

Leader Dogs For
the Blind and
Supporting
Organization



LEADER DOGS
FOR THE BLIND®

Years Ended
June 30,
2023 and 2022

Consolidated
Financial
Statements and
Supplementary
Information

Rehmann

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

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November 14, 2023

Board of Trustees
Leader Dogs For the Blind and Supporting Organization
Rochester Hills, Michigan

Opinion

We have audited the accompanying consolidated financial statements of ***Leader Dogs for the Blind and Supporting Organization*** (the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the consolidated financial statements (the "consolidated financial statements").

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ***Leader Dogs for the Blind and Supporting Organization*** as of June 30, 2023 and 2022, and the consolidated 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. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of the Organization 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.

Change in Accounting Principle

As described in Note 1 to the consolidated financial statements, effective July 1, 2022, the Organization adopted Accounting Standards Codification Topic 842, *Leases*. Our opinion is not modified with respect to this matter.



📍 1500 W Big Beaver, 2nd Floor, Troy, MI 48084

📞 248.952.5000

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 the Organization'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 consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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.

A handwritten signature in black ink that reads "Lehmann Loham LLC". The signature is fluid and cursive, with "Lehmann" and "Loham" stacked vertically and "LLC" to the right.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statements of Financial Position

	June 30	
	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 1,385,098	\$ 2,741,885
Certificates of deposit	49,895	25,044
Contributions receivable	2,633,073	1,456,001
Current portion of pledges receivable	129,232	181,714
Accounts receivable	11,102	82,979
Prepaid expenses and other	<u>921,242</u>	<u>1,160,476</u>
Total current assets	5,129,642	5,648,099
Pledges receivable, net of current portion and allowance	121,675	150,951
Investments (including charitable gift annuities of \$332,964 in 2023 and \$363,925 in 2022)	2,449,098	2,436,732
Certificates of deposit	115,807	169,906
Beneficial interests in trusts	1,021,038	1,127,687
Property and equipment, net (Note 4)	16,973,253	19,992,091
Property and equipment held for sale (Note 4)	<u>1,900,000</u>	-
Total assets	<u>\$ 27,710,513</u>	<u>\$ 29,525,466</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 371,214	\$ 888,135
Accrued payroll and other	1,312,708	1,541,830
Line of credit	<u>9,291,698</u>	<u>6,168,198</u>
Total current liabilities	<u>10,975,620</u>	<u>8,598,163</u>
Gift annuity liability	<u>88,771</u>	<u>106,610</u>
Total liabilities	<u>11,064,391</u>	<u>8,704,773</u>
Net assets		
Without donor restrictions	12,381,360	16,663,372
With donor restrictions	<u>4,264,762</u>	<u>4,157,321</u>
Total net assets	<u>16,646,122</u>	<u>20,820,693</u>
Total liabilities and net assets	<u>\$ 27,710,513</u>	<u>\$ 29,525,466</u>

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statements of Activities

	Year Ended June 30					
	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue						
Lions' contributions	\$ 2,171,864	\$ -	\$ 2,171,864	\$ 1,986,824	\$ -	\$ 1,986,824
Other contributions	5,114,527	237,500	5,352,027	6,469,509	61,656	6,531,165
Estates and bequests	8,007,760	-	8,007,760	7,346,316	-	7,346,316
Grants from Leader Dogs for the Blind Foundation	4,150,000	-	4,150,000	3,500,000	-	3,500,000
In-kind donations	158,809	-	158,809	136,618	-	136,618
Special events, net of expenses	514,610	-	514,610	313,315	-	313,315
Other operating revenue	769,632	-	769,632	758,220	-	758,220
Total	20,887,202	237,500	21,124,702	20,510,802	61,656	20,572,458
Net assets released from restrictions	184,520	(184,520)	-	89,771	(89,771)	-
Total public support and revenue	21,071,722	52,980	21,124,702	20,600,573	(28,115)	20,572,458
Expenses						
Program						
Training	12,718,742	-	12,718,742	10,741,069	-	10,741,069
Orientation and mobility	828,480	-	828,480	566,781	-	566,781
Volunteer engagement and community outreach	874,289	-	874,289	980,719	-	980,719
Canine Scent Detection Services	2,258,055	-	2,258,055	1,739,502	-	1,739,502
Leader Dogs for the Blind Foundation support	15,480	-	15,480	2,513,082	-	2,513,082
Total program	16,695,046	-	16,695,046	16,541,153	-	16,541,153
Supporting services						
General and administrative	3,064,361	-	3,064,361	2,125,324	-	2,125,324
Philanthropy	4,008,200	-	4,008,200	3,176,373	-	3,176,373
Total supporting services	7,072,561	-	7,072,561	5,301,697	-	5,301,697
Total expenses	23,767,607	-	23,767,607	21,842,850	-	21,842,850
Change in net assets before non-operating (loss) income	(2,695,885)	52,980	(2,642,905)	(1,242,277)	(28,115)	(1,270,392)
Non-operating (loss) income						
Net investment (loss) return	(99,083)	161,110	62,027	(35,505)	(190,828)	(226,333)
Change in value of beneficial interests in trusts	-	(106,649)	(106,649)	-	(268,223)	(268,223)
Impairment of property (Note 4)	(1,461,706)	-	(1,461,706)	(4,195,633)	-	(4,195,633)
(Loss) gain on disposal of property and equipment	(13,216)	-	(13,216)	1,500	-	1,500
Other	(12,122)	-	(12,122)	1,842	-	1,842
Total non-operating (loss) income, net	(1,586,127)	54,461	(1,531,666)	(4,227,796)	(459,051)	(4,686,847)
Change in net assets	(4,282,012)	107,441	(4,174,571)	(5,470,073)	(487,166)	(5,957,239)
Net assets, beginning of year	16,663,372	4,157,321	20,820,693	22,133,445	4,644,487	26,777,932
Net assets, end of year	\$ 12,381,360	\$ 4,264,762	\$ 16,646,122	\$ 16,663,372	\$ 4,157,321	\$ 20,820,693

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statement of Functional Expenses

Year Ended June 30, 2023

	Program Services					Supporting Services		Total Consolidated Expenses
	Training	Orientation and Mobility	Volunteer Engagement and Community Outreach	Canine Scent Detection Services	Foundation Support	General and Administrative	Philanthropy	
Compensation	\$ 7,167,251	\$ 466,649	\$ 435,418	\$ 1,258,199	\$ -	\$ 1,230,469	\$ 1,867,721	\$ 12,425,707
Employee benefits	1,861,652	121,174	111,130	139,920	-	286,771	426,827	2,947,474
Insurance	157,411	3,053	21,712	65,262	-	206,832	9,656	463,926
Repairs and maintenance	267,514	5,141	15,188	-	-	143,946	56,094	487,883
Professional fees	81,897	2,844	2,528	-	-	217,046	21,191	325,506
Outside services	350,352	24,516	96,482	43,637	-	106,494	162,873	784,354
Service fees	160,199	22,495	19,564	-	-	77,147	321,307	600,712
Direct mail	7,813	-	2,916	-	-	-	838,818	849,547
Facilities	325,321	2,712	7,436	265,474	-	-	8,871	609,814
Special events	-	-	-	-	-	-	165,393	165,393
Supplies	169,570	28,480	64,898	21,626	-	47,768	100,478	432,820
Travel	300,813	51,927	42,057	28,717	-	2,925	53,604	480,043
Canine operations	618,017	-	-	299,786	-	303	-	918,106
Client services	248,172	93,386	817	-	-	4,684	1,879	348,938
Promotional	27,321	1,294	19,008	21,706	-	3,415	21,266	94,010
Lions clubs	41,343	-	15,459	-	-	-	56,802	113,604
Depreciation	934,096	4,809	19,676	-	-	307,244	22,765	1,288,590
Interest	-	-	-	-	-	429,317	-	429,317
Bad debt	-	-	-	113,728	-	-	38,048	151,776
Contributions made	-	-	-	-	15,480	-	-	15,480
Total expenses by function	12,718,742	828,480	874,289	2,258,055	15,480	3,064,361	4,173,593	23,933,000
Less expenses included in revenues on the consolidated statement of activities	-	-	-	-	-	-	(165,393)	(165,393)
Total expenses	\$ 12,718,742	\$ 828,480	\$ 874,289	\$ 2,258,055	\$ 15,480	\$ 3,064,361	\$ 4,008,200	\$ 23,767,607

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statement of Functional Expenses

Year Ended June 30, 2022

	Program Services					Supporting Services		Total Consolidated Expenses
	Training	Orientation and Mobility	Volunteer Engagement and Community Outreach	Canine Scent Detection Services	Foundation Support	General and Administrative	Philanthropy	
Compensation	\$ 5,918,307	\$ 336,200	\$ 524,761	\$ 905,064	\$ -	\$ 935,109	\$ 1,366,359	\$ 9,985,800
Employee benefits	1,547,525	88,477	132,278	102,051	-	199,443	295,156	2,364,930
Insurance	173,423	3,845	24,640	44,340	-	82,434	9,894	338,576
Repairs and maintenance	271,109	4,021	15,243	-	-	145,992	51,295	487,660
Professional fees	94,713	5,708	3,288	-	-	93,460	39,368	236,537
Outside services	235,416	15,562	79,057	49,327	-	80,556	110,353	570,271
Service fees	169,270	24,222	17,208	5,909	-	79,108	150,267	445,984
Direct mail	-	-	7,287	-	-	-	746,170	753,457
Facilities	320,512	3,979	9,389	-	-	79,575	11,900	425,355
Special events	-	-	-	-	-	-	115,098	115,098
Supplies	166,905	26,334	76,876	10,343	-	37,112	74,633	392,203
Travel	162,764	1,987	46,236	28,553	-	1,912	10,273	251,725
Canine operations	499,159	-	-	329,882	-	-	-	829,041
Client services	200,636	49,581	782	-	-	4,351	1,303	256,653
Promotional	7,286	280	14,492	261,967	-	1,244	4,311	289,580
Lions clubs	-	-	4,361	-	-	-	-	4,361
Depreciation	974,044	6,585	24,821	2,066	-	317,255	28,591	1,353,362
Interest	-	-	-	-	-	66,582	-	66,582
Bad debt	-	-	-	-	-	-	276,500	276,500
Other	-	-	-	-	-	1,191	-	1,191
Contributions made	-	-	-	-	2,513,082	-	-	2,513,082
 Total expenses by function	 10,741,069	 566,781	 980,719	 1,739,502	 2,513,082	 2,125,324	 3,291,471	 21,957,948
 Less expenses included in revenues on the consolidated statement of activities	 -	 -	 -	 -	 -	 -	 (115,098)	 (115,098)
 Total expenses	 \$ 10,741,069	 \$ 566,781	 \$ 980,719	 \$ 1,739,502	 \$ 2,513,082	 \$ 2,125,324	 \$ 3,176,373	 \$ 21,842,850

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statements of Cash Flows

	June 30	
	2023	2022
Cash flows from operating activities		
Cash received from contributions	\$ 7,645,939	\$ 9,253,109
Cash received from customers	841,509	735,136
Cash received from estates and bequests	6,760,297	6,484,115
Cash received from grants	4,150,000	3,500,000
Cash received from special events	514,610	313,315
Cash paid to and on the behalf of employees	(15,695,052)	(12,294,842)
Cash paid to suppliers and others	(6,870,699)	(5,674,867)
Contribution paid to Foundation	-	(2,500,000)
Interest paid	<u>(376,598)</u>	<u>(66,582)</u>
Net cash used in operating activities	<u>(3,029,994)</u>	<u>(250,616)</u>
Cash flows from investing activities		
Proceeds from sales and redemptions of investments	439,577	68,160
Purchases of investments	(403,122)	(215,029)
Proceeds from sales of property and equipment	93,601	1,500
Purchases and construction of property and equipment	<u>(1,742,760)</u>	<u>(4,038,607)</u>
Net cash used in investing activities	<u>(1,612,704)</u>	<u>(4,183,976)</u>
Cash flows from financing activities		
Payments received on pledges designated for capital campaign	162,411	263,101
Net proceeds from line of credit	<u>3,123,500</u>	<u>3,450,000</u>
Net cash provided by financing activities	<u>3,285,911</u>	<u>3,713,101</u>
Net decrease in cash and cash equivalents	<u>(1,356,787)</u>	<u>(721,491)</u>
Cash and cash equivalents, beginning of year	<u>2,741,885</u>	<u>3,463,376</u>
Cash and cash equivalents, end of year	<u>\$ 1,385,098</u>	<u>\$ 2,741,885</u>
Non-cash investing and financing activity		
Construction of property and equipment	<u>\$ -</u>	<u>\$ 453,563</u>

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

1. NATURE OF ORGANIZATION, BASIS OF PRESENTATION, AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Leader Dogs for the Blind ("Leader Dogs") is dedicated to empowering people who are blind or visually impaired with lifelong skills for safe and independent daily travel. Since its incorporation in 1939 as a not-for-profit organization, Leader Dogs has successfully matched and graduated over 15,700 person/dog teams. As the second guide dog organization founded in the United States, Leader Dogs provides services to both national and international clients at its Rochester Hills, Michigan facility. Leader Dogs programs include guide dog training, orientation and mobility training, volunteer engagement and community outreach. In addition, Leader Dogs may make periodic contributions to an affiliate, Leader Dogs for the Blind Foundation ("Foundation") (Note 10), in accordance with Leader Dogs liquidity and spending policy, which is considered a program expense.

Canine Scent Detection Services ("Canine Scent Detection") is a not-for-profit supporting organization of Leader Dogs that bred, raised, and trained dogs specifically for munitions and explosives scent detection. Canine Scent Detection ceased operations in June 2023 (Note 12).

Collectively, Leader Dogs and Canine Scent Detection are referred to as the "Organization".

Risks and Economic Uncertainties

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the fair value of investment securities will occur in the near term and such changes could materially affect the amounts reported in these consolidated financial statements.

Basis of Presentation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") to focus on the Organization as a whole and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of transactions into two classes of net assets - net assets without donor restrictions and net assets with donor restrictions.

Net assets and revenues and support, expenses and gains or losses are classified based on the existence or absence of donor-imposed restrictions.

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for use at the discretion of management and/or the Board of Trustees for general operating purposes.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Net Assets With Donor Restrictions - Net assets with donor restrictions consists of contributions that have been restricted by the donor for specific purposes or are time restricted. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Revenues and support are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions, unless restricted by the donor or law. Expirations of net assets with donor restrictions (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.

The Organization's operating revenue in excess of operating expense includes all operating revenues and expenses that are an integral part of its programs and supporting activities and the assets released from donor restrictions to support operating expenditures. The measure of operations excludes net investment return in excess of amounts made available for operations, the change in the value of the beneficial interests in trust, impairment charges, and the losses on disposal of property and equipment.

Principles of Consolidation

The consolidated financial statements include the accounts of Leader Dogs for the Blind and its supporting organization, Canine Scent Detection. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

The Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. The Organization primarily deposits cash with major banks within the State of Michigan and at times may maintain balances that exceed federally insured limits. The Organization has not experienced any losses in such accounts, and management believes the Organization is not exposed to any significant interest rate or other financial risk as a result of these deposits.

Use of Estimates

The preparation of consolidated 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 at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the year. Actual results could differ from those estimates. Significant estimates include, but are not limited to, the carrying value of property and of the beneficial interests in perpetual trusts.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Certificates of Deposit

Certificates of deposit are held at a major bank. Certificates of deposit are classified as current or noncurrent based upon their maturity date when purchased and are carried at cost.

Pledges and Contributions

Pledges and contributions are recognized as support when they represent an unconditional promise to give; absent of such promise, revenue is recognized when the intent to give is collected. Amounts that are expected to be collected in future years are initially recorded at their estimated fair value using a probability weighted, discounted rate adjusted present value model. The unamortized discount represents the adjustment required to record promises expected to be received in future years at their fair value. Amortization of the discount is recorded as additional support and used in accordance with any donor-imposed restrictions over the promise period.

After initially being recorded at fair value as previously discussed, unconditional promises to give are stated at the amounts management expects to collect from outstanding balances. The Organization provides for a probable uncollectible amount through an expense in the consolidated statement of activities and a credit to a valuation allowance based on management's assessment of the current status of individual accounts. Balances that are still outstanding after the Organization has attempted reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable account. An allowance of \$241,500 was recorded as of June 30, 2022 for Canine Scent Detection pledges that management believes may be uncollectible. No such allowance was considered necessary at June 30, 2023.

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. There were no conditional promises to give at June 30, 2023 and 2022.

Revenue from Contracts with Customers

Other revenue on the consolidated statements of activities consists of revenue related to the gift shop and souvenir purchases as well as the training and sale of dogs by Canine Scent Detection. Revenue is earned at the point in time sales occur. Variable consideration has not been historically significant and the Organization does not have significant refunds. The Organization does not include sales and other taxes in the transaction price and thus does not recognize these amounts as revenue.

Receivables from contracts with customers were as follows for the years ended June 30:

	2023	2022
Accounts receivable, beginning of the year	\$ 82,979	\$ 59,895
Accounts receivable, end of the year	\$ 11,102	\$ 82,979

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Donated Materials, Supplies and Services

At times, the Organization receives support through donations of materials, supplies, and services. These amounts are recorded at their estimated fair value at the date of receipt. In-kind contributions included in the consolidated statements of activities are comprised of the following for the years ended June 30:

	2023	2022
Medication	\$ 71,538	\$ 69,315
Dog food	60,567	56,734
Global Positioning System units	-	5,394
Vet services	4,110	5,175
Services	20,060	-
Supplies	<u>2,534</u>	<u>-</u>
 Total in-kind contributions	 <u>\$ 158,809</u>	 <u>\$ 136,618</u>

The Organization estimates the fair value of dog food, supplies, Global Positioning System units, medication, and services on the basis of estimates of values that would be charged by vendors for identical items and services. These contributions were utilized within the training program in the year they were received.

Investments

Investment securities purchased are stated at fair value, which is based on quoted market prices. Investment securities received as gifts are initially recorded at fair value at the date of donation. Income from investments, including realized and unrealized gains and losses, is allocated among net assets with donor restrictions and without donor restrictions based on donor restrictions or the absence thereof. Realized gains and losses are determined using the specific identification method. Investment return is reported net of external investment expenses.

Beneficial Interests in Trusts

Certain donors to the Organization have entered into irrevocable trust arrangements under which the Organization (and in some cases other beneficiaries) is entitled to receive future benefits. Under a perpetual trust, a donor requires that the trust's assets must be held in perpetuity, and stipulates the amount or percentage of trust income distributions that the Organization may receive. Generally, such distributions bear no donor restrictions. The carrying value of these assets are equal to the fair value of the total investments held in the trust.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Under a remainder trust, a donor indicates that the Organization is to receive the trust's "remainder" after other beneficiaries receive their required distributions. Often, multiple beneficiaries are entitled to distributions before the Organization receives the remainder. Such distributions may or may not be limited to the trust's income, and the actual ages and number of beneficiaries may vary widely. Further, demographic information about these beneficiaries may not be available to the Organization. As a result, there are inherent uncertainties in determining the present value of the remainder interest, which approximates fair value. Accordingly, the Organization does not estimate a value for any remainder interest where management believes accurate information about beneficiaries, underlying trust assets and/or the nature of distributions available to beneficiaries is not reasonably determinable. Currently, these consolidated financial statements do not include any beneficial interests relating to remainder trusts.

Fair Value Measurement

Fair value refers to the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between participants in the market in which the reporting entity transacts such sales or transfers based on the assumptions market participants would use when pricing an asset or liability. Assumptions are developed based on prioritizing information within a fair value hierarchy that gives the highest priority to quoted prices in active markets and the lowest priority to unobservable data, such as the reporting entity's own data.

For assets and liabilities recorded at fair value, it is the Organization's policy to maximize the use of observable inputs and minimize the use of unobservable inputs when developing fair value measurement for those financial instruments for which there is an active market. In cases where the market for a financial asset or liability is not active, the Organization includes appropriate risk adjustments that market participants would make for nonperformance and liquidity risks when developing fair value measurement. Fair value measurements for assets and liabilities for which limited, or no observable market data exists are accordingly based primarily upon estimates, are often calculated based on the economic and competitive environment, the characteristics of the asset or liability and other factors. Therefore, the results cannot be determined with precision and may not be realized in an actual sale or immediate settlement of the asset or liability. Additionally, there may be inherent uncertainties in any calculation technique, and changes in the underlying assumptions used, including discount rates and estimates of future cash flows, could significantly affect the results of current or future values. For a further discussion of Fair Value Measurement, refer to Note 3.

Property and Equipment and Depreciation

Purchased property and equipment are stated at cost less depreciation. Donated property and equipment is recorded at its estimated fair value at the date of the gift. Major improvements are capitalized while ordinary maintenance and repairs are expensed. Management reviews these assets to determine whether carrying values have been impaired whenever events or changes in circumstances indicate the related carrying value may not be recoverable. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets, which range from 3 to 30 years.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Property and Equipment Held for Sale

Property and equipment held for sale is reported at the lower of the carrying amount or fair value and are no longer depreciated. During the year ended June 30, 2023, management concluded these assets are impaired, as the estimated fair value less costs to sell is lower than the carrying basis. See Notes 4.

Fundraising Costs

The Organization engages in philanthropic and fundraising activities throughout the year. Such activities, however, do not include significant joint costs that allow allocation among the program services.

Functional Allocation of Expenses

Direct expenses, which can be clearly defined as incurred for a specific program are charged to that program. Natural expenses attributable to more than one functional expense category are allocated using a reasonable cost allocation method. Salaries and related employee benefits have been allocated to programs and services based on estimated time and effort. Other expenses are allocated based on estimates of usage.

Volunteer Services

Many individuals volunteer their time and perform a variety of tasks that assist the Organization in running its programs. Over 1,000 individuals volunteer their time to support the Organization in running its programs, including nearly 500 who raise, train, and socialize puppies during their first year of life. Volunteer hours total 36,000 hours and fair value of just over \$1.1M during the fiscal year ending June 30, 2023. These figures do not include off-campus puppy raisers and breeding stock hosts or Trustee and Volunteer Non-Trustee service hours. While these services are most important and noteworthy, the total value of these services does not meet the accounting requirements for recognition in these consolidated financial statements and no value has been recorded for the years ended June 30, 2023 and 2022.

Leases Including New Accounting Principle Adopted

In February 2016, the Financial Accounting Standards Board ("FASB") established Accounting Standards Codification ("ASC") Topic 842, *Leases* ("ASC 842"), by issuing Accounting Standards Update ("ASU") No. 2016-02 ("ASU 2016-02"). The standard, as amended, establishes a right-of-use ("ROU") model that requires a lessee to recognize a ROU asset and lease liability on the statement of consolidated financial position for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the consolidated statement of activities.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

The Organization adopted ASU 2016-02, as amended, effective July 1, 2022. Financial information has not been updated and the disclosures required under the new standard have not been provided for dates and periods before July 1, 2022. The Organization elected the new standard's package of practical expedients, which permits the Organization to maintain prior conclusions about lease identification, lease classification, and initial direct costs. The Organization elected to use the go-forward practical expedient to not separate lease and non-lease components for all of the leases. The Organization also elected to use the short-term lease recognition exemption for all leases that qualify.

Based on the short-term lease recognition exemption elected, no operating or finance lease liabilities or ROU assets were recognized upon implementation. Refer to Note 6 to the consolidated financial statements for information regarding leases.

The Organization's lease arrangements include short-term property, equipment, and vehicle leases.

The Organization determines whether an arrangement contains a lease at the arrangement's inception. If a lease is determined to exist, its related term is assessed at lease commencement, once the underlying asset is made available by the lessor for the Organization's use. The Organization's assessment of the lease term reflects the non-cancellable period of the lease, inclusive of any rent-free periods and/or periods covered by early-termination options for which the Organization is not considered reasonably certain of exercising, as well as periods covered by renewal options for which it is considered reasonably certain of exercising. The Organization also determines lease classification as either operating or finance at lease commencement, which governs the pattern of expense recognition and the presentation thereof reflected in the statements of activities over the lease term.

For leases with a lease term exceeding 12 months, a lease liability is recorded on the Organization's statement of financial position at lease commencement reflecting the present value of its fixed payment obligations over such term. A corresponding right-of-use ("ROU") asset equal to the initial lease liability is also recorded, increased by any prepaid rent and/or initial direct costs incurred in connection with execution of the lease, and reduced by any lease incentives received. The Organization includes fixed payment obligations related to non-lease components in the measurement of ROU assets and lease liabilities, as it elects to account for lease and non-lease components together as a single lease component. Variable lease payments are not included in the measurement of ROU assets and lease liabilities. ROU assets associated with finance leases are presented separate from those associated with operating leases, and are included within net property, plant, and equipment, net on the Organization's statement of financial position. For purposes of measuring the present value of its fixed payment obligations for a given lease, unless stated within the lease agreement, the Organization uses the risk-free discount rate, determined based on information available at lease commencement, as rates implicit in its leasing arrangements are not readily determinable.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

For operating leases, fixed lease payments are recognized as operating lease cost on a straight-line basis over the lease term. For finance leases, the initial ROU asset is amortized on a straight-line basis over the lease term, along with recognition of interest expense associated with accretion of the lease liability, which is ultimately reduced by the related fixed payments as they are made. For leases with a lease term of 12 months or less (referred to as a "short-term lease"), any fixed lease payments are recognized on a straight-line basis over such term and are not recognized on the balance sheet. Variable lease cost, if any, is recognized as incurred for all leases. At June 30, 2023, the Organization leases are all classified as short-term leases.

Income Taxes

Leader Dogs and Canine Scent Detection are recognized as nonprofit organizations that are exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organizations are organized under the laws of the State of Michigan as nonprofit organizations and are exempt from state and local income taxes. The Organizations evaluate uncertain income tax positions which would impact their nontaxable status or result in unrelated business income tax, and believe there are no uncertain income tax positions of significance that are required to be recorded or disclosed in these consolidated financial statements.

Management analyzed the Organizations' income tax filing positions in the federal and state jurisdictions where they are required to file income tax returns, for all open tax years in these jurisdictions, to identify potential uncertain tax positions. Management has concluded that there are no significant uncertain tax positions requiring recognition in the Organizations' consolidated financial statements. Generally, the Organization is no longer subject to income tax examinations for years prior to fiscal 2020.

Reclassification

Certain amounts as reported in the 2022 consolidated financial statements have been reclassified to conform with the 2023 presentation.

Subsequent Events

In preparing these consolidated financial statements, management has evaluated, for potential recognition or disclosure, significant events or transactions that occurred during the period subsequent to June 30, 2023, the most recent consolidated statement of financial position presented herein, through November 14, 2023, the date these consolidated financial statements were available to be issued. No significant such events or transactions were identified, other than as described in Note 12.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

2. PLEDGES RECEIVABLE

Pledges are expected to be collected in the following fiscal years ending June 30:

Fiscal Year	Amount
2024	\$ 129,232
2025	58,175
2026	41,500
2027	<u>22,000</u>
Net pledges receivable	<u>\$ 250,907</u>

At June 30, 2023 and 2022, management determined a discount to net present value was not significant. During the year ended June 30, 2023, \$151,776 in pledges were written off as uncollectable. During the year ended June 30, 2022, \$35,000 in pledges were written off as uncollectible and an additional \$241,500 in pledges were allowed for.

3. INVESTMENTS AND FAIR VALUE MEASUREMENT

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2: Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability; and
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the assets are classified. There have been no changes in the methodologies used at June 30, 2023 and 2022.

Mutual funds: Shares held in mutual funds are valued at quoted market prices that represent the Net Asset Value ("NAV") of shares held by the Organization at year end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, then divided by the number of shares outstanding. Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price and, therefore, are deemed to be actively traded.

Corporate bonds: Certain corporate bonds valued at the closing price reported in the active market in which the bond is traded are classified as Level 1.

Common stocks: Level 1 fair value measurement is based upon the closing price reported on the active market in which the individual securities are traded.

Beneficial interests in trusts: The underlying trusts' assets cannot be liquidated or redeemed by the Organization. As such, no quoted prices or active market are available for these assets and are classified as Level 3. As a practical expedient, the carrying value of these assets are equal to the fair value of the total investments held in the trust.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Recorded at Fair Value on a Recurring Basis

The following tables present the recorded amount of assets measured at fair value on a recurring basis at June 30:

2023	Level 1	Level 2	Level 3	Total
Investments				
Corporate bonds	\$ 1,296,333	\$ -	\$ -	\$ 1,296,333
Mutual funds				
Equity	294,362	-	-	294,362
Bond	118,552	-	-	118,552
Common stocks	739,851	-	-	739,851
Total investments	\$ 2,449,098	\$ -	\$ -	\$ 2,449,098
Beneficial interests in trusts	\$ -	\$ -	\$ 1,021,038	\$ 1,021,038

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

2022	Level 1	Level 2	Level 3	Total
Investments				
Corporate bonds	\$ 1,366,042	\$ -	\$ -	\$ 1,366,042
Mutual funds				
Equity	301,661	-	-	301,661
Bond	156,002	-	-	156,002
Common stocks	<u>613,027</u>	<u>-</u>	<u>-</u>	<u>613,027</u>
Total investments	<u>\$ 2,436,732</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,436,732</u>
Beneficial interests in trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,127,687</u>	<u>\$ 1,127,687</u>

Assets Recorded at Fair Value on a Non-recurring Basis

The following table sets forth by level, within the fair value hierarchy, the recorded amount of assets measured at fair value on a non-recurring basis at June 30, 2023 and 2022. These assets were valued based on a letter of intent to purchase at June 30, 2023, and valued using data from recent sales of similar assets adjusted for factors such as square footage of the building, the age and location of the facility at June 30, 2022. See also Note 4.

2023	Assets at Carrying Value			
	Level 1	Level 2	Level 3	Total
Property (held for sale)	\$ -	\$ -	\$ 1,900,000	\$ 1,900,000

2022	Assets at Carrying Value			
	Level 1	Level 2	Level 3	Total
Property (included in net property and equipment)	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

4. PROPERTY AND EQUIPMENT (INCLUDING HELD FOR SALE)

Major classes of property and equipment are summarized as follows at June 30:

	2023	2022
Buildings	\$ 30,139,579	\$ 32,401,853
Furniture and equipment	2,871,081	2,710,133
Vehicles	1,282,186	1,210,303
Land improvements	1,106,122	1,106,122
Land	419,541	419,541
Construction in progress	<u>73,645</u>	<u>89,145</u>
 Total property and equipment	 35,892,154	 37,937,097
Less accumulated depreciation	<u>18,918,901</u>	<u>17,945,006</u>
 Net property and equipment	 <u>\$ 16,973,253</u>	 <u>\$ 19,992,091</u>

Property and equipment held for sale consists of the following at June 30, 2023:

Building **\$ 1,900,000**

Property and Equipment Held for Sale

During 2023, the Board made a decision that EDK9 will be sold or otherwise disposed of and Leader Dog will not be utilizing the EDK9 facility that building for any other purposes. The building was listed for sale during 2023 and is no longer in use at June 30, 2023, and is classified as held for sale. During the years ended June 30, 2023 and 2022, the Organization determined that the carrying value of the Canine Scent Detection building exceeded its fair value (Note 3) and that the impairment was not temporary. Accordingly, the Organization recognized \$1,461,706 and \$4,195,633 of impairment charges on these assets in 2023 and 2022, respectively. Estimated fair value was determined using significant unobservable inputs (Level 3) based on a market approach. See also Note 3 and 12.

5. LINE OF CREDIT

On August 2, 2019, Leader Dogs entered into a line of credit agreement with a bank of which \$9,291,698 and \$6,168,198 is outstanding at June 30, 2023 and 2022, respectively. In October 2022, the agreement was amended to increase the line of credit from \$7,700,000 to \$10,000,000. This line of credit was used to purchase a building intended to be utilized by Canine Scent Detection and to complete the related renovations. This line of credit has a maturity date of January 31, 2024 and a variable interest rate, which was 6.46% at June 30, 2023. The line of credit is guaranteed by the Foundation.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

6. LEASES

The Organization conducts a portion of its operations with leased property and equipment with varying short-term arrangements including month to month extensions. Net rental expense on these short-term leases was approximately \$86,000 and \$93,000 for 2023 and 2022, respectively.

7. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS

Net assets with donor restrictions are restricted for the following purposes or periods at June 30:

	2023	2022
Subject to expenditure for specified purpose		
Grants	\$ 232,500	\$ 63,383
Subject to the passage of time		
Charitable gift annuities	332,965	363,926
Life insurance policies	<u>193,418</u>	<u>201,740</u>
Total	<u>758,883</u>	<u>629,049</u>
 Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for training program use	21,262	(57,995)
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriations		
Donor-restricted endowments	<u>2,463,579</u>	<u>2,458,580</u>
Total endowments	<u>2,484,841</u>	<u>2,400,585</u>
 Perpetual in nature, not subject to spending policy and appropriations		
Beneficial interests in perpetual trust	<u>1,021,038</u>	<u>1,127,687</u>
Total net assets with donor restrictions	<u>\$ 4,264,762</u>	<u>\$ 4,157,321</u>

Endowments

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or SPMIFA (State of Michigan Prudent Management of Institutional Funds Act) requires the Organization to retain as a fund of perpetual duration. Funds with original gift values of \$2,458,580, fair values of \$2,385,571, and deficiencies of \$73,009 were reported in net assets with donor restrictions as of June 30, 2022. No such deficiencies existed as of June 30, 2023.

When an endowment is underwater, it is the Organization's intent to reinvest any dividends and interest until the endowment is made whole, at which time, the Organization will withdraw such dividends and interest for unrestricted use.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Interpretation of Relevant Law

In accordance with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act ("UPMIFA"), the Board of Trustees of the Organization has interpreted Michigan law for the State Prudent Management of Institutional Funds Act ("SPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not perpetual in nature is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization, in a manner consistent with the standard of prudence prescribed by SPMIFA.

In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Following is a summary of the Organization's endowment and changes therein for the years ended June 30:

	2023	2022
	With Donor Restrictions	With Donor Restrictions
Endowment net assets comparison by type of fund as of June 30		
Original donor-restricted gift amount and		
amounts required to be maintained in perpetuity	\$ 2,463,579	\$ 2,458,580
Accumulated investment gains (losses)	<u>21,262</u>	<u>(57,995)</u>
Total donor-restricted endowments	<u>\$ 2,484,841</u>	<u>\$ 2,400,585</u>

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

	2023 With Donor Restrictions	2022 With Donor Restrictions
Changes in endowment net assets for the years ended June 30		
Net investment income (loss)	\$ 192,071	\$ (199,507)
Contributions	5,000	5,022
Appropriation of endowment assets for expenditure	<u>(112,815)</u>	-
Changes to endowment net assets	84,256	(194,485)
Endowment net assets		
Beginning of year	<u>2,400,585</u>	<u>2,595,070</u>
End of year	<u>\$ 2,484,841</u>	<u>\$ 2,400,585</u>

Return Objectives and Risk Parameters

The Organization has adopted investment policies for donor-restricted endowment assets to achieve a consistent total rate of return (income and reinvested funds) within reasonable and prudent levels of risk that will generate a sufficient income stream while preserving and enhancing the original principal of funds invested.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives of the donor-restricted endowments, the Organization maintains a portfolio of fixed income investments, possibly including cash and cash equivalents. The investments are limited to mutual funds, equity securities, common stocks, corporate notes and bonds, mortgage backed bonds, preferred stock and international bonds. The investments carry conservative to moderate risk. The investments shall be so diversified as to minimize the risk of capital losses, and they are managed for long-term growth and maximum capital appreciation.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The investments held for donor-restricted endowments have a spending policy of utilizing up to all of the net investment income for general purposes, as the cash flows and other financial requirements dictate.

8. DEFINED CONTRIBUTION PLAN

The Organization sponsors a defined contribution plan that is available to substantially all employees. Participants may make basic contributions of their compensation up to the legal limit prescribed by Section 401(k) of the Internal Revenue Code. The Plan requires the Organization to make a matching contribution up to a maximum of 5% of each participant's compensation. In addition, the Organization may make a discretionary matching contribution of up to 5% of eligible compensation for participants who were hired on or before December 31, 2006. The Organization contributed a total of \$544,285 and \$401,646 in 2023 and 2022, respectively, for matching contributions. The Organization also made a discretionary employer contribution of \$87,598 and \$80,136 in 2023 and 2022, respectively.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

9. DEFERRED COMPENSATION PLAN

The Organization offers certain employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457(b). The plan, available to highly compensated employees, permits them to defer a portion of their salary until termination, retirement, death, or unforeseeable emergency. The Organization made a discretionary matching employer contribution of approximately \$33,000 and \$34,000 in 2023 and 2022, respectively. Included in prepaid expenses and other as well as accrued payroll and other liabilities is \$529,050 and \$453,531 as of June 30, 2023 and 2022, respectively, related to the plan.

10. RELATED PARTY TRANSACTIONS

The Foundation is a separate legal entity established as a 501(c)(3) not-for-profit corporation and governed by its own board of directors to receive and administer funds for Leader Dogs, make grants solely to Leader Dogs, and provide clear direction, independent oversight, and stewardship for the funds gifted from Leader Dogs.

Historically, the Foundation will grant an amount no less than 5% of the Foundation's prior year's average monthly net assets to Leader Dogs. Leader Dogs received grants from the Foundation of \$4,150,000 and \$3,500,000 during the years ended June 30, 2023 and 2022, respectively.

Leader Dogs has a liquidity and spending policy to gift any non-restricted cash that exceeds 60 days of budgeted operating costs at the end of each fiscal year to the Foundation. Based on this policy, the Organization contributed \$2,500,000 to the Foundation based during the year ended June 30, 2022. The Organization did not contribute to the Foundation during the year ended June 30, 2023.

Leader Dogs also provided managerial and accounting services to the Foundation. These services amounted to approximately \$15,000 and \$13,000 for the years ended June 30, 2023 and 2022, respectively. This is reported as contributions to the Foundation.

Canine Scent Detection provided services amounting to approximately \$120,000 and \$128,000 during 2023 and 2022, respectively, to an entity whose CEO held board leadership roles at Leader Dogs and/or Canine Scent Detection throughout both fiscal years.

Net pledges receivable at June 30, 2022 consist of \$113,728 due from Board and Committee members. No such pledges are outstanding at June 30, 2023.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

11. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following at June 30:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 1,385,098	\$ 2,741,885
Certificates of deposit	165,702	194,950
Receivables	2,644,175	1,538,980
Pledges receivable	250,907	332,665
Investments	2,449,098	2,436,732
Beneficial interests in trust	<u>1,021,038</u>	<u>1,127,687</u>
 Total financial assets held by the Organization	 7,916,018	 8,372,899
 Less amounts with limits on usage		
Spendable net assets with donor purpose restrictions	232,500	63,383
Spendable net assets with donor time restrictions	526,383	565,666
Endowment assets subject to endowment spending policy and appropriation	2,463,579	2,458,580
Beneficial interests in perpetual trusts not subject to spending policy or appropriation	<u>1,021,038</u>	<u>1,127,687</u>
 Total financial assets available for general use within one year	 \$ 3,672,518	 \$ 4,157,583

The Organization has a Finance Committee, which along with the Board of Trustees has established an investment policy statement for the Organization's investments. The investment policy addresses the preservation of capital, risk aversion, and adherence to investment discipline. Note 10 further describes the Organization's liquidity and spending policy as it relates to excess cash.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

■ Notes to Consolidated Financial Statements

12. CANINE SCENT DETECTION SERVICES (AND SUBSEQUENT EVENTS)

The Board of Trustees of Leader Dogs for the Blind approved liquidation of Canine Scent Detection and the planned ceasing of all operations in December 2022. The building associated with Canine Scent Detection was listed for sale in April 2023 with a purchase agreement executed on July 19, 2023, in the amount of \$1,900,000. Canine Scent Detection ceased operating in June 2023. The sale of the building and property closed on September 26, 2023. Additional impairment of the building has been recognized in the amount of \$1,461,706 during 2023 representing renovations completed after July 1, 2022. Additionally, the intercompany loan due to Leader Dogs from Canine Scent Detection was deemed uncollectable during 2023. Additionally, in October 2023 Leader Dogs received a contribution of approximately \$7,500,000 from the Foundation to assist with the pay off of the outstanding bank borrowings related to Canine Scent Detection's building. The outstanding balance on the line of credit agreement at June 30, 2023 was paid off in October 2023 with the proceeds from the sale of the Canine Scent Detection building and a contribution from the Foundation totaling approximately \$7,500,000.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

November 14, 2023

Board of Trustees
Leader Dogs For the Blind and Supporting Organization
Rochester Hills, Michigan

We have audited the consolidated financial statements of ***Leader Dogs for the Blind and Supporting Organization*** (a nonprofit organization), as of and for the years ended June 30, 2023 and 2022, and have issued our report thereon dated November 2, 2023, which expressed an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purposes of forming an opinion on the consolidated financial statements as a whole. The consolidating information, which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information has not been subjected to the auditing procedures applied in our audit of the consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Rehmann Lohman LLC



📍 1500 W Big Beaver, 2nd Floor, Troy, MI 48084

📞 248.952.5000

**SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2023 AND 2022**

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedule of Financial Position

ASSETS	June 30, 2023			
	Leader Dogs for the Blind	Canine Scent Detection Services	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 1,371,704	\$ 13,394	\$ -	\$ 1,385,098
Certificates of deposit	49,895	-	-	49,895
Current portion of contributions receivable	2,633,073	-	-	2,633,073
Current portion of pledges receivable	129,232	-	-	129,232
Accounts receivable	-	11,102	-	11,102
Prepaid expenses and other	921,242	-	-	921,242
Total current assets	5,105,146	24,496	-	5,129,642
Pledges receivable, net of current portion and allowance	121,675	-	-	121,675
Investments (including charitable gift annuities of \$332,964)	2,449,098	-	-	2,449,098
Certificates of deposit	115,807	-	-	115,807
Beneficial interests in trusts	1,021,038	-	-	1,021,038
Net property and equipment	18,873,253	-	-	18,873,253
Total assets	\$ 27,686,017	\$ 24,496	\$ -	\$ 27,710,513
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 355,427	\$ 15,787	\$ -	\$ 371,214
Accrued payroll and other liabilities	1,312,708	-	-	1,312,708
Line of credit	9,291,698	-	-	9,291,698
Total current liabilities	10,959,833	15,787	-	10,975,620
Gift annuity liability	88,771	-	-	88,771
Total liabilities	11,048,604	15,787	-	11,064,391
Net assets				
Without donor restrictions	12,372,651	8,709	-	12,381,360
With donor restrictions	4,264,762	-	-	4,264,762
Total net assets	16,637,413	8,709	-	16,646,122
Total liabilities and net assets	\$ 27,686,017	\$ 24,496	\$ -	\$ 27,710,513

See independent auditors' report on supplementary information.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedule of Financial Position

ASSETS	June 30, 2022			
	Leader Dogs for the Blind	Canine Scent Detection Services	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 2,439,967	\$ 301,918	\$ -	\$ 2,741,885
Certificates of deposit	25,044	-	-	25,044
Current portion of contributions receivable	1,456,001	-	-	1,456,001
Current portion of pledges receivable	136,714	45,000	-	181,714
Accounts receivable	-	82,979	-	82,979
Prepaid expenses and other	1,147,571	12,905	-	1,160,476
Total current assets	5,205,297	442,802	-	5,648,099
Pledges receivable, net of current portion and allowance	82,223	68,728	-	150,951
Investments (including charitable gift annuities of \$363,925)	2,436,732	-	-	2,436,732
Certificates of deposit	169,906	-	-	169,906
Beneficial interests in trusts	1,127,687	-	-	1,127,687
Net property and equipment	19,984,832	7,259	-	19,992,091
Total assets	\$ 29,006,677	\$ 518,789	\$ -	\$ 29,525,466
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 851,814	\$ 36,321	\$ -	\$ 888,135
Accrued payroll and other liabilities	1,481,231	60,599	-	1,541,830
Line of credit	6,168,198	-	-	6,168,198
Total current liabilities	8,501,243	96,920	-	8,598,163
Gift annuity liability	106,610	-	-	106,610
Total liabilities	8,607,853	96,920	-	8,704,773
Net assets				
Without donor restrictions	16,241,503	421,869	-	16,663,372
With donor restrictions	4,157,321	-	-	4,157,321
Total net assets	20,398,824	421,869	-	20,820,693
Total liabilities and net assets	\$ 29,006,677	\$ 518,789	\$ -	\$ 29,525,466

See independent auditors' report on supplementary information.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedule of Activities

	Year Ended June 30, 2023				
	Without Donor Restrictions		With Donor Restrictions	Consolidating Entries	Total
	Leader Dogs for the Blind	Canine Scent Detection Services	Leader Dogs for the Blind		
Public support and revenue					
Lions' contributions	\$ 2,171,864	\$ -	\$ -	\$ -	\$ 2,171,864
Other contributions	5,091,512	23,015	237,500	-	5,352,027
Estates and bequests	8,007,760	-	-	-	8,007,760
Grants from Leader Dogs for the Blind Foundation	4,150,000	-	-	-	4,150,000
In-kind donations	158,809	-	-	-	158,809
Special events, net of expenses	514,610	-	-	-	514,610
Other operating revenue	12,048	757,584	-	-	769,632
Total	20,106,603	780,599	237,500	-	21,124,702
Net assets released from restrictions	184,520	-	(184,520)	-	-
Total public support and revenue	20,291,123	780,599	52,980	-	21,124,702
Expenses					
Program					
Training	12,718,742	-	-	-	12,718,742
Orientation and mobility	828,480	-	-	-	828,480
Volunteer engagement and community outreach	874,289	-	-	-	874,289
Canine Scent Detection Services	-	2,258,055	-	-	2,258,055
Leader Dogs for the Blind Foundation support	15,480	-	-	-	15,480
Total program	14,436,991	2,258,055	-	-	16,695,046
Supporting services					
General and administrative	2,654,634	409,727	-	-	3,064,361
Philanthropy	4,008,200	-	-	-	4,008,200
Total supporting services	6,662,834	409,727	-	-	7,072,561
Total expenses	21,099,825	2,667,782	-	-	23,767,607
Change in net assets before non-operating (loss) income	(808,702)	(1,887,183)	52,980	-	(2,642,905)
Non-operating (loss) income					
Net investment (loss) income	(99,083)	-	161,110	-	62,027
Change in value of beneficial interests in trusts	-	-	(106,649)	-	(106,649)
Impairment of property	(1,461,706)	-	-	-	(1,461,706)
Loss on disposal of property and equipment	(5,909)	(7,307)	-	-	(13,216)
Other	(12,122)	-	-	-	(12,122)
Total non-operating (loss) income, net	(1,578,820)	(7,307)	54,461	-	(1,531,666)
Change in net assets	(2,387,522)	(1,894,490)	107,441	-	(4,174,571)
Net assets, beginning of year	16,241,503	421,869	4,157,321	-	20,820,693
Transfer of net assets (Note 12)	(1,481,330)	1,481,330	-	-	-
Net assets, end of year	\$ 12,372,651	\$ 8,709	\$ 4,264,762	\$ -	\$ 16,646,122

See independent auditors' report on supplementary information.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedule of Activities

	Year Ended June 30, 2022				
	Without Donor Restrictions		With Donor Restrictions	Consolidating Entries	Total
	Leader Dogs for the Blind	Canine Scent Detection Services	Leader Dogs for the Blind		
Public support and revenue					
Lions' contributions	\$ 1,986,824	\$ -	\$ -	\$ -	\$ 1,986,824
Other contributions	5,887,731	581,778	61,656	-	6,531,165
Estates and bequests	7,346,316	-	-	-	7,346,316
Grants from Leader Dogs for the Blind Foundation	3,500,000	-	-	-	3,500,000
In-kind donations	136,618	-	-	-	136,618
Special events, net of expenses	313,315	-	-	-	313,315
Other operating revenue	59,184	699,036	-	-	758,220
Total	19,229,988	1,280,814	61,656	-	20,572,458
Net assets released from restrictions	89,771	-	(89,771)	-	-
Total public support and revenue	19,319,759	1,280,814	(28,115)	-	20,572,458
Expenses					
Program					
Training	10,741,069	-	-	-	10,741,069
Orientation and mobility	566,781	-	-	-	566,781
Volunteer engagement and community outreach	980,719	-	-	-	980,719
Canine Scent Detection Services	-	1,739,502	-	-	1,739,502
Leader Dogs for the Blind Foundation support	2,513,082	-	-	-	2,513,082
Total program	14,801,651	1,739,502	-	-	16,541,153
Supporting services					
General and administrative	1,987,135	138,189	-	-	2,125,324
Philanthropy	2,899,873	276,500	-	-	3,176,373
Total supporting services	4,887,008	414,689	-	-	5,301,697
Total expenses	19,688,659	2,154,191	-	-	21,842,850
Change in net assets before non-operating loss	(368,900)	(873,377)	(28,115)	-	(1,270,392)
Non-operating (loss) income					
Net investment loss	(35,505)	-	(190,828)	-	(226,333)
Change in value of beneficial interests in trusts	-	-	(268,223)	-	(268,223)
Impairment of property	(4,195,633)	-	-	-	(4,195,633)
Gain on disposal of property and equipment	1,500	-	-	-	1,500
Other	1,842	-	-	-	1,842
Total non-operating loss, net	(4,227,796)	-	(459,051)	-	(4,686,847)
Change in net assets	(4,596,696)	(873,377)	(487,166)	-	(5,957,239)
Net assets, beginning of year	24,048,795	(1,915,350)	4,644,487	-	26,777,932
Transfer of net assets	(3,210,596)	3,210,596	-	-	-
Net assets, end of year	\$ 16,241,503	\$ 421,869	\$ 4,157,321	\$ -	\$ 20,820,693

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