



**NATIONAL DISASTER  
SEARCH DOG FOUNDATION**

FINANCIAL STATEMENTS  
*AND*  
INDEPENDENT AUDITORS' REPORT

September 30, 2024 and 2023

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**NATIONAL DISASTER SEARCH DOG FOUNDATION  
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# **HINRICHER & COUSINO, LLP**

*Certified Public Accountants*

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
National Disaster Search Dog Foundation

### **Report on the Audit of the Financial Statements**

#### ***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, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related note 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, 2024 and 2023, 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 Auditors' 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.

### ***Auditors' 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 auditors' 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 & Cousino, LLP*

Thousand Oaks, California

June 10, 2025

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**STATEMENTS OF FINANCIAL POSITION**

September 30, 2024 and 2023

	2024	2023
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents		
Cash - operations	\$ 58,174	\$ 362,535
Cash - restricted	308,192	473,975
Total cash and cash equivalents	366,366	836,510
Pledges and grants receivable	978,309	752,962
Inventory	62,164	60,114
Prepaid expenses	401,797	432,235
Total current assets	1,808,636	2,081,821
Investments - board designated endowment	9,925,007	8,093,397
Investments - undesignated	1,440,576	1,869,186
Construction in progress	568,097	709,662
Property and equipment, net of accumulated depreciation	21,708,467	21,576,419
Land	4,573,360	4,573,360
Intangible assets, net of accumulated amortization	33,418	58,832
Total assets	\$ 40,057,561	\$ 38,962,677
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 458,621	\$ 623,689
Agency funds	5,052	5,052
Current portion of long-term notes payable	240,000	240,000
Total current liabilities	703,673	868,741
Long-term liabilities:		
Notes payable, net of current portion	905,478	1,145,478
Total long-term liabilities	905,478	1,145,478
Total liabilities	1,609,151	2,014,219
Net assets:		
Without donor-imposed restrictions		
Available for general operations	28,215,211	28,381,266
Board designated endowment	9,925,007	8,093,397
Total without donor-imposed restrictions	38,140,218	36,474,663
With donor-imposed restrictions		
Purpose restricted	308,192	473,795
Total with donor-imposed restrictions	308,192	473,795
Total net assets	38,448,410	36,948,458
Total liabilities and net assets	\$ 40,057,561	\$ 38,962,677

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

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**STATEMENTS OF ACTIVITIES**

For the Years Ended September 30, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenue and reclassification						
Contributions	\$ 1,766,307	\$ 445,189	\$ 2,211,496	\$ 1,834,752	\$ 420,951	\$ 2,255,703
Grants	1,530,927	1,152,300	2,683,227	1,456,925	1,587,186	3,044,111
Planned giving income	1,390,013	0	1,390,013	1,081,078	0	1,081,078
In-kind donations	62,833	0	62,833	88,767	0	88,767
Investment income	1,947,675	0	1,947,675	872,105	0	872,105
Merchandising income	11,220	0	11,220	14,033	0	14,033
Other income	344,108	0	344,108	81,045	0	81,045
Reclassifications of net assets	0	0	0	(99,375)	99,375	0
Releases of restricted net assets	1,763,092	(1,763,092)	0	2,179,187	(2,179,187)	0
Total public support, revenue and reclassifications	<u>8,816,175</u>	<u>(165,603)</u>	<u>8,650,572</u>	<u>7,508,517</u>	<u>(71,675)</u>	<u>7,436,842</u>
Expenses						
Program services	5,532,117	0	5,532,117	5,056,199	0	5,056,199
Management & general	853,546	0	853,546	689,101	0	689,101
Fundraising	764,957	0	764,957	788,933	0	788,933
Total expenses	<u>7,150,620</u>	<u>0</u>	<u>7,150,620</u>	<u>6,534,233</u>	<u>0</u>	<u>6,534,233</u>
Change in net assets	1,665,555	(165,603)	1,499,952	974,284	(71,675)	902,609
Net assets at beginning of year	<u>36,474,663</u>	<u>473,795</u>	<u>36,948,458</u>	<u>35,500,379</u>	<u>545,470</u>	<u>36,045,849</u>
Net assets at end of year	<u>\$ 38,140,218</u>	<u>\$ 308,192</u>	<u>\$ 38,448,410</u>	<u>\$ 36,474,663</u>	<u>\$ 473,795</u>	<u>\$ 36,948,458</u>

*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, 2024 and 2023

	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 1,499,952	\$ 902,609
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Donated stock	(57,058)	(83,606)
Depreciation and amortization	919,779	850,341
Realized (gains)/losses on investments	(712,111)	12,415
Unrealized (gains)/losses on investments	(939,580)	(676,560)
(Increase) decrease in:		
Pledges and grants receivable	(225,347)	34,872
Inventory	(2,050)	(2,492)
Prepaid expenses	30,438	(67,147)
Increase (decrease) in:		
Accounts payable and accrued expenses	(165,068)	131,860
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>348,955</b>	<b>1,102,292</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Additions to construction in progress	(591,877)	(683,665)
Purchases of property and equipment	(293,493)	(158,874)
Purchases of investments	(6,937,500)	(5,174,309)
Proceeds from sales of investments	7,243,771	4,907,067
<b>NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES</b>	<b>(579,099)</b>	<b>(1,109,781)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on notes payable	(240,000)	(240,000)
<b>NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES</b>	<b>(240,000)</b>	<b>(240,000)</b>
Total increase (decrease) in cash and restricted cash	(470,144)	(247,489)
Cash and cash equivalents at beginning of year	836,510	1,083,999
Cash and cash equivalents at end of year	<b>\$ 366,366</b>	<b>\$ 836,510</b>

**SUPPLEMENTARY INFORMATION**

Interest paid	\$ 57,807		\$ 68,184
Income taxes paid	\$ 0		\$ 0
Donated stock	\$ 57,058		\$ 83,606

*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, 2024 and 2023

	2024				2023			
	Program Services	Management & General	Fundraising	Total	Program Services	Management & General	Fundraising	Total
Salaries and related	\$ 2,608,998	\$ 619,555	\$ 614,675	\$ 3,843,228	\$ 2,472,871	\$ 517,278	\$ 676,464	\$ 3,666,613
Accounting and legal	0	27,378	0	27,378	11	17,097	0	17,108
Auto and travel	55,397	1,356	836	57,589	47,147	3,243	784	51,174
Insurance	543,743	14,309	14,309	572,361	507,210	13,348	13,348	533,906
Repairs and maintenance	105,601	1,427	2,254	109,282	42,809	686	686	44,181
Supplies	15,836	3,429	1,085	20,350	19,562	3,016	734	23,312
Utilities	98,015	2,172	2,237	102,424	70,427	1,323	1,323	73,073
Telephone	13,015	4,082	1,066	18,163	20,789	6,422	1,543	28,754
Computer	91,066	53,648	16,059	160,773	67,577	29,832	9,920	107,329
Outreach/Marketing	103,604	4,448	15,381	123,433	97,150	5,669	17,252	120,071
Office and employee costs	70,928	61,878	38,309	171,115	58,950	36,459	1,425	96,834
Shipping and postage	2,952	1,304	1,689	5,945	3,192	2,398	3,104	8,694
Interest	54,917	1,445	1,445	57,807	64,774	1,705	1,705	68,184
Training sites	0	0	0	0	14,422	0	0	14,422
Team training and handler expenses	552,127	13	1,476	553,616	418,768	0	619	419,387
Equipment rental	5,509	2,893	1,608	10,010	4,928	2,349	1,536	8,813
Taxes and license	52,214	1,374	1,374	54,962	16,875	465	444	17,784
Canine recruiting and training	205,392	0	0	205,392	207,120	0	0	207,120
Lifetime care program	20,277	0	0	20,277	17,330	0	0	17,330
Events	1,081	2,590	15,381	19,052	3,935	0	20,112	24,047
In-kind program expenses	54,936	7,897	0	62,833	88,767	0	0	88,767
Fundraising and program stewardship	2,177	617	12,765	15,559	3,675	3,829	16,675	24,179
Merchant fees and discounts	47	19,245	0	19,292	0	22,723	0	22,723
<b>Total operating expenses</b>								
before depreciation & amortization	4,657,832	831,060	741,949	6,230,841	4,248,289	667,842	767,674	5,683,805
Depreciation & amortization	874,285	22,486	23,008	919,779	807,823	21,259	21,259	850,341
<b>Total expenses</b>	<b>\$ 5,532,117</b>	<b>\$ 853,546</b>	<b>\$ 764,957</b>	<b>\$ 7,150,620</b>	<b>\$ 5,056,112</b>	<b>\$ 689,101</b>	<b>\$ 788,933</b>	<b>\$ 6,534,146</b>

*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, 2024 and 2023

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NOTE 1 - NATURE OF ORGANIZATION

National Disaster Search Dog Foundation (the "Foundation"), a not-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 maintains a board designated endowment fund (the "Fund") (See Note 10). The 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 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 Fund balance. All restrictions related to this fund are set internally by the Foundation's management and board of directors. For purposes of footnote 5 the Fund and investments are presented in total.

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 non-profit organizations.

Net Asset Presentation

Net assets, revenues, 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.

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.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2024, and 2023. At September 30, 2024, the Foundation's returns generally remain open for examination by federal and state taxing authorities, generally for three years and four years respectively, after they are filed.

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. At September 31, 2024 and 2023, the Foundation had \$299,447 and \$0, respectively, of cash equivalents.

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.

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.

Pledges and promises to give 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.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Investments

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the accompanying statements of financial position. Unrealized gains and losses are included in the change in net assets and are allocated among the two classifications of net assets.

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, 2024, and 2023.

Contributions

The Foundation recognizes contributions as revenue when they are received or unconditionally pledged and records these revenues as with donor-imposed restrictions or without donor-imposed restrictions according to donor stipulations that limit the use of these assets due to either a time or purpose restriction. Contributions received with donor-imposed restrictions that are met in the year of receipt are recorded as revenues without donor-imposed restrictions. When a restriction expires or is met in a subsequent year, net assets are reclassified from net assets with donor-imposed restrictions to net assets without donor-imposed restrictions in the statements of activities.

Contributed Goods or Services

The Foundation records donated goods or services at their estimated fair value when the goods or services have been received. Estimated fair value is determined based on appraisals, other objective bases, or in certain circumstances management's best estimate of fair value.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

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NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions of donated services that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased meeting GAAP requirements, are recognized on the financial statements. The Foundation receives substantial donated services each year from volunteers. These volunteer services, however, do not meet the above criteria, and therefore, no recognition of their services are included in the accompanying financial statements.

Contributions of property and equipment are reported without donor-imposed 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. Gifts of long-lived assets are recognized at fair value at the date of gift.

Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor-imposed restrictions when the donated or acquired long-lived assets are placed in service.

Advertising and Marketing

The Foundation expenses the costs of advertising as incurred.

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 based on the square feet of the facilities depending on the nature of the expense and functional usage. Allocated costs include salaries and related expenses, utilities, repairs & maintenance, computer and website, and insurance.

Application of New Accounting Standard

In June 2016, FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 requires entities to change the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including accounts receivable, from an incurred loss model to an expected loss model and add certain additional disclosures. The ASU requires immediate recognition of management's estimates of current expected credit losses; previously losses were recognized only as they were incurred. The requirements of this ASU are effective for the Foundation for the fiscal year beginning after December 15, 2022. The Foundation adopted the ASU on October 1, 2023, on a prospective basis and evaluated aging and historical write-offs of accounts receivable, current and estimate future economic conditions and specific economic conditions of customers to determine an allowance for credit losses for its receivables. Adoption of the new standard had no impact on the Foundation's accompanying financial statements.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

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NOTE 3 - PLEDGES AND GRANTS RECEIVABLE

Pledges and grants receivable at September 30, 2024, and 2023, consists of pledges, grants, and bequests from estates totaling \$978,309, and \$752,962, respectively. At September 30, 2024, and 2023 substantially all pledges are due within one year, and accordingly, no discount valuation was applied to the pledges and grants receivable.

NOTE 4 - CONCENTRATION OF CREDIT RISK

The Foundation maintains bank accounts at one financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At September 30, 2024, and 2023, the Foundation had \$155,228 and \$817,997, respectively, of uninsured cash.

At September 30, 2024, and 2023, there were four pledges or grants, totaling \$637,322 and \$597,861, respectively, representing 65% and 79%, respectively, of pledges and grants receivable.

NOTE 5 - INVESTMENTS

Generally Accepted Accounting Principles defines fair value, establishes a framework for measuring fair value, and establishes a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities the Foundation has the ability to access.
- Level 2 inputs are inputs other than quoted prices included with level 1 that are observable for the asset or liability either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability that are supported by little or no market activity and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

In some cases, inputs used to measure fair value might fall in different levels of the fair value hierarchy. In such cases, the level within which the asset falls is determined based on the lowest level input that is significant to the asset in its entirety. Assessing the significance of a particular input to the asset in its entirety requires judgment and considers factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to the Foundation's perceived risk of liquidity for the asset.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

NOTE 5 - INVESTMENTS (Continued)

The following tables present the fair value hierarchy for those assets valued on a recurring basis as of September 30, 2024, and 2023:

	September 30, 2024			
	Level 1	Level 2	Level 3	Total
Equities	\$6,283,435	\$ 0	\$ 0	\$6,283,435
Mutual Funds	834,564	0	0	834,564
U.S. Treasury Notes	1,805,354	0	0	1,805,354
Certificate of Deposit	50,358	0	0	50,358
Exchanged Traded				
Funds (ETF)	2,277,962	0	0	2,277,962
Money Market	113,910	0	0	113,910
	\$11,365,583	\$ 0	\$ 0	\$11,365,583

	September 30, 2023			
	Level 1	Level 2	Level 3	Total
Equities	\$5,047,782	\$ 0	\$ 0	\$5,047,782
Corporate Bonds	49,806	0	0	49,806
Mutual Funds	629,149	0	0	629,149
U.S. Treasury Notes	1,710,964	0	0	1,710,964
Certificate of Deposit	299,630	0	0	299,630
Exchanged Traded				
Funds (ETF)	1,688,437	0	0	1,688,437
Money Market	536,815	0	0	536,815
	\$9,962,583	\$ 0	\$ 0	\$9,962,583

The tables above include both “Investments - undesignated” and “Investments - board designated endowment” in the accompanying statements of financial position. At September 30, 2024 and 2023, the “Investments - undesignated” balance was \$1,440,576 and \$1,869,186, respectively, and “Investments - board designated endowment” balance was \$9,925,007 and \$8,093,397, respectively. “Investments - undesignated” 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.

**NATIONAL DISASTER SEARCH DOG FOUNDATION**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Years Ended September 30, 2024 and 2023

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NOTE 5 - INVESTMENTS (Continued)

	<u>2024</u>	<u>2023</u>
Interest and dividends	\$ 357,625	\$ 265,128
Realized gains/(losses)	712,111	(12,415)
Unrealized gains/(losses)	939,580	676,560
Investment expenses	(61,641)	(57,168)
Total investment income/(loss)	<u>\$ 1,947,675</u>	<u>\$ 872,105</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at September 30, 2024, and 2023:

	<u>2024</u>	<u>2023</u>
Buildings	\$ 19,678,045	\$ 19,005,108
Land improvements	6,559,348	6,312,130
Automobiles	528,284	500,381
Office equipment	611,282	599,841
Equipment	409,809	377,530
Furniture and fixtures	310,644	306,205
	<u>28,097,412</u>	<u>27,101,195</u>
Less: accumulated depreciation	(6,388,945)	(5,524,776)
	<u>21,708,467</u>	<u>21,576,419</u>
Construction in progress	568,097	709,662
Land	4,573,360	4,573,360
	<u>\$ 26,849,924</u>	<u>\$ 26,859,441</u>

Depreciation and amortization expense for the years ended September 30, 2024, and 2023, was \$919,779 and \$850,341, respectively.

NOTE 7 - NOTE PAYABLE

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

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NOTE 7 - NOTE PAYABLE (Continued)

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 14<sup>th</sup> 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, 2024, and 2023, was \$1,145,478, and \$1,385,478, respectively. Payments of principal during the next five years as of September 30, 2024, are as follows:

Years ending September 30,	
2025	\$ 240,000
2026	240,000
2027	240,000
2028	240,000
Thereafter	185,478
	<u>\$ 1,145,478</u>

NOTE 8 - LINE OF CREDIT

The Foundation has a revolving line of credit with Montecito Bank and Trust. Interest is variable at 1.0% plus the prime rate per annum with a minimum stated interest rate of 5.0% per annum. The line of credit matures on May 16, 2027. At September 30, 2024 and 2023, the balance on the line of credit was \$0 and available credit was \$2,600,000. The Foundation has pledged all of its personal and real property as security for the line of credit.

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, 2024, and 2023, the Foundation's matching contributions were \$63,634 and \$59,635, respectively; however, the Foundation did not make a profit-sharing contribution for the years then ended.

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NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND

The objective of the SDF Endowment is to achieve a total return equivalent to or greater than the Endowment's financial requirements in perpetuity, exclusive of annual contributions, withdrawals, or institutional fees. The Endowment's financial requirements are the sum of the spending rate, the long-term inflation rate, the aggregate costs of portfolio management, administrative costs, and any growth factor that the Board may, from time to time, determine appropriate.

Return objectives and risk parameters

Over the short (3 years) and longer-term (10 years), the portfolio should provide a time-weighted total net return in excess of a Custom Policy Benchmark based on the strategic asset allocation weights to market indices as defined in the IPS.

Strategies employed for achieving objectives

The strategic asset allocation is purposely set at a broad level with respect to the asset classes to allow the Investment Managers sufficient discretion to seek relative opportunities within each category. Subject to the terms and conditions of this IPS, the Investment Manager shall have full discretionary authority to direct investment, exchange, and liquidation of the asset in the Endowment and rebalance the portfolio as needed. It is acknowledged that in extreme market conditions, there may be periods where the portfolio exceeds the minimum or maximum ranges shown. 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%	75%
Liquid Real Estate	0%	10%
Fixed Income	15%	35%
Cash Instruments	0%	20%

Spending policy and how investment objectives relate to spending policy

The maximum spending rate to distribute from the Endowment is an amount equal to 5% of the average fund balance. The average fund balance is calculated using the average fund balance of the prior 3 years as of June 30 of each year. The spending amount can be distributed during the first quarter of the next calendar year.

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NOTE 10 - BOARD DESIGNATED ENDOWMENT FUND (Continued)

Fund composition

Changes in the board designated endowment fund are as follows:

	<u>2024</u>	<u>2023</u>
Balance, beginning of year	\$ 8,093,397	\$ 7,297,450
Investment income	1,893,924	853,305
Transfers to board designated endowment fund	0	46,012
Transfers from board designated endowment fund	(607)	(46,961)
Investment fees	<u>(61,707)</u>	<u>(56,409)</u>
Balance, end of year	<u>\$ 9,925,007</u>	<u>\$ 8,093,397</u>

NOTE 11 - COMMITMENTS AND CONTINGENCIES

In September 2023, the Foundation entered into an agreement for the purchase and installation of a battery energy storage system at a contract amount of \$660,200. Due to vendor insolvency the original contract was canceled and the Foundation entered into a new contract in December 2024 for \$659,370. The installation is expected to be completed by December 2025.

The Foundation applied for and was approved for \$453,759 in grant/rebate funds to offset the cost of the battery energy storage system. These funds are expected to be received over the next five-years and will be recognized as revenue when the conditions are substantially met under the terms of the rebate program.

NOTE 12 - NET ASSETS WITH DONOR-IMPOSED RESTRICTIONS

Net assets with donor-imposed restrictions at September 30, 2024, and 2023, are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to the Passage of Time or for Specified Use:		
National Training Center	\$ 59,628	\$ 185,255
Canine healthcare	100,000	75,000
Canine training	98,564	213,540
Handlers Fund	<u>50,000</u>	<u>0</u>
	<u>\$ 308,192</u>	<u>\$ 473,795</u>

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**NOTE 13 - 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 statements of financial position to fund expenses:

	<u>2024</u>	<u>2023</u>
Cash - operations	\$ 58,174	\$ 362,535
Pledges and grants receivable	978,309	752,962
Investments – board designated endowment	9,925,007	8,093,397
Investments- no designation	1,440,576	1,869,186
	<u>\$ 12,402,066</u>	<u>\$ 11,078,080</u>

In addition to financial assets available to meet general expenditures 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 14 - EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events have been evaluated through June 10, 2025, the date the financial statements were available to be issued.