

ASSISTANCE DOGS OF HAWAII

AUDITED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
DECEMBER 31, 2020

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Assistance Dogs of Hawaii
Makawao, Maui, Hawaii

We have audited the accompanying financial statements of Assistance Dogs of Hawaii (a nonprofit organization), which comprise of the statements of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, statements of functional expenses and statements of cash flows for the year 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.

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 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 auditor's 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 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 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 Assistance Dogs of Hawaii as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

This report is intended for the information of the board of directors and management of Whale Trust and is not intended to be and should not be used by anyone other than these specified parties.

Melanie Devereux, CPA, LLC

Makawao, Hawaii
February 25, 2023

ASSISTANCE DOGS OF HAWAII
Statements of Financial Position
For the Year Ended December 31, 2020

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	591,953
Investments		1,410,305
Deposits		60
Prepaid Insurance		3,311
Total Current Assets		2,005,629

PROPERTY AND EQUIPMENT

Land and Land Improvements		1,270,127
Building and Building Improvements		2,288,217
Dogs		265,151
Vehicles		115,158
Furniture and Equipment		132,221
Less Accumulated Depreciation		(822,321)
Total Property and Equipment		3,248,553

TOTAL ASSETS	\$	5,254,182
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$	7,566
Accrued Payroll Liabilities		23,670
Paycheck Protection Program Loan		61,687
Total Current Liabilities		92,923

TOTAL LIABILITIES		92,923
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NET ASSETS

Without Donor Restrictions		5,161,259
With Donor Restrictions		-
Total Net Assets		5,161,259

TOTAL LIABILITIES AND NET ASSETS	\$	5,254,182
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The accompanying notes and independent auditor's report
are an integral part of these financial statements.

ASSISTANCE DOGS OF HAWAII

Statement of Activities and Changes in Net Assets
For the Year Ended December 31, 2020

	<u>Without Donor</u> <u>Restrictions</u>	<u>With Donor</u> <u>Restrictions</u>	<u>Total</u>
Public Support:			
Contributions	\$ 516,583	\$ 245,811	\$ 762,394
Fundraising	285,000	-	285,000
Net Assets Released from Restriction	267,931	(267,931)	-
Total Public Support	<u>1,069,514</u>	<u>(22,120)</u>	<u>1,047,394</u>
Revenue:			
Special Events (Net of Direct Expenses)	44,155	-	44,155
Sale of Merchandise	1,159	-	1,159
Program Service Revenue	2,000	-	2,000
Dividend Income	22,371	-	22,371
Unrealized Gains (Losses) on Investments	37,523	-	37,523
Gain (Loss) on Sale of Asset/Investment	5,200	-	5,200
Total Revenue	<u>112,408</u>	<u>-</u>	<u>112,408</u>
Total Public Support and Revenue	<u>1,181,922</u>	<u>(22,120)</u>	<u>1,159,802</u>
Expenses			
Program Services	716,567	-	716,567
Supporting Services	106,972	-	106,972
Fundraising	46,680	-	46,680
Total Expenses	<u>870,219</u>	<u>-</u>	<u>870,219</u>
CHANGE IN NET ASSETS	311,703	(22,120)	289,583
NET ASSETS, BEGINNING OF YEAR	<u>4,849,556</u>	<u>22,120</u>	<u>4,871,676</u>
NET ASSETS, END OF YEAR	<u>\$ 5,161,259</u>	<u>\$ -</u>	<u>\$ 5,161,259</u>

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ASSISTANCE DOGS OF HAWAII

Statement of Functional Expenses
For the Year Ended December 31, 2020

	Program	Supporting Services	Fundraising Services	Total
Personnel and Related Costs	\$ 277,682	\$ 34,710	\$ 34,710	\$ 347,103
Depreciation	126,276	22,284	-	148,560
Supplies	55,683	9,826	-	65,509
Outside Services	48,659	9,124	3,041	60,824
Veterinary Expenses	44,854	-	-	44,854
Repairs & Maintenance	40,267	-	-	40,267
Travel	36,255	-	-	36,255
Occupancy Costs	29,255	3,251	-	32,505
Accounting Fees	3,578	13,418	895	17,890
Property Tax	11,982	2,996	-	14,978
Insurance	10,204	1,134	-	11,338
Investment Fees	5,000	5,000	-	10,000
Printing & Publications	7,249	906	906	9,061
Dues & Subscriptions	6,796	755	-	7,551
General Excise Tax	-	-	5,005	5,005
Postage & Shipping	3,983	498	498	4,979
Advertising/Marketing	2,917	1,459	486	4,862
Bank Fees	1,431	716	716	2,862
Training	2,702	-	-	2,702
Professional Development	1,421	710	237	2,368
Other Expenses	373	187	187	746
	<u>\$ 716,567</u>	<u>\$ 106,972</u>	<u>\$ 46,680</u>	<u>\$ 870,219</u>

The accompanying notes and independent auditor's report
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ASSISTANCE DOGS OF HAWAII

Statements of Cash Flows
For the Year Ended December 31, 2020

CASH FLOWS FROM OPERATING ACTIVITIES	
Contributions and Foundations	\$ 762,394
Fundraising and Merchandise Sales	330,314
Investment	102,617
Other Revenue	2,000
Cash Paid to Employees and Vendors	<u>(711,277)</u>
Net Cash Provided by Operating Activities	<u>486,048</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Paycheck Protection Program Loan	<u>61,687</u>
Net Cash Provided by Investing Activities	<u>61,687</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets	(188,527)
Change in investments	<u>(87,417)</u>
Net Cash (Used) by Investing Activities	<u>(275,944)</u>
NET INCREASE IN CASH	271,791
CASH BALANCE, BEGINNING OF YEAR	<u>320,162</u>
CASH BALANCE, END OF YEAR	<u>\$ 591,953</u>

The accompanying notes and independent auditor's report
are an integral part of these financial statements.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements For the Year Ended December 31, 2020

1. ORGANIZATION

Hawaii Canines for Independence, Inc. (the Organization) was formed as a non-profit Organization and incorporated under the laws of the State of Hawaii in 2001. In 2013, the Organization began operating under the trade name Assistance Dogs of Hawaii. In August 2016, the Organization did a formal name change to Assistance Dogs of Hawaii. The purpose of the Organization is to provide assistance dogs to people with physical disabilities and other special needs. Assistance Dogs of Hawaii is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code.

The Organization trains and provides assistance dogs to both children and adults with a wide variety of disabilities. The Organization specializes in training service dogs for people with physical disabilities that limit their mobility. The Organization also provides hospital and nursing home facility dogs for residents in addition to courthouse facility dogs for children and adults who are victims of crime.

The Organization is supported primarily through donor contributions and grants.

In 2015, the Organization expanded its operations to the Pacific Northwest. The land was acquired on Bainbridge Island in the state of Washington. In 2016, Assistance Dogs Northwest LLC was formed, in which Assistance Dogs of Hawaii is the sole member. In 2019, the Organization purchased a Portland, Oregon office.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting

The accrual basis of accounting is used for financial statements and income tax reporting purposes. Under this method of accounting, revenues are recorded when earned and expenses are recorded when the obligation is incurred.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements For the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) 958-205 *Not-for-Profit Entities Presentation of Financial Statements* and the recent issuance of ASU 2016-14 *Not-for-Profit Financial Statement Presentation*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Cash and Cash Equivalents

The Organization considers all unrestricted highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents

Property and Equipment

Property and equipment are stated at cost or at fair value at the date of donation or purchase. Depreciation is provided over the estimated useful lives of the assets using the straight-line depreciation method. Property and equipment with a cost of \$2,500 and a useful life greater than one year or more are capitalized. Depreciation expense for the year ended December 31, 2020, totaled \$148,560.

Investments

Investments in marketable securities are stated at fair value based on quoted market prices and are classified as available for sale in the financial statements. The cost of investments sold is determined using the specific identification method. Changes in market value are reflected in the statement of activities. The value initially assigned to investments received by gift is the market value at the date of donation.

Hawaii General Excise Tax

The State of Hawaii imposes a general excise tax of 4% on an entity's gross receipts, *plus an additional 0.5% on gross receipts within the City and County of Honolulu*. Hawaii general excise tax included as expenses amounted to \$5,005 for the year ended December 31, 2020.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements For the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from State income taxes under Section 237-23(b) of Hawaii Revised Statutes. Contributions to the organization are tax-deductible. The Organization's Forms 990, *Return of Organization Exempt from Income Tax*, for the years ending December 31, 2018, 2019, and 2020 are subject to examination by the IRS, generally for three years after they were filed.

Support and Revenue

Resources received for program services are generally unrestricted in nature. Grants and other contributions of cash or other assets are generally reported as restricted support if they are received with donor stipulations that limit the use of the donated resources. When a donor restriction expires, that is, when the restricted purpose has been achieved, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Additionally, donor-restricted contributions whose restrictions are met in the same reporting period are reported as without donor restrictions support.

Donated Services

The Organization receives services donated by the general public in carrying out its purpose. No amounts have been reflected in the financial statements for these donated services since they do not meet the criteria for recognition under ASC 958-605 *Not-for-Profit Entities Revenue Recognition*.

Functional Allocation of Expenses

Accounting Standards Codification (ASC) 958-205 *Not-for-Profit Entities Presentation of Financial Statements* requires that not-for-profit organizations group their expenses by functional classifications: Program Services, Supporting Services, and Fundraising. Expenses are charged directly to program services, supporting services, or fundraising based on specific identification. Other expenses not specifically identifiable are allocated based on estimated usage.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements For the Year Ended December 31, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue and Revenue Recognition

The Organization has adopted Accounting Standards Update (ASU) No. 2014-09 – *Revenue from Contracts with Customers (Topic 606)*, as amended as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. 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- that is, those with a measurable performance or other barrier and a right of return – are not recognized until the conditions on which they depend have been met.

The Organization records special events revenue equal to the cost of the admission when the event takes place.

A portion of the Organization’s revenue is derived from cost-reimbursable contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position or as net assets with donor restrictions.

Compensated Absences

The Organization accounts for compensated absences (e.g. unused vacation, sick leave) as directed by ASC 710-10-50-1 *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the right to benefits.

The Organization has not accrued compensable absences because the amount cannot be reasonably estimated at December 31, 2020. However, management does not believe the amount to be material.

Advertising Policies

Management expenses all advertising costs as incurred. Advertising expense totaled \$4,862 for the year ended December 31, 2020.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements
For the Year Ended December 31, 2020

3. RELATED PARTIES

Board members contribute to the Organization. The President of the Board is the husband of the Executive Director and co-founder. The Executive Director is also the Vice-President of the Board. Both the President and the Vice-President are paid as employees of the Organization.

4. SCHEDULE OF CASH AND CASH EQUIVALENTS

Bank of America	\$	248,005
Bank of Hawaii		<u>343,948</u>
	\$	<u>591,953</u>

5. NET ASSETS

The Organization has conformed with FASB ASU 2016-14, Not-for-Profit (Topic 958) - *Presentation of Financial Statements of Not-for-Profit Entities*. Under ASU 2016-14, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net assets without donor restrictions represent those assets that are not subject to donor-imposed stipulations.

Net assets with donor restrictions represent those net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. There were no assets with donor restrictions at December 31, 2020.

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements
For the Year Ended December 31, 2020

6. RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES

Excess of support and revenue over expenses	\$ 289,583
Adjustment to reconcile excess of support and revenue over expenses to net cash provided by operating activities:	
Depreciation expense	148,560
Loss on disposal of assets	3,400
Unrealized (gain) loss on investments	37,523
Decrease in prepaid expenses	14,789
Increase in payables	1,232
(Decrease) in accrued liabilities	<u>(9,039)</u>
Net cash provided by operating activities	<u>\$ 486,048</u>

7. EMPLOYEE BENEFIT PLAN

Defined Contribution Plan

The Organization sponsors a SIMPLE IRA plan (the Plan) covering all employees with at least one year of service in excess of a minimum wage threshold who agree to make contributions to the Plan. The Organization matches participants' contributions to the Plan up to 3% of the individual participant's compensation. Total expense for the year ended December 31, 2020, was \$6,091.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Management's policy is to structure its financial assets as its general expenditures, liabilities and other obligations come due.

Financial Assets	\$ 2,002,318
Less those unavailable to general expenditures within one year due to:	
Restricted by donor with time or purpose restriction	<u>-</u>
Financial assets available to meet cash need for general expenditures within one year	<u>\$ 2,002,318</u>

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements
For the Year Ended December 31, 2020

9. FAIR VALUE MEASUREMENTS

Assistance Dogs of Hawaii has conformed to FASB’s ASC 820-10-50-1 which establishes a fair value hierarchy for inputs used in measuring fair market value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on the best information available in the circumstances. This fair value hierarchy consists of three broad levels.

Level 1 inputs consist of unadjusted quoted prices in active markets such as stock exchanges for identical assets and have the highest priority.

Level 2 inputs consist of significant other observable inputs such as quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset and liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs consist of significant unobservable inputs and include situations where there is little, if any, market activity for the investment. The inputs require significant judgement or estimates, such as those associated with discounted cash flow methodologies and appraisals.

Fair values of assets measured on a recurring basis are as follows. The Organization has no other assets or liabilities measured at fair value on a recurring or non-recurring basis.

Assets	Total	Quoted Prices: Level 1	Significant Other Inputs: Level 2	Significant Non- Observable Inputs: Level 3
Cash Management	\$ 361,469	\$ 361,469	\$ -	\$ -
Mutual Funds-Fixed Income	469,698	469,698	-	-
Mutual Funds-Equity	579,138	579,138	-	-
	<u>\$ 1,410,305</u>	<u>\$ 1,410,305</u>	<u>\$ -</u>	<u>\$ -</u>

ASSISTANCE DOGS OF HAWAII

Notes to the Financial Statements
For the Year Ended December 31, 2020

10. MANAGEMENT'S REVIEW OF SUBSEQUENT EVENTS

Subsequent to the issuance of these financial statements, a worldwide Pandemic occurred, known as COVID-19. Economic conditions were negatively affected locally, nationally and internationally. At the time the financial statements were available to be issued the situation remained volatile and the full effect of the pandemic on the future operations of the Organization could not be determined.

Management has evaluated subsequent events through February 25, 2023. There are no other subsequent events that would have a material effect on the financial statements and this is the date the financial statements were available to be issued.