



**NATIONAL DISASTER
SEARCH DOG FOUNDATION**

FINANCIAL STATEMENTS
AND
INDEPENDENT AUDITORS' REPORT

September 30, 2022 and 2021

**NATIONAL DISASTER SEARCH DOG FOUNDATION
TABLE OF CONTENTS**

	<u>PAGE</u>
Independent Auditors' Report	1 - 2
Financial Statements	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Statements of Functional Expenses	6
Notes to Financial Statements	7 - 16

HINRICHER & COUSINO, LLP

Certified Public Accountants

3275 Old Conejo Road Thousand Oaks, California 91320
805-496-1883 | 805-496-5602 | www.hccpasllp.com



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Disaster Search Dog Foundation

Opinion

We have audited the financial statements of National Disaster Search Dog Foundation (a nonprofit organization), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of National Disaster Search Dog Foundation as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 National Disaster Search Dog Foundation and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 the 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 National Disaster Search Dog Foundation's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities 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 GAAS 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 GAAS, 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 National Disaster Search Dog Foundation'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 National Disaster Search Dog Foundation'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.

Hiricher & Cousins, LLP

Thousand Oaks, California

May 16, 2023

NATIONAL DISASTER SEARCH DOG FOUNDATION
STATEMENTS OF FINANCIAL POSITION

September 30, 2022 and 2021

	2022	2021
ASSETS		
Current assets:		
Cash - operations	\$ 538,529	\$ 5,138,390
Cash - restricted	545,470	50,000
Total cash	1,083,999	5,188,390
Pledges and grants receivable	787,834	219,248
Inventory	57,622	60,432
Prepaid expenses	365,088	192,424
Total current assets	2,294,543	5,660,494
Investments - board designated endowment	7,297,450	5,546,522
Investments	1,650,141	0
Construction in progress	61,190	79,583
Property and equipment, net of accumulated depreciation	22,215,729	22,240,170
Land	4,573,360	3,901,019
Intangible assets, net of accumulated amortization	75,795	92,879
Total assets	\$ 38,168,208	\$ 37,520,667
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable and accrued expenses	\$ 491,829	\$ 386,101
Agency funds	5,052	5,052
Current portion of long-term notes payable	240,000	240,000
Paycheck protection program loan	0	423,353
Total current liabilities	736,881	1,054,506
Long-term liabilities:		
Notes payable, net of current portion	1,385,478	1,625,478
Total long-term liabilities	1,385,478	1,625,478
Total liabilities	2,122,359	2,679,984
Net assets:		
Without donor-imposed restrictions		
Available for general operations	28,202,929	29,244,161
Board designated endowment	7,297,450	5,546,522
Total without donor-imposed restrictions	35,500,379	34,790,683
With donor-imposed restrictions		
Purpose restricted	545,470	50,000
Total with donor-imposed restrictions	545,470	50,000
Total net assets	36,045,849	34,840,683
Total liabilities and net assets	\$ 38,168,208	\$ 37,520,667

See accompanying independent auditors' report and notes to financial statements.

NATIONAL DISASTER SEARCH DOG FOUNDATION
STATEMENTS OF ACTIVITIES

For the Years Ended September 30, 2022 and 2021

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and reclassification						
Contributions	\$ 1,934,707	\$ 927,808	\$ 2,862,515	\$ 1,873,940	\$ 380,943	\$ 2,254,883
Grants	1,633,560	265,100	1,898,660	1,546,173	307,833	1,854,006
Planned giving income	2,815,839	0	2,815,839	545,586	0	545,586
In-kind donations	96,054	0	96,054	988,460	0	988,460
Investment income	(1,027,910)	0	(1,027,910)	598,173	0	598,173
Merchandising income	13,994	0	13,994	11,341	0	11,341
Other income	466,184	0	466,184	965,303	0	965,303
Releases of restricted net assets	697,438	(697,438)	0	938,776	(938,776)	0
Total public support	6,629,866	495,470	7,125,336	7,467,752	(250,000)	7,217,752
Expenses						
Program services	4,477,314	0	4,477,314	4,866,069	0	4,866,069
Management & general	757,286	0	757,286	622,713	0	622,713
Fundraising	685,570	0	685,570	576,302	0	576,302
Total expenses	5,920,170	0	5,920,170	6,065,084	0	6,065,084
Change in net assets	709,696	495,470	1,205,166	1,402,668	(250,000)	1,152,668
Net assets at beginning of year	34,790,683	50,000	34,840,683	33,388,015	300,000	33,688,015
Net assets at end of year	\$ 35,500,379	\$ 545,470	\$ 36,045,849	\$ 34,790,683	\$ 50,000	\$ 34,840,683

See accompanying independent auditors' report and notes to financial statements.

NATIONAL DISASTER SEARCH DOG FOUNDATION
STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2022 and 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 1,205,166	\$ 1,152,668
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Paycheck protection program loan forgiveness	(423,353)	(301,780)
Donated stock	(868,755)	(138,411)
Depreciation and amortization	864,839	795,115
Realized (gains)/losses on investments	(79,174)	(93,406)
Unrealized (gains)/losses on investments	1,171,561	(456,991)
(Increase) decrease in:		
Pledges and grants receivable	(568,586)	187,404
Inventory	2,810	(22,665)
Prepaid expenses	(172,664)	(16,220)
Increase (decrease) in:		
Accounts payable and accrued expenses	105,728	133,485
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,237,572	1,239,199
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to construction in progress	(45,435)	(232,327)
Purchases of intangible assets	0	(26,267)
Purchases of property and equipment	(806,213)	(316,798)
Purchase of land	(625,616)	0
Purchases of investments	(7,124,864)	(1,279,344)
Proceeds from sales of investments	3,500,165	1,378,021
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(5,101,963)	(476,715)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(240,000)	(240,000)
Proceeds from paycheck protection program loan	0	423,353
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES	(240,000)	183,353
Total increase (decrease) in cash and restricted cash	(4,104,391)	945,837
Cash and restricted cash at beginning of year	5,188,390	4,242,553
Cash and restricted at end of year	\$ 1,083,999	\$ 5,188,390

SUPPLEMENTARY INFORMATION

Interest paid	\$ 79,837	\$ 101,783
Income taxes paid	\$ 0	\$ 0

See accompanying independent auditors' report and notes to financial statements.

NATIONAL DISASTER SEARCH DOG FOUNDATION
STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended September 30, 2022 and 2021

	2022				2021			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related	\$ 2,101,201	\$ 584,238	\$ 569,476	\$ 3,254,915	\$ 1,952,099	\$ 470,021	\$ 439,676	\$ 2,861,796
Accounting and legal	0	16,066	0	16,066	0	19,588	0	19,588
Auto and travel	16,826	2,647	296	19,769	18,540	2,458	381	21,379
Insurance	346,876	9,128	9,128	365,132	206,399	5,432	5,432	217,263
Repairs and maintenance	53,055	1,056	1,056	55,167	38,462	864	864	40,190
Supplies	31,965	7,389	1,996	41,350	16,176	2,491	1,450	20,117
Utilities	69,475	1,547	1,547	72,569	79,739	1,992	1,992	83,723
Telephone	8,663	3,757	869	13,289	6,933	3,293	1,207	11,433
Computer	75,533	49,047	9,719	134,299	68,023	45,518	15,071	128,612
Outreach/ Marketing	62,387	1,185	16,469	80,041	32,892	6,137	43,169	82,198
Office and employee costs	75,247	19,594	16,513	111,354	84,879	11,186	29,438	125,503
Shipping and postage	3,971	2,972	2,983	9,926	2,581	1,948	2,261	6,790
Interest	75,845	3,992	0	79,837	96,694	5,089	0	101,783
In-kind trainer fees	0	0	0	0	873,600	0	0	873,600
Team training and handler expenses	359,388	0	0	359,388	277,109	0	0	277,109
Equipment rental	5,430	2,885	1,437	9,752	6,234	3,030	1,942	11,206
Taxes and license	7,287	192	192	7,671	9,621	253	253	10,127
Canine recruiting and training	241,220	0	0	241,220	212,125	0	0	212,125
Lifetime care program	21,677	0	0	21,677	9,620	0	0	9,620
Events	501	5,391	6,878	12,770	0	0	2,472	2,472
In-kind program expenses	96,054	0	0	96,054	114,860	0	0	114,860
Fundraising expenses	3,116	4,772	25,390	33,278	4,124	5,337	10,816	20,277
Merchant fees and discounts	0	19,807	0	19,807	0	18,198	0	18,198
Total operating expenses								
before depreciation & amortization	3,655,717	735,665	663,949	5,055,331	4,110,710	602,835	556,424	5,269,969
Depreciation & amortization	821,597	21,621	21,621	864,839	755,359	19,878	19,878	795,115
Total expenses	\$ 4,477,314	\$ 757,286	\$ 685,570	\$ 5,920,170	\$ 4,866,069	\$ 622,713	\$ 576,302	\$ 6,065,084

See accompanying independent auditors' report and notes to financial statements.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 1 - NATURE OF ORGANIZATION

National Disaster Search Dog Foundation (the "Foundation"), a not-for-profit corporation located in Santa Paula, California, was formed under the general non-profit corporation laws of the State of California to produce the most highly trained canine disaster search teams in the nation. The Foundation accomplishes its mission by providing education, training and guidance to their dogs and handlers. Funding comes from contributions, grants, and program revenue from community members, corporations and foundations. Funds are also raised through fundraisers and special events.

The Foundation also maintains an Endowment Fund (See note 10) which is included in investments on the statements of financial position (See note 7). The Endowment Fund's long-term goal is to provide at minimum 25% of annual operating needs. The Foundation's intent is to always have six months of capital reserves with the awareness that the Endowment Fund is available as needed in order to provide uninterrupted services due to a temporary drop in gift income. There is no external restriction on the Endowment Fund balance. All restrictions related to this fund are set internally by the Foundation's management and board of directors.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with Generally Accepted Accounting Principles ("GAAP") for not-for-profit organizations.

Net Asset Presentation

Net assets, revenue, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Net assets without donor-imposed restrictions are those currently available at the discretion of management and the governing board for use in operations. Net assets subject to donor-imposed restrictions are those which are stipulated by donors for specific purposes or by passage of time and may include net assets to be held in perpetuity.

Revenues are reported as increases in net assets without donor-imposed restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor-imposed restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor-imposed restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition

Contributions are recognized as revenues in the period unconditional promises to give are received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions.

Contributions are considered to be available for general purposes unless restricted by a donor for specific purposes. Resources received in exchange transactions are recognized as deferred revenues to the extent that the earnings process has not been completed. These resources are recorded as revenues without donor-imposed restrictions when the related obligations have been satisfied.

Contributions of property and equipment are reported without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported with donor-imposed restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services are recognized as revenue if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that would typically need to be purchased if not provided by donation. Gifts of long-lived assets are recognized at fair value at the date of gift.

Cash and Cash Equivalents

Highly liquid investments with initial maturities of three months or less are considered to be cash equivalents unless they have donor-imposed restrictions or are board-designated for long term purposes.

Cash and cash equivalents and securities maintained through a registered securities dealer are insured up to \$500,000 by the Securities Investor Protection Corporation (“SIPC”). SIPC covers losses from fraud and negligence of the registered securities dealer, but not against market losses or investment return. Balances held in accounts may still at times exceed insured limits.

The Foundation has not incurred any losses in these accounts, outside normal trading activities, and does not believe that they are exposed to any significant credit risk on cash and cash equivalents.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledges and Grants Receivable

Pledges and grants receivable consist primarily of receivables in the form of grants and promises to give and bequests from estates. Pledges, grants, and bequests receivable are recorded at net realizable value which approximates fair value. The Foundation considers pledges, grants, bequests, and other accounts receivables to be fully collectible, and accordingly, no allowance for doubtful accounts has been estimated. Bequests are recorded as revenue and receivable when the Foundation is notified that the donor's estate names the Foundation as a beneficiary and the amount is known or can be reasonably estimated.

Inventory

Inventory consists primarily of shirts and totes used by unrelated organizations that use the Foundation's training facility. Inventory is valued at cost using the first-in, first-out method.

Investment Valuation and Income Recognition

The Foundation's investments are stated at fair value. Realized and unrealized gains and losses on investments are determined by comparison of the actual cost to the proceeds at the time of disposition or fair value as of the end of the financial statement period. Dividend and interest income are recorded as earned on the accrual basis. Investment income or loss (including realized and unrealized gains and losses on investments, interest, dividends, and investment fees) is included on the statements of activities.

Property and Equipment

Property and equipment are recorded at cost at the date of acquisition, or if donated, at approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	39 years
Leasehold improvements	5 to 15 years
Equipment and furnishings	2 to 10 years
Vehicles	3 to 5 years

The Foundation's policy is to capitalize improvements and betterments acquired for greater than \$500 and expense normal repairs and maintenance as incurred. Management periodically evaluates whether events or circumstances have occurred indicating that the carrying amount of long-lived assets may not be recovered in the ordinary course of use. No impairment losses were recognized during the years ended September 30, 2022, and 2021.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities (e.g., the fair value of financial instruments, potential impairments to fixed assets and accrued expenses) at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Advertising and Marketing

The Foundation expenses the costs of advertising as incurred.

Income Tax Status

The Foundation is exempt from Federal and state income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC") and California tax laws. In addition, the Internal Revenue Service has determined that the Foundation is not a "private foundation" within the meaning of Section 509(a) and qualifies for deductible contributions as provided in IRC Section 170(b)(1)(A)(vi). Accordingly, no provision is required to be made for income taxes in the accompanying financial statements. There was no unrelated business income for the years ended September 30, 2022, and 2021. At September 30, 2022, the Foundation's returns generally remain open for examination by taxing authorities for the three preceding years.

Functional Allocation of Expenses

The cost of providing the various programs and activities has been detailed on a functional basis in the statements of functional expenses and summarized on the statements of activities. Where practicable, expenses are directly charged to the program activities or supporting service categories. Costs that are not specifically identifiable within the functional expense categories are allocated. Allocated costs include salaries and related expenses, utilities, repairs & maintenance, computer and website, and insurance. Such expenses are allocated based upon the use of square footage at the National Training Center.

Application of New Accounting Standard

In February 2016, FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires entities to recognize all leased assets on the statement of financial position with a corresponding liability resulting in a gross up of the statement of financial position. Entities will also be required to present additional disclosures regarding the nature and extent of leasing activities. ASU 2016-02 is effective for non-profit organizations for the annual reporting period beginning after December 15, 2021. The Foundation adopted the new standard on October 1, 2022.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 3 - PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at September 30, 2022, and 2021, consists of pledges, grants, and bequests from estates totaling \$787,834, and \$219,248, respectively. At September 30, 2022, and 2021 substantially all pledges are due within one year.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Foundation maintains bank accounts at various financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2022, and 2021, the Foundation had \$1,091,470 and \$4,930,130, respectively, of uninsured cash.

At September 30, 2022, and 2021, there was one donor with an outstanding restricted pledge (See Note 3) of \$342,500 and \$93,750, respectively, representing 44% and 43%, respectively, of pledges and grants receivable.

NOTE 5 - INVESTMENTS

Some of the Foundation's investments consist of a board restricted endowment fund from unrestricted resources that the Board of Directors has chosen to hold as a general endowment fund (See note 10 for additional information).

In accordance with authoritative guidance on fair value measurements and disclosures under GAAP, the Foundation has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the investments fall within different levels of the hierarchy, the categorization is based on the lowest level input. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 5 – INVESTMENTS (Continued)

The following table presents information about the Foundation's investments measured at fair value as of September 30, 2022, and 2021:

	Assets at Fair Value as of September 30, 2022			
	Level 1	Level 2	Level 3	Total
Equities	\$3,899,409	\$ 0	\$ 0	\$3,899,409
Corporate Bonds	99,293	0	0	99,293
Mutual Funds	366,826	0	0	366,826
U.S. Treasury Notes	1,578,724	0	0	1,578,724
Exchanged Traded Funds (ETF)	2,537,204	0	0	2,537,204
Money Market	466,135	0	0	466,135
	\$8,947,591	\$ 0	\$ 0	\$8,947,591

	Assets at Fair Value as of September 30, 2021			
	Level 1	Level 2	Level 3	Total
Equities	\$3,534,897	\$ 0	\$ 0	\$3,534,897
Corporate Bonds	252,773	0	0	252,773
Mutual Funds	151,726	0	0	151,726
Exchanged Traded Funds (ETF)	1,497,187	0	0	1,497,187
Money Market	109,939	0	0	109,939
	\$5,546,522	\$ 0	\$ 0	\$5,546,522

The tables above include both “Investments” and “Investments – board designated endowment” assets from the statement of financial position. At September 30, 2022 and 2021, the Investments balance was \$1,650,141 and \$0, respectively, and Investments - board designated endowment balance was \$7,297,450 and \$5,546,522, respectively. Investments are not commingled with Investments - board designated endowment and are held in separate brokerage accounts. See Note 10 for a more detailed description of the board designated endowment and activity.

	2022	2021
Interest and dividends	\$ 114,454	\$ 97,485
Realized gains/(losses)	79,174	93,406
Unrealized gains/(losses)	(1,171,561)	456,991
Investment expenses	(49,977)	(49,709)
Total investment income/(loss)	\$ (1,027,910)	\$ 598,173

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2022, and 2021:

	<u>2022</u>	<u>2021</u>
Buildings	\$ 18,954,607	\$ 18,389,362
Land improvements	6,277,383	6,163,093
Automobiles	461,646	388,200
Office equipment	596,027	579,752
Equipment	330,686	310,537
Furniture and fixtures	286,778	269,234
	<u>26,907,127</u>	<u>26,100,178</u>
Less: accumulated depreciation	<u>(4,691,398)</u>	<u>(3,860,008)</u>
	22,215,729	22,240,170
Construction in progress	61,190	79,583
Land	4,573,360	3,901,019
	<u>\$ 26,850,279</u>	<u>\$ 26,220,772</u>

Depreciation and amortization expense for the years ended September 30, 2022, and 2021, was \$864,839 and \$795,115, respectively.

NOTE 7 - NOTES PAYABLE

In February 2008, the Foundation acquired vacant land for the National Training Center. The purchase was financed with a note payable to the seller of the property in the amount of \$3,000,000. The note is secured by the property acquired and accrues interest at 6% per annum through February 2011.

Beginning on April 1, 2013, the note was renegotiated; the annual interest rate was reduced to 4.50% simple interest per annum with annual payments of \$300,000 due annually on December 14th starting in 2014. The note was renegotiated again in July of 2019. Beginning on August 15, 2019, the Foundation will make payments of \$20,000, plus accrued interest, on a monthly basis until July 15, 2029, when the note will be paid in full. The interest rate remains unchanged.

The balance, including unpaid accrued interest, of the loan at September 30, 2022, and 2021, was \$1,625,478, and \$1,865,478, respectively. Accrued unpaid interest on the note payable at September 30, 2022, and 2021, was \$3,894 and \$3,894, respectively. Payments of principal during the next five years as of September 30, 2022, are as follows:

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 7 - NOTES PAYABLE (Continued)

Years ending September 30,	
2023	\$ 240,000
2024	240,000
2025	240,000
2026	240,000
2027	240,000
Thereafter	425,478
	<u>\$ 1,625,478</u>

NOTE 8 - PAYCHECK PROTECTION PROGRAM (PPP) LOAN

On January 23, 2021, the Foundation received loan proceeds in the amount of \$423,353 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES ACT”), provides loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. Payments on the loan do not begin until ten-months after the 24-week covered period ends which was expected to be September 2022 if the loan was not forgiven. The loan bears interest of one-percent (1.0%) per annum. The loan may be forgiven if the Foundation uses the loan proceeds for certain selected uses such as employee salaries and related benefits.

On December 15, 2021, the Small Business Administration (“SBA”) notified the Foundation that the PPP loan was forgiven, and accordingly, the Foundation recognized \$423,353 of income which is included in “Other income” on the statements of activities.

NOTE 9 - RETIREMENT PLAN

The Foundation maintains a 401(k) Plan (the “Plan”) for employees and provides matching contributions up to a maximum of 3.5% of eligible compensation. An employee is eligible to join the Plan after reaching the age of 21 and having completed three (3) months of service with the Foundation. The Foundation may also make an annual discretionary profit-sharing contribution for eligible employees. For the years ended September 30, 2022, and 2021, the Foundation’s matching contributions were \$51,976 and \$43,084, respectively; however, the Foundation did not make a profit-sharing contribution for the years then ended.

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND

The purpose of the Endowment Fund (the “Fund”) is to maintain a pool of assets which will generate income in perpetuity. The Board, as stewards of the Fund, recognizes the challenges of a) preserving the principal in current (inflation adjusted) dollars and b) providing for increasing income from the Fund over time.

Return objectives and risk parameters

The overall objective in the management of the Fund is to conserve its value in real dollars, net of annual contributions and distributions, by investing in a diversified portfolio of equity, alternatives, fixed income and cash equivalent securities. Specifically, the return objective is to achieve a total return equal to or exceeding the Consumer Price Index (CPI) plus five-percent (5%) net of fees.

Strategies employed for achieving objectives

The Board has determined that the assets of the Fund will be professionally managed in a moderately conservative manner. Management of the Fund’s portfolio should focus on satisfying the long-term goals of the Fund, and accordingly, has established the following investment asset allocation targets:

	<u>Lower Limit</u>	<u>Upper Limit</u>
Equities	45%	70%
Liquid Real Estate	0%	10%
Fixed Income	20%	45%
Cash Instruments	0%	20%

Spending policy and how investment objectives relate to spending policy

All distributions from the Fund must be drawn from annual investment total return, not to exceed 5% of the portfolio value. Any distribution above 5% of the portfolio value requires approval by the Board. Distributions will be based on fiscal year ended September 30.

Fund composition

Changes in the board designated endowment fund are as follows:

	<u>2022</u>	<u>2021</u>
Balance, beginning of year	\$ 5,546,522	\$ 4,956,391
Investment income	(974,581)	639,696
Transfers to board designated endowment fund	2,775,024	0
Transfers from board designated endowment fund	0	0
Investment fees	(49,515)	(49,565)
	<u>\$ 7,297,450</u>	<u>\$5,546,522</u>

NATIONAL DISASTER SEARCH DOG FOUNDATION
NOTES TO FINANCIAL STATEMENTS
For the Years Ended September 30, 2022 and 2021

NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND (Continued)

At September 30, 2022 and 2021, the board designated endowment fund balance was \$7,297,450 and \$5,546,522, respectively.

NOTE 11 - NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS

Net assets with donor-imposed restrictions at September 30, 2022, and 2021, are restricted for the following purposes:

	2022	2021
Subject to the Passage of Time or for Specified Use:		
National Training Center	\$ 215,000	\$ 0
Canine healthcare	0	50,000
Canine training	116,970	0
Advertisng	13,500	0
Insurance	200,000	0
	\$ 555,070	\$ 50,000

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Foundation monitors its liquidity so that it is able to meet its operating needs and other contractual commitments while maximizing the investment of its excess operating cash. The Foundation has the following financial assets that could readily be made available within one year of the statement of financial position to fund expenses:

	2022	2021
Cash	\$ 525,827	\$ 5,138,390
Pledges and grants receivable	787,834	219,248
Investments – board designated endowment fund	7,297,450	5,546,522
Investments	1,650,141	0
	\$ 10,261,252	\$ 10,904,160

In addition to financial assets available to meet general expenditures over the year, the Foundation operates with a balanced budget and anticipates covering its general expenditures through donations and grants from the general public, training center fees, fundraising events, and investment return.

NOTE 13 - EVALUATION OF SUBSEQUENT EVENTS

Subsequent events have been evaluated through May 16, 2023, the date the financial statements were available to be issued.