

Leader Dogs For
the Blind and
Supporting
Organization



LEADER DOGS
FOR THE BLIND®

Years Ended
June 30,
2022 and 2021

Consolidated
Financial
Statements and
Supplementary
Information

Rehmann

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Consolidated Financial Statements for the Years Ended June 30, 2022 and 2021	
Consolidated Statements of Financial Position	3
Consolidated Statements of Activities	4
Consolidated Statements of Functional Expenses	5
Consolidated Statements of Cash Flows	7
Notes to Consolidated Financial Statements	8
Independent Auditors' Report on Supplementary Information	26
Supplementary Information as of and for the Years Ended June 30, 2022 and 2021	27
Consolidating Schedules of Financial Position	28
Consolidating Schedules of Activities	30

INDEPENDENT AUDITORS' REPORT

January 27, 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, 2022 and 2021, 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, 2022 and 2021, and the consolidated changes in their net assets and their 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.

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.

Rehmann Loborn LLC

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statements of Financial Position

	June 30	
	2022	2021
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,741,885	\$ 3,463,376
Certificates of deposit	25,044	25,758
Contributions receivable	1,456,001	1,328,920
Current portion of pledges receivable	181,714	-
Accounts receivable	82,979	59,895
Prepaid expenses and other assets	1,160,476	1,027,469
Total current assets	5,648,099	5,905,418
Pledges receivable, net of current portion and allowance	150,951	-
Investments (including charitable gift annuities of \$363,925 in 2022 and \$355,246 in 2021)	2,436,732	2,715,052
Certificates of deposit	169,906	112,247
Beneficial interests in trusts	1,127,687	1,395,910
Net property and equipment	19,992,091	21,502,476
Total assets	\$ 29,525,466	\$ 31,631,103
LIABILITIES AND NET ASSETS		
Liabilities		
Current liabilities		
Accounts payable	\$ 888,135	\$ 550,958
Accrued payroll and other liabilities	1,541,830	1,511,062
Line of credit	6,168,198	2,718,198
Total current liabilities	8,598,163	4,780,218
Gift annuity liability	106,610	72,953
Total liabilities	8,704,773	4,853,171
Net assets		
Without donor restrictions	16,663,372	22,133,445
With donor restrictions	4,157,321	4,644,487
Total net assets	20,820,693	26,777,932
Total liabilities and net assets	\$ 29,525,466	\$ 31,631,103

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					
	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Public support and revenue						
Lions' contributions	\$ 1,986,824	\$ -	\$ 1,986,824	\$ 1,567,481	\$ -	\$ 1,567,481
Other contributions	6,469,509	61,656	6,531,165	5,293,763	214,698	5,508,461
Estates and bequests	7,346,316	-	7,346,316	6,745,105	-	6,745,105
Grants from Leader Dogs for the Blind Foundation	3,500,000	-	3,500,000	3,100,000	-	3,100,000
In-kind donations	136,618	-	136,618	97,574	-	97,574
Special events, net of expenses	313,315	-	313,315	330,799	-	330,799
Other operating revenue	758,220	-	758,220	415,494	-	415,494
Total	20,510,802	61,656	20,572,458	17,550,216	214,698	17,764,914
Net assets released from restrictions	89,771	(89,771)	-	191,848	(191,848)	-
Total public support and revenue	20,600,573	(28,115)	20,572,458	17,742,064	22,850	17,764,914
Expenses						
Program						
Training	10,741,069	-	10,741,069	9,475,583	-	9,475,583
Orientation and mobility	566,781	-	566,781	554,379	-	554,379
Volunteer engagement and community outreach	980,719	-	980,719	558,286	-	558,286
Canine Scent Detection Services	1,739,502	-	1,739,502	965,019	-	965,019
Leader Dogs for the Blind Foundation support	2,513,082	-	2,513,082	7,112,732	-	7,112,732
Total program	16,541,153	-	16,541,153	18,665,999	-	18,665,999
Supporting services						
General and administrative	2,125,324	-	2,125,324	2,191,232	-	2,191,232
Philanthropy	3,176,373	-	3,176,373	2,677,981	-	2,677,981
Total supporting services	5,301,697	-	5,301,697	4,869,213	-	4,869,213
Total expenses	21,842,850	-	21,842,850	23,535,212	-	23,535,212
Change in net assets before non-operating (loss) income	(1,242,277)	(28,115)	(1,270,392)	(5,793,148)	22,850	(5,770,298)
Non-operating (loss) income						
Net investment (loss) return	(35,505)	(190,828)	(226,333)	129,467	6,582	136,049
Change in value of beneficial interests in trusts	-	(268,223)	(268,223)	-	144,253	144,253
Impairment of property (Note 4)	(4,195,633)	-	(4,195,633)	-	-	-
Gain on disposal of property and equipment	1,500	-	1,500	-	-	-
Gain on extinguishment of debt (Note 5)	-	-	-	1,978,891	-	1,978,891
Other revenue, net	1,842	-	1,842	205,899	-	205,899
Total non-operating (loss) income, net	(4,227,796)	(459,051)	(4,686,847)	2,314,257	150,835	2,465,092
Change in net assets	(5,470,073)	(487,166)	(5,957,239)	(3,478,891)	173,685	(3,305,206)
Net assets, beginning of year	22,133,445	4,644,487	26,777,932	25,612,336	4,470,802	30,083,138
Net assets, end of year	\$ 16,663,372	\$ 4,157,321	\$ 20,820,693	\$ 22,133,445	\$ 4,644,487	\$ 26,777,932

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidated Statements 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 Functional Expenses

Year Ended June 30, 2021

	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	\$ 5,269,665	\$ 363,045	\$ 295,168	\$ 587,282	\$ -	\$ 981,724	\$ 1,313,689	\$ 8,810,573
Employee benefits	1,490,962	108,185	85,581	60,300	-	235,087	318,699	2,298,814
Insurance	197,682	13,543	21,712	26,961	-	60,326	18,223	338,447
Repairs and maintenance	210,666	2,918	13,569	-	-	119,583	55,427	402,163
Professional fees	21,352	1,065	886	85,000	-	48,359	15,478	172,140
Outside services	156,769	9,978	51,167	34,710	-	69,835	73,029	395,488
Service fees	114,422	15,667	17,068	4,311	-	69,222	176,413	397,103
Direct mail	-	-	928	-	-	-	552,908	553,836
Facilities	317,125	5,055	10,005	150	-	75,250	12,603	420,188
Special events	-	-	-	-	-	-	59,497	59,497
Supplies	92,134	19,708	43,091	8,766	-	21,893	90,268	275,860
Travel	116,290	3,479	1,306	18,806	-	986	3,902	144,769
Canine operations	458,476	-	-	137,050	-	-	-	595,526
Client services	99,273	8,680	363	-	-	3,106	564	111,986
Promotional	11,143	546	3,485	400	-	2,697	10,836	29,107
Lions clubs	1,417	-	2,020	-	-	-	3,437	6,874
Depreciation	918,207	2,510	11,937	1,283	-	448,596	14,610	1,397,143
Bad debt	-	-	-	-	-	-	17,895	17,895
Interest	-	-	-	-	-	36,803	-	36,803
Other	-	-	-	-	-	17,765	-	17,765
Contributions made	-	-	-	-	7,112,732	-	-	7,112,732
Total expenses by function	9,475,583	554,379	558,286	965,019	7,112,732	2,191,232	2,737,478	23,594,709
Less expenses included in revenues on the consolidated statement of activities	-	-	-	-	-	-	(59,497)	(59,497)
Total expenses	\$ 9,475,583	\$ 554,379	\$ 558,286	\$ 965,019	\$ 7,112,732	\$ 2,191,232	\$ 2,677,981	\$ 23,535,212

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	
	2022	2021
Cash flows from operating activities		
Cash received from contributions	\$ 9,253,109	\$ 6,921,003
Cash received from estates and bequests	6,484,115	5,882,904
Cash received from grants	3,500,000	3,100,000
Cash received from special events	313,315	355,799
Cash paid to and on the behalf of employees	(12,294,842)	(10,911,047)
Cash paid to suppliers and others	(4,939,731)	(3,037,703)
Contribution paid to Foundation	(2,500,000)	(7,100,000)
Interest paid	(66,582)	(36,803)
Net cash used in operating activities	(250,616)	(4,825,847)
Cash flows from investing activities		
Proceeds from sales and redemptions of investments	68,160	264,431
Purchases of investments	(215,029)	(167,878)
Proceeds from sales of property and equipment	1,500	-
Purchases and construction of property and equipment	(4,038,607)	(239,714)
Net cash used in investing activities	(4,183,976)	(143,161)
Cash flows from financing activities		
Payments received on pledges designated for capital campaign	263,101	520
Net proceeds from line of credit	3,450,000	-
Net cash provided by financing activities	3,713,101	520
Net decrease in cash and cash equivalents	(721,491)	(4,968,488)
Cash and cash equivalents, beginning of year	3,463,376	8,431,864
Cash and cash equivalents, end of year	\$ 2,741,885	\$ 3,463,376
Non-cash investing and financing activity		
Construction of property and equipment	\$ 453,563	\$ -

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.

Elite Detection K9, LLC ("EDK9") was a wholly-owned, for-profit subsidiary founded in fiscal 2019 that bred, raised, and trained dogs specifically for munitions and explosives scent detection.

Canine Scent Detection Services ("Canine Scent Detection") is a not-for-profit supporting organization of Leader Dogs. On July 1, 2020, EDK9 merged into Canine Scent Detection and EDK9 was immediately dissolved. Canine Scent Detection was established in fiscal 2020 and had no activity prior to July 1, 2020. As a result of the merger, all of the operations of EDK9 became the operations of Canine Scent Detection. EDK9 used the assumed name Elite Detection K9. That assumed name transferred to Canine Scent Detection and is currently used as its trade name.

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

Risks and Economic Uncertainties

The outbreak of a novel coronavirus (COVID-19), which the World Health Organization declared in March 2020 to be a pandemic, continues to spread throughout the United States of America and the globe. As a result, the COVID-19 outbreak disrupted and affected normal activities of the Organization including certain fundraising activities being conducted virtually. In April 2020, the Organization secured borrowings in the amount of \$1,978,891 through the Paycheck Protection Program ("PPP"), obtained through the federal Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted into law on March 28, 2020. The Organization received full forgiveness for the PPP loan in 2021, see Note 5. The extent of the ultimate impact of the pandemic will depend on various developments, including the duration and spread of the outbreak and its impact on donors, program recipients, employees, vendors, and other constituents, all of which cannot be reasonably predicted at this time. While management reasonably expects the COVID-19 outbreak to impact the Organization's financial position, changes in net assets, and the timing and amounts of cash flows, the related financial consequences and duration remain highly uncertain.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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.

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 gains on disposal of property and equipment and debt extinguishment.

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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.

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.

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 is 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, 2021.

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, 2022 and 2021.

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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

	2022	2021
Accounts receivable, beginning of the year	\$ 59,895	\$ 5,692
Accounts receivable, end of the year	\$ 82,979	\$ 59,895

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:

	2022	2021
Medication	\$ 69,315	\$ 82,779
Dog food	56,734	-
Global Positioning System units	5,394	6,360
Vet services	5,175	6,065
Supplies	-	2,370
Total in-kind contributions	\$ 136,618	\$ 97,574

The Organization estimates the fair value of dog food, supplies, Global Positioning System units, medication, and vet 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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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.

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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.

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. 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, 2022 and 2021.

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to 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, Leader Dogs is no longer subject to income tax examinations for years prior to fiscal 2019.

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 and contributions receivable.

Change in Accounting Principle

In September 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. ASU No. 2020-07 is intended to improve transparency in the reporting of contributed nonfinancial assets, also known as gifts-in-kind, for not-for-profit organizations. The new standard, as amended, was applied retrospectively, to annual reporting periods beginning after June 15, 2021. The Organization adopted the ASU effective July 1, 2021, which did not have a material impact on the consolidated financial statements, and the Organization has updated Note 1 to the consolidated financial statements to incorporate the disclosure changes required by the ASU.

Upcoming Accounting Pronouncement

The Financial Accounting Standards Board ("FASB") issued ASU No. 2016-02, *Leases (Topic 842)*. This standard, as amended, requires all leases with durations greater than twelve months to be recognized on the statement of financial position as assets and liabilities. The new guidance will continue to classify leases as either finance or operating, with classification affecting the presentation and pattern of expense and income recognition, in the statement of activities. The standard also requires additional quantitative and qualitative disclosures about leasing arrangements. The standard is effective for the Organization for the year ended June 30, 2023. Management is evaluating the impact the implementation of the standard will have on the results of the Organization's operations.

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, 2022, the most recent consolidated statement of financial position presented herein, through January 27, 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 Notes 4, 5, and 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
2023	\$ 241,714
2024	142,000
2025	109,951
2026	78,500
2027	<u>2,000</u>
Gross pledges receivable	574,165
Less allowance	<u>241,500</u>
Net pledges receivable	<u>\$ 332,665</u>

At June 30, 2022, management determined a discount to net present value was not significant. 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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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.

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, 2022 and 2021.

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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:

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	613,027	-	-	613,027
Total investments	\$ 2,436,732	\$ -	\$ -	\$ 2,436,732
Beneficial interests in trusts	\$ -	\$ -	\$ 1,127,687	\$ 1,127,687
2021	Level 1	Level 2	Level 3	Total
Investments				
Corporate bonds	\$ 1,530,807	\$ -	\$ -	\$ 1,530,807
Mutual funds				
Equity	336,164	-	-	336,164
Bond	139,293	-	-	139,293
Common stocks	708,788	-	-	708,788
Total investments	\$ 2,715,052	\$ -	\$ -	\$ 2,715,052
Beneficial interests in trusts	\$ -	\$ -	\$ 1,395,910	\$ 1,395,910

The following table sets forth a summary of changes in the fair value of the Organization's Level 3 assets for the years ended June 30:

	2022	2021
Balance, beginning of year	\$ 1,395,910	\$ 1,251,657
Change in estimated fair value	(268,223)	144,253
Balance, end of year	\$ 1,127,687	\$ 1,395,910

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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, 2022. These assets were 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. See also Note 4.

	Assets at Carrying Value			
	Level 1	Level 2	Level 3	Total
Property	\$ -	\$ -	\$ 2,200,000	\$ 2,200,000

4. PROPERTY AND EQUIPMENT AND SUBSEQUENT EVENT

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

	2022	2021
Buildings	\$ 32,401,853	\$ 32,401,853
Furniture and equipment	2,710,133	2,791,679
Vehicles	1,210,303	1,142,191
Land improvements	1,106,122	1,106,122
Land	419,541	419,541
Construction in progress	89,145	431,046
Total property and equipment	37,937,097	38,292,432
Less accumulated depreciation	17,945,006	16,789,956
Net property and equipment	<u>\$ 19,992,091</u>	<u>\$ 21,502,476</u>

Construction in progress primarily represents costs for the Canine Scent Detection building as of June 30, 2022. The estimated cost to complete as of June 30, 2022 is \$1,300,000. See also Note 12. The project was substantially completed in November 2022.

During the year ended June 30, 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 \$4,195,633 of impairment charges on these assets. Estimated fair value was determined using significant unobservable inputs (Level 3) based on a market approach. See also Note 3.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

5. LINE OF CREDIT, PAYCHECK PROTECTION PROGRAM LOAN, AND SUBSEQUENT EVENT

On August 2, 2019, Leader Dogs entered into a line of credit agreement with a bank of which \$6,168,198 and \$2,718,198 is outstanding at June 30, 2022 and 2021, respectively. The agreement was amended during 2022 to increase the line of credit agreement from \$6,000,000 to \$7,700,000. In October 2022, the agreement was amended to increase the line of credit to \$10,000,000. This line of credit was used to purchase a building to be utilized by Canine Scent Detection and complete the related renovations. This line of credit has a maturity date of January 31, 2024 and a variable interest rate, which was 2.85% at June 30, 2022. The line of credit is guaranteed by the Foundation.

Leader Dogs and Canine Scent Detection were both the recipients of Paycheck Protection Program ("PPP") loans totaling \$1,978,891, granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"). Under the program terms, PPP loans are forgiven if the loan proceeds are used to maintain compensation costs and employee headcount, and other qualifying expenses (mortgage interest, rent, and utilities) incurred following the receipt of the loan. Leader Dogs and Canine Scent Detection received forgiveness for the full amount of the loans from the Small Business Administration ("SBA") during 2021 and therefore, recognized gains on extinguishment of debts on the 2021 consolidated statement of activities.

6. LEASES

The Organization conducts a portion of its operations with leased property and equipment, including vehicle leases with varying short-term arrangements including month to month extensions. Net rental expense on these operating leases was approximately \$93,000 and \$113,000 for 2022 and 2021, respectively.

The following is a schedule of annual, future minimum lease payments required under non-cancelable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2022:

Year	Amount
2023	\$ 66,334
2024	44,733
2025	10,970
2026	5,964
Total minimum payments due	<u>\$ 128,001</u>

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

7. NET ASSETS WITH DONOR RESTRICTIONS AND ENDOWMENTS

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

	2022	2021
Subject to expenditure for specified purpose		
Grants	\$ 63,383	\$ 90,975
Subject to the passage of time		
Charitable gift annuities	363,926	355,246
Life insurance policies	201,740	207,286
Total	629,049	653,507
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for training program use	(57,995)	141,512
Perpetual in nature, earnings from which are subject to endowment spending policy and appropriations		
Donor-restricted endowments	2,458,580	2,453,558
Total endowments	2,400,585	2,595,070
Perpetual in nature, not subject to spending policy and appropriations		
Beneficial interests in perpetual trust	1,127,687	1,395,910
Total net assets with donor restrictions	\$ 4,157,321	\$ 4,644,487
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 deficiency existed at June 30, 2021.

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

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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

	2022 With Donor Restrictions	2021 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	\$ 2,458,580	\$ 2,453,558
Accumulated investment (losses) gains	(57,995)	141,512
Total donor-restricted endowments	\$ 2,400,585	\$ 2,595,070
Changes in endowment net assets for the years ended June 30		
Net investment (loss) income	\$ (199,507)	\$ 131,444
Appropriation of endowment assets for expenditure	-	(55,000)
Contributions	5,022	123,724
Changes to endowment net assets	(194,485)	200,168
Endowment net assets		
Beginning of year	2,595,070	2,394,902
End of year	\$ 2,400,585	\$ 2,595,070

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.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

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 \$415,403 and \$369,735 in 2022 and 2021, respectively, for matching contributions. The Organization also made a discretionary employer contribution of \$66,379 and \$86,710 in 2022 and 2021, respectively.

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 \$34,000 and \$40,000 in 2022 and 2021, respectively. Included in prepaid expenses and other assets as well as accrued payroll and other liabilities is \$453,531 and \$483,412 as of June 30, 2022 and 2021, 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 \$3,500,000 and \$3,100,000 during the years ended June 30, 2022 and 2021, 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 and \$7,100,000 to the Foundation based during the years ended June 30, 2022 and 2021, respectively.

Leader Dogs also provided managerial and accounting services to the Foundation. These services amounted to approximately \$13,000 for the years ended June 30, 2022 and 2021. This is reported as contributions to the Foundation.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Notes to Consolidated Financial Statements

Canine Scent Detection provided services amounting to approximately \$128,000 and \$93,000 during 2022 and 2021, 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.

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:

	2022	2021
Financial assets		
Cash and cash equivalents	\$ 2,741,885	\$ 3,463,376
Certificates of deposit	194,950	138,005
Receivables	1,538,980	1,388,815
Pledges receivable	332,665	-
Investments	2,436,732	2,715,052
Beneficial interests in trust	1,127,687	1,395,910
Total financial assets held by the Organization	8,372,899	9,101,158
Less amounts with limits on usage		
Spendable net assets with donor purpose restrictions	63,383	90,975
Spendable net assets with donor time restrictions	565,666	562,532
Endowment assets subject to endowment spending policy and appropriation	2,458,580	2,453,558
Beneficial interests in perpetual trusts not subject to spending policy or appropriation	1,127,687	1,395,910
Total financial assets available for general use within one year	\$ 4,157,583	\$ 4,598,183

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. SUBSEQUENT EVENT

Subsequent to June 30, 2022, management with the approval of the Board of Trustees made the decision to seek alternative sources of funding for Canine Scent Detection's operating losses. As a result, management is exploring options related to the future of Canine Scent Detection, including identifying a partner or partners able to fund Canine Scent Detection. The estimated negative future impact to the financial position of Leader Dogs is approximately \$2,300,000, based on additional estimated impairment charges of \$1,300,000 on the Canine Scent Detection building and \$1,000,000 in committed operating cost assistance until an exit strategy is executed. Management estimates that this future impact will be limited to the fiscal year ended June 30, 2023.

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INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY INFORMATION

January 27, 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, 2022 and 2021, and have issued our report thereon dated January 27, 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 Lobson LLC



**SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEARS ENDED
JUNE 30, 2022 AND 2021**

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 assets	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 Schedules of Financial Position

ASSETS	June 30, 2021			
	Leader Dogs for the Blind	Canine Scent Detection Services	Eliminations	Total
Current assets				
Cash and cash equivalents	\$ 3,288,973	\$ 174,403	\$ -	\$ 3,463,376
Certificates of deposit	25,758	-	-	25,758
Due from Canine Scent Detection	2,107,484	-	(2,107,484)	-
Current portion of contributions receivable	1,328,920	-	-	1,328,920
Accounts receivable	-	59,895	-	59,895
Prepaid expenses and other assets	1,019,108	8,361	-	1,027,469
Total current assets	7,770,243	242,659	(2,107,484)	5,905,418
Investments (including charitable gift annuities of \$355,246)	2,715,052	-	-	2,715,052
Certificates of deposit	112,247	-	-	112,247
Beneficial interests in trusts	1,395,910	-	-	1,395,910
Net property and equipment	21,499,314	3,162	-	21,502,476
Total assets	\$ 33,492,766	\$ 245,821	\$ (2,107,484)	\$ 31,631,103
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 533,490	\$ 17,468	\$ -	\$ 550,958
Accrued payroll and other liabilities	1,474,843	36,219	-	1,511,062
Line of credit	2,718,198	-	-	2,718,198
Due to Leader Dogs for the Blind	-	2,107,484	(2,107,484)	-
Total current liabilities	4,726,531	2,161,171	(2,107,484)	4,780,218
Gift annuity liability	72,953	-	-	72,953
Total liabilities	4,799,484	2,161,171	(2,107,484)	4,853,171
Net assets				
Without donor restrictions	24,048,795	(1,915,350)	-	22,133,445
With donor restrictions	4,644,487	-	-	4,644,487
Total net assets	28,693,282	(1,915,350)	-	26,777,932
Total liabilities and net assets	\$ 33,492,766	\$ 245,821	\$ (2,107,484)	\$ 31,631,103

See independent auditors' report on supplementary information.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedules 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 income	(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 revenue, net	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

See independent auditors' report on supplementary information.

LEADER DOGS FOR THE BLIND AND SUPPORTING ORGANIZATION

Consolidating Schedules of Activities

	Year Ended June 30, 2021				
	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	\$ 1,567,481	\$ -	\$ -	\$ -	\$ 1,567,481
Other contributions	5,293,763	-	214,698	-	5,508,461
Estates and bequests	6,745,105	-	-	-	6,745,105
Grants from Leader Dogs for the Blind Foundation	3,100,000	-	-	-	3,100,000
In-kind donations	97,574	-	-	-	97,574
Special events, net of expenses	330,799	-	-	-	330,799
Other operating revenue	55,343	360,151	-	-	415,494
Total	17,190,065	360,151	214,698	-	17,764,914
Net assets released from restrictions	191,848	-	(191,848)	-	-
Total public support and revenue	17,381,913	360,151	22,850	-	17,764,914
Expenses					
Program					
Training	9,475,583	-	-	-	9,475,583
Orientation and mobility	554,379	-	-	-	554,379
Volunteer engagement and community outreach	558,286	-	-	-	558,286
Canine Scent Detection Services	-	965,019	-	-	965,019
Foundation support	7,112,732	-	-	-	7,112,732
Total program	17,700,980	965,019	-	-	18,665,999
Supporting services					
General and administrative	2,084,587	106,645	-	-	2,191,232
Philanthropy	2,677,981	-	-	-	2,677,981
Total supporting services	4,762,568	106,645	-	-	4,869,213
Total expenses	22,463,548	1,071,664	-	-	23,535,212
Change in net assets before non-operating income	(5,081,635)	(711,513)	22,850	-	(5,770,298)
Non-operating income					
Net investment return	129,467	-	6,582	-	136,049
Change in value of beneficial interests in trusts	-	-	144,253	-	144,253
Gain on extinguishment of debt	1,898,600	80,291	-	-	1,978,891
Other revenue	205,899	-	-	-	205,899
Total non-operating income	2,233,966	80,291	150,835	-	2,465,092
Change in net assets	(2,847,669)	(631,222)	173,685	-	(3,305,206)
Net assets, beginning of year	26,928,536	(1,316,200)	4,470,802	-	30,083,138
Transfer of net assets	(32,072)	32,072	-	-	-
Net assets, end of year	\$ 24,048,795	\$ (1,915,350)	\$ 4,644,487	\$ -	\$ 26,777,932

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