1,017,552</u>	<u>\$ 811,038</u>

LIABILITIES AND NET ASSETS

Liabilities -		
Accounts payable and accrued expenses	\$ 29,396	\$ 14,120
Note payable - bank	-	87,028
Total liabilities	<u>29,396</u>	<u>101,148</u>
Net assets:		
Without donor restrictions	838,156	709,890
With donor restrictions	150,000	-
Total net assets	<u>988,156</u>	<u>709,890</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,017,552</u>	<u>\$ 811,038</u>

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

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Without Donor Restrictions	With Donor Restrictions	2021 Total
OPERATING SUPPORT AND REVENUES:			
Grants	\$ -	\$ 300,000	\$ 300,000
Special events, net of cost of direct benefits to donors	198,100	-	198,100
Contributions	301,114	-	301,114
Other income - employee retention tax credits	156,285	-	156,285
In-kind contributions	-	129,655	129,655
Store and calendar sales	33,473	-	33,473
Investment income	213	-	213
	<hr/>		
	689,185	429,655	1,118,840
Net assets released from program restrictions	279,655	(279,655)	-
	<hr/>		
Total operating support and revenues	968,840	150,000	1,118,840
OPERATING EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	789,384	-	789,384
SUPPORT SERVICES:			
Management and general	188,080	-	188,080
Fundraising	41,041	-	41,041
Total support services	229,121	-	229,121
	<hr/>		
Total operating expenses	1,018,505	-	1,018,505
	<hr/>		
CHANGE IN NET ASSETS FROM OPERATIONS	(49,665)	150,000	100,335
OTHER REVENUE -			
Forgiveness of debt	177,931	-	177,931
	<hr/>		
CHANGE IN NET ASSETS	128,266	150,000	278,266
	<hr/>		
NET ASSETS, BEGINNING OF YEAR	709,890	-	709,890
	<hr/>		
NET ASSETS, END OF YEAR	\$ 838,156	\$ 150,000	\$ 988,156
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The accompanying notes are an integral part of these financial statements.

SERVICE DOG PROJECT, INC.

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Without Donor Restrictions	With Donor Restrictions	2020 Total
OPERATING SUPPORT AND REVENUES:			
Grants	\$ -	\$ -	\$ -
Special events, net of cost of direct benefits to donors	219,755	-	219,755
Contributions	331,401	-	331,401
In-kind contributions	-	129,578	129,578
Store and calendar sales	23,504	-	23,504
Investment income	549	-	549
	<u>575,209</u>	<u>129,578</u>	<u>704,787</u>
Net assets released from program restrictions	279,578	(279,578)	-
	<u>854,787</u>	<u>(150,000)</u>	<u>704,787</u>
OPERATING EXPENSES:			
PROGRAM SERVICES:			
Service dog training and placement	759,567	-	759,567
SUPPORT SERVICES:			
Management and general	117,528	-	117,528
Fundraising	38,044	-	38,044
	<u>155,572</u>	<u>-</u>	<u>155,572</u>
	<u>915,139</u>	<u>-</u>	<u>915,139</u>
CHANGE IN NET ASSETS	(60,352)	(150,000)	(210,352)
NET ASSETS, BEGINNING OF YEAR	770,242	150,000	920,242
NET ASSETS, END OF YEAR	<u>\$ 709,890</u>	<u>\$ -</u>	<u>\$ 709,890</u>

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

SERVICE DOG PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2021

	Service Dog Training and Placement	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Animal costs:					
Dog food and feed	\$ 70,574	\$ -	\$ -	\$ -	\$ 70,574
Veterinary care	51,034	-	-	-	51,034
Supplies and other	46,585	-	-	-	46,585
Total animal costs	168,193	-	-	-	168,193
Payroll costs:					
Salaries and wages	393,309	87,021	-	-	480,330
Payroll taxes and benefits	40,781	9,023	-	-	49,804
Total payroll costs	434,090	96,044	-	-	530,134
Other costs:					
Occupancy	93,359	20,656	-	-	114,015
Depreciation	47,658	10,545	-	-	58,203
Advertising and fundraising	-	-	21,221	22,883	44,104
Professional fees	3,920	40,476	-	-	44,396
Volunteer appreciation	-	-	19,820	-	19,820
Travel and transportation	14,088	-	-	-	14,088
Insurance	11,002	2,434	-	-	13,436
Office expense	3,238	16,735	-	-	19,973
Telephone	5,376	1,189	-	-	6,565
Repairs and maintenance	8,461	-	-	-	8,461
Total other costs	187,101	92,036	41,041	22,883	343,061
Total expenses by function	789,384	188,080	41,041	22,883	1,041,388
Less expenses included with revenue on the statement of activities:					
Cost of calendars sold	-	-	-	(9,006)	(9,006)
Special events	-	-	-	(13,877)	(13,877)
Total expenses included in the expense section on the statement of activities	\$ 789,384	\$ 188,080	\$ 41,041	\$ -	\$ 1,018,505

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

SERVICE DOG PROJECT, INC.

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2020

	Service Dog Training and Placement	Management and General	Fundraising	Cost of Direct Benefits to Donors	Total
Animal costs:					
Dog food and feed	\$ 73,025	\$ -	\$ -	\$ -	\$ 73,025
Veterinary care	45,875	-	-	-	45,875
Supplies and other	24,325	-	-	-	24,325
Total animal costs	143,225	-	-	-	143,225
Payroll costs:					
Salaries and wages	398,201	61,646	-	-	459,847
Payroll taxes and benefits	42,094	6,517	-	-	48,611
Total payroll costs	440,295	68,163	-	-	508,458
Other costs:					
Occupancy	87,637	13,567	-	-	101,204
Depreciation	44,877	6,948	-	-	51,825
Advertising and fundraising	-	-	19,964	13,281	33,245
Professional fees	3,771	15,984	-	-	19,755
Volunteer appreciation	-	-	18,080	-	18,080
Travel and transportation	16,239	-	-	-	16,239
Insurance	12,633	1,956	-	-	14,589
Office expense	-	10,088	-	-	10,088
Telephone	5,309	822	-	-	6,131
Repairs and maintenance	5,581	-	-	-	5,581
Total other costs	176,047	49,365	38,044	13,281	276,737
Total expenses by function	759,567	117,528	38,044	13,281	928,420
Less expenses included with revenue on the statement of activities:					
Cost of calendars sold	-	-	-	(11,885)	(11,885)
Special events	-	-	-	(1,396)	(1,396)
Total expenses included in the expense section on the statement of activities	\$ 759,567	\$ 117,528	\$ 38,044	\$ -	\$ 915,139

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

SERVICE DOG PROJECT, INC.

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 278,266	\$ (210,352)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	58,203	51,825
Discharge of indebtedness income	(176,620)	-
Cash provided by (used in) changes in:		
Grants and contributions receivable	(166,759)	153,705
Other receivable	(156,285)	(51,190)
Prepaid insurance	(604)	(1,522)
Accounts payable and accrued expenses	15,276	(5,937)
NET CASH USED IN OPERATING ACTIVITIES	<u>(148,523)</u>	<u>(63,471)</u>
CASH FLOWS FROM INVESTING ACTIVITIES -		
Additions to property and equipment	<u>(19,149)</u>	<u>(69,753)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(19,149)</u>	<u>(69,753)</u>
CASH FLOWS FROM FINANCING ACTIVITIES -		
Proceeds of note payable - bank	<u>89,592</u>	<u>87,028</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>89,592</u>	<u>87,028</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(78,080)	(46,196)
CASH AND CASH EQUIVALENTS, BEGINNING	<u>376,566</u>	<u>422,762</u>
CASH AND CASH EQUIVALENTS, ENDING	<u>\$ 298,486</u>	<u>\$ 376,566</u>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the year for:		
Interest	\$ 1,311	\$ -
Income taxes	\$ -	\$ -

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

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

1. OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES:

OPERATIONS:

Service Dog Project, Inc., "SDP," was founded in 2003 to train Great Danes and other dogs to assist individuals having severe balance and mobility limitations due to neurological diseases or other injuries. SDP's dogs receive extensive training for balance and mobility. SDP is fully accredited by Assistance Dogs International.

SIGNIFICANT ACCOUNTING POLICIES:

Financial Statement Presentation

SDP classifies net assets, revenues, gains and losses based on the existence or absence of donor- or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

- Net assets without donor restrictions represent the portion of net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.
- Net assets with donor restrictions represent the portion of net assets subject to donor- (or certain grantor-) imposed restrictions. Certain donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates resources to be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of 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. Actual results could differ from those estimates.

Cash Equivalents

For the purpose of presentation in the statements of cash flows, SDP considers liquid temporary investments with original maturities of 90 days or less to be cash equivalents. Cash equivalents consist of money market accounts. SDP maintains its cash in bank deposit accounts, which at times, may exceed federally insured limits. SDP has not experienced any losses in such accounts. Management believes SDP is not exposed to any significant credit risk on cash and cash equivalents.

(Continued)

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Contribution and Grant Revenue

Contributions without donor restrictions are recorded as public support and net assets without donor restrictions when received or pledged. Grants and contributions received with restrictions placed on their designated program use are recorded in the accompanying financial statements as net assets with donor restrictions. Grants and contributions received with restrictions placed on their use for the purchase of long-lived assets are also recorded in the accompanying financial statements as net assets with donor restrictions. Grant revenue is recorded over the period covered by the grant as expenses related directly to the grant are incurred.

Unconditional Promises to Give

Unconditional promises to give (contributions) are recorded in the financial statements as receivables and revenue of the appropriate net asset category in the year the pledge is made. Conditional promises to give are not recognized until they become unconditional, that is, at the time when the conditions on which they depend are substantially met.

In-kind Donations

Contributions of noncash assets (dog food and rent) (see Note 8) are recorded at their fair values in the period received.

SDP has entered into an annual Shelter Agreement with Nestle Purina PetCare Company (“Nestle Purina”) where Nestle Purina contributes certain Purina® brand wet and dry adult and puppy dog food to SDP each month. The Agreement prohibits the use of other pet food brands unless a dog requires special medical accommodations specified by a licensed veterinarian. Donated dog food is received on pallets, stored and prepared for program use at SDP. In-kind dog food is valued at its retail value obtained by reference to current grocer price lists. In-kind dog food revenue was \$66,400 and \$69,566 in 2021 and 2020, respectively.

The Shelter Agreement continues for a period of one (1) year unless terminated earlier.

The success of SDP’s programs is dependent upon the non-specialized services of volunteers from the community in the regular maintenance and exercise of SDP’s dogs. The value of these particular services has not been recorded in the accompanying financial statements because the criteria for recognition of such volunteer effort under generally accepted accounting principles have not been satisfied.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

SIGNIFICANT ACCOUNTING POLICIES *(continued)*:

Property and Equipment

Property and equipment acquisitions are recorded at cost or, if contributed, at fair market value at the date of contribution. Absent donor stipulation of how long assets must be used, contributions of property and equipment are recorded as unrestricted support. Depreciation is recorded using the straight-line method over the estimated useful life of the asset or the remaining lease term in the case of building improvements. Purchases of property and equipment exceeding \$2,000 are capitalized.

Maintenance and repairs of the buildings and grounds are charged to expense in the period incurred. The cost and accumulated depreciation of assets retired or sold are removed from the statement of financial position and any gain or loss is credited or charged to income.

SDP received \$3,243 of in-kind property improvements in 2021.

Impairment of Long-Lived Assets

SDP has given consideration to impairment of its long-lived assets in its presentation of these financial statements. SDP has not recognized any reduction in the carrying value of its property.

Advertising

SDP expenses advertising costs as incurred. Total advertising expense for the years ended December 31, 2021 and 2020, were \$1,926 and \$1,849, respectively.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Salaries and related expenses are allocated based on employee job description and estimated time spent on the function. Occupancy, depreciation, insurance, and telephone are allocated based on payroll allocations.

Tax Status

SDP was incorporated under the provisions of Chapter 180 of the General Laws of the Commonwealth of Massachusetts. SDP is a nonprofit organization exempt from federal income taxes (not a private foundation) under section 501(c)(3) of the Internal Revenue Code. Donors may deduct contributions made to SDP within the Internal Revenue Code regulations.

SDP is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any periods pending or in progress.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

SIGNIFICANT ACCOUNTING POLICIES (continued):

Uncertainty of Income Taxes

The primary tax positions made by SDP are the existence of unrelated business income and SDP's status as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. SDP currently evaluates all tax positions, and makes a determination regarding the likelihood of those positions being upheld under review. For the years presented, SDP has not recognized any tax benefits or loss contingencies for uncertain tax positions based on this evaluation.

Management's Review

Management has evaluated events and transactions for potential recognition or disclosure through November 2, 2022, the date the financial statements were available to be issued.

2. OTHER RECEIVABLE

Included in accounts receivable at December 31, 2021 and 2020, are \$207,475 and \$51,190 of refundable employee retention credits (ERC). The ERC is considered a conditional grant that is recognized by SDP if it has overcome the barrier of eligibility in accordance with ASU Subtopic 958-605, *Contributions Received and Contributions Made*. Eligibility is determined based on one of two tests: a suspension of services test or a gross receipts test. Management has determined that SDP has qualified for the ERC under the gross receipts test for the quarters ended December 31, 2020, March 31, 2021 and June 30, 2021. Laws and regulations concerning government programs, including the ERC established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, are complex and subject to carrying interpretations. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge SDP's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon SDP.

3. PROPERTY AND EQUIPMENT

Property and equipment are comprised of the following at December 31, 2021 and 2020:

	2021	2020
Equipment	\$ 199,443	\$ 199,442
Building improvements	444,106	424,958
Vehicles	61,006	61,006
	<u>704,555</u>	<u>685,406</u>
Less accumulated depreciation	381,115	322,912
Property and equipment, net	<u>\$ 323,440</u>	<u>\$ 362,494</u>

Depreciation expense was \$58,203 and \$51,825 for the years ended December 31, 2021 and 2020, respectively.

(Continued)

SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

4. NOTE PAYABLE - BANK

On April 16, 2020 and April 6, 2021, SDP received loan proceeds of \$87,028 and \$89,592, under the Paycheck Protection Program ("PPP"). Established as part of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), the PPP provides for loans to qualifying organizations in amounts up to 2.5 times average monthly payroll expenses. PPP loans and accrued interest are forgivable after a "covered period" as long as the borrower maintains payroll levels and uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities. Forgiveness is reduced if the borrower terminates employees or reduces salaries during the covered period. Any unforgiven portion of a PPP loan is payable over two or five years at an interest rate of 1%, with a deferral of payments for 10 months after the end of the covered period. SDP has recorded a note payable and will record forgiveness upon being legally released from the loan obligation.

On March 26, 2021 and November 16, 2021, SDP received a complete discharge of these loans together with accrued interest of \$1,311. Forgiveness of debt income of \$177,931 is recorded in the Statement of Activities for the year ended December 31, 2021.

5. RESTRICTIONS ON NET ASSETS

Net assets with donor restrictions at December 31, 2021 are restricted as to time.

6. SPECIAL EVENTS AND FUNDRAISING

SDP sponsors a continuous monthly fundraiser known as "Chicken Bricks". Participants purchase virtual, pre-numbered "bricks" or squares on a virtual wall via the online website, Memsaic. Once a month, three chickens are released onto a large, vinyl board sectioned off into squares. When the first chicken has pooped onto a square, the holder of that number wins a token appreciation gift and certificate from SDP. An annual summary of the results of this fundraiser is as follows:

	<u>2021</u>	<u>2020</u>
Fundraising revenue	\$ 192,954	\$ 197,749
Memsaic fees	19,295	18,116
Net fundraiser revenue	<u>\$ 212,249</u>	<u>\$ 215,865</u>

SDP also holds an annual event known as "Dog Fest". Dog Fest provides registered guests two days to socialize with volunteers, staff and the shelter animals.

7. STORE AND CALENDAR SALES

SDP operates an online retail store where visitors can purchase clothing, calendars, publications, dog accessories and jewelry. Sales are recognized as goods are shipped.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

8. LEASE COMMITMENT (IN-KIND) AND RELATED PARTY TRANSACTIONS

SDP leases its premises from the organization's founder and Executive Director. SDP has no entire interest in the property nor is it a beneficiary of the property. The founder obtained a Comparative Market Analysis performed on the property in July, 2017. The analysis concluded the fair market rental value of the property was \$5,000 per month.

SDP leases the property for \$1 per month and the lease expires (5) five years after the founder's death. Thereafter, monthly rent will be set at the then current fair market rental value. The agreement expires on December 31, 2024; however, SDP has an option to extend the lease for an additional (5) five years. SDP is responsible for real estate taxes, utilities, landscaping, snow removal, and insurance. SDP also has a right of first refusal to purchase the property.

In-kind rent of \$60,000 is included in occupancy in the accompanying Statements of Functional Expenses for the years ended December 31, 2021 and 2020.

Future minimum lease obligations are \$12 per year.

9. RELATED PARTIES

The Executive Director and founder also serves as SDP's President and landlord. The Executive Director is uncompensated.

10. INDEMNIFICATION

SDP's Articles of Organization provide that SDP indemnify its officers and directors for certain events or occurrences that happen by reason of the fact that the officer or director is, was, or has agreed to serve as an officer or director of SDP. The maximum potential amount of future payments SDP could be required to make under these indemnification agreements is unlimited. SDP may also enter into other indemnification agreements in the normal course of business. As of December 31, 2021, SDP had not experienced any losses related to these indemnification obligations, and no claims with respect thereto were outstanding.

11. CONCENTRATION OF CREDIT RISK

SDP's cash is primarily deposited with two financial institutions. Cash accounts at banks are insured by the FDIC for up to \$250,000. Amounts in excess of insured limits were approximately \$30,000 at December 31, 2020.

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SERVICE DOG PROJECT, INC.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

12. LIQUIDITY AND AVAILABILITY:

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 298,486	\$ 376,566
Contributions receivable	174,404	7,645
Grants receivable	207,475	51,190
	<u>\$ 680,365</u>	<u>\$ 435,401</u>

As part of SDP's liquidity management plan, excess cash is invested in savings and bank money market accounts.

13. CONTINGENCY

In the ordinary course of business, SDP is, from time to time, involved in property abutter disputes concerning continuous dog barking in the early morning hours. At December 31, 2021, abutters were seeking legal means to restore "relative peace" in connection with a noise complaint. SDP denied any wrong doing in this case and settled the case in 2022 without incurring any material loss.