

CANINE COMPANIONS FOR
INDEPENDENCE, INC.

DECEMBER 31, 2020

INDEPENDENT AUDITORS' REPORT

AND

FINANCIAL STATEMENTS

Canine Companions for Independence, Inc.

Independent Auditors' Report and Financial Statements

Independent Auditors' Report	1 - 2
Financial Statements	
Statement of Financial Position	3
Statement of Activities and Changes in Net Assets	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 26



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Independent Auditors' Report

THE BOARD OF DIRECTORS
CANINE COMPANIONS FOR INDEPENDENCE, INC.
Santa Rosa, California

Report on the Financial Statements

We have audited the accompanying financial statements of **CANINE COMPANIONS FOR INDEPENDENCE, INC. (Canine Companions)** which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair representation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to Canine Companions' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Canine Companions' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

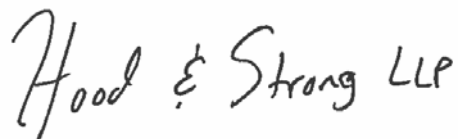
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Canine Companions for Independence, Inc. as of December 31, 2020 and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matter*Report on Summarized Comparative Information*

We have previously audited Canine Companions' December 31, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our audit report dated May 20, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Handwritten signature in cursive script that reads "Hood & Strong LLP".

San Francisco, California
May 24, 2021

Canine Companions for Independence, Inc.

Statement of Financial Position

<i>December 31, 2020 (with comparative totals for 2019)</i>	2020	2019
Assets		
Cash and cash equivalents	\$ 14,887,866	\$ 19,384,844
Contributions receivable, net	1,117,299	1,224,656
Accounts receivable	996,866	800,205
Bequests receivable	7,406,705	4,061,983
Investments	44,664,106	40,592,790
Property, equipment, and improvements, net	40,274,784	33,593,003
Other assets	2,756,783	3,715,152
	\$ 112,104,409	\$ 103,372,633
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 1,616,345	\$ 2,392,113
Accrued payroll and related expenses	1,955,416	1,540,925
Note payable - PPP	3,738,300	
Gift annuities payable	781,276	982,933
Deferred compensation	46,155	46,119
Total liabilities	8,137,492	4,962,090
Net Assets:		
Without donor restrictions:		
Property, equipment and improvements	40,274,784	33,593,003
Board designated	26,969,245	24,258,625
Undesignated	17,308,500	12,963,487
Total without donor restrictions	84,552,529	70,815,115
With donor restrictions	19,414,388	27,595,428
Total net assets	103,966,917	98,410,543
	\$ 112,104,409	\$ 103,372,633

See accompanying notes to financial statements.

Canine Companions for Independence, Inc.

Statement of Activities and Changes in Net Assets

Year Ended December 31, 2020 (with comparative totals for 2019)

	2020			2019
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Support:				
Contributions	\$ 9,542,373	\$ 1,797,850	\$ 11,340,223	\$ 17,729,235
Bequests	6,608,501	5,959,260	12,567,761	15,742,629
Change in value of beneficial interests in trust assets		71,436	71,436	253,293
Net assets released from restrictions	5,071,589	(5,071,589)	-	-
Total support	21,222,463	2,756,957	23,979,420	33,725,157
Revenue:				
Special events (net of direct expenses of \$290,896 for 2020)	3,280,879		3,280,879	3,753,543
Program service revenue	1,449,567		1,449,567	1,747,611
Net investment income	3,094,371	1,004,004	4,098,375	5,027,126
Other income	151,038		151,038	147,982
Total revenue	7,975,855	1,004,004	8,979,859	10,676,262
Total support and revenue	29,198,318	3,760,961	32,959,279	44,401,419
Expenses:				
Program services:				
Breeding and puppy raising	3,063,446		3,063,446	3,271,111
Training and follow-up	11,580,565		11,580,565	11,082,761
Public information	3,174,240		3,174,240	4,061,338
Veterinary	2,966,064		2,966,064	2,644,891
Total program services	20,784,315	-	20,784,315	21,060,101
Support services:				
Fund development	5,983,108		5,983,108	4,476,754
General administration	3,606,497		3,606,497	3,951,639
Total support services	9,589,605	-	9,589,605	8,428,393
Total expenses	30,373,920	-	30,373,920	29,488,494
Change in Net Assets Before Other Changes	(1,175,602)	3,760,961	2,585,359	14,912,925
Other Changes in Net Assets				
Gain on sale of land	423,964		423,964	-
Net assets released from capital projects	14,489,052	(14,489,052)	-	-
Capital campaign contributions		2,547,051	2,547,051	3,001,046
Change in Net Assets	13,737,414	(8,181,040)	5,556,374	17,913,971
Net Assets, beginning of year	70,815,115	27,595,428	98,410,543	80,496,572
Net Assets, end of year	\$ 84,552,529	\$ 19,414,388	\$ 103,966,917	\$ 98,410,543

See accompanying notes to financial statements.

Canine Companions for Independence, Inc.

Statement of Functional Expenses

Year Ended December 31, 2020 (with comparative totals for 2019)

	2020					2019			
	Program Services			Support Services		Total	Total		
	Breeding and Puppy Raising	Training and Follow-up	Public Information	Veterinary	Subtotal			Fund Development	General Administration
Salaries	\$ 1,533,793	\$ 6,474,942	\$ 1,414,529	\$ 1,022,721	\$ 10,445,985	\$ 3,474,937	\$ 2,072,833	\$ 15,993,755	\$ 15,216,753
Payroll taxes	114,506	487,609	103,288	75,772	781,175	257,664	139,938	1,178,777	1,193,928
Employee benefits	227,938	1,034,376	209,017	133,512	1,604,843	536,588	264,095	2,405,526	2,315,020
Pension plan contributions	86,398	410,688	95,701	65,479	658,266	203,005	343,692	1,204,963	660,566
Workers compensation insurance	10,433	44,613	961	11,762	67,769	2,211	1,058	71,038	189,145
Rent	207,958	23,771	6,292	5,495	243,516	16,550	32,617	292,683	288,927
Building maintenance	103,884	418,361	59,282	34,247	615,774	71,180	42,605	729,559	832,299
Utilities	66,574	295,860	50,285	28,316	441,035	64,519	45,518	551,072	556,339
Equipment rental and maintenance	26,010	120,024	19,443	31,058	196,535	34,403	25,381	256,319	338,845
Insurance	33,071	212,481	22,653	11,818	280,023	61,674	17,546	359,243	275,480
Program and office supplies	247,873	411,927	41,205	494,033	1,195,038	34,432	9,807	1,239,277	1,278,681
Dues and subscriptions	1,292	1,538		6,684	9,514	16,897	10,708	37,119	112,122
Travel, conventions and meetings	9,811	62,503	46,350	3,677	122,341	35,546	25,076	182,963	903,272
Professional services	160,092	163,950	458,770	909,840	1,692,652	542,234	282,870	2,517,756	2,120,684
Advertising and marketing			33,117		33,117	509	15,208	48,834	50,715
Telephone (data and voice communication)	56,682	269,714	39,602	22,821	388,819	90,555	30,924	510,298	626,820
Postage and freight	12,069	40,552	87,365	5,042	145,028	22,951	6,970	174,949	397,196
Printing and publications	3,378	12,348	284,498		300,224	43,702	7	343,933	340,958
Taxes, licenses, and other expenses	20,027	87,043	21,639	13,197	141,906	240,479	83,306	465,691	244,018
Total expenses before depreciation and amortization	2,921,789	10,572,300	2,993,997	2,875,474	19,363,560	5,750,036	3,450,159	28,563,755	27,941,768
Depreciation and amortization	141,657	1,008,265	180,243	90,590	1,420,755	233,072	156,338	1,810,165	1,546,726
Expenses as shown on the Statement of Activities and Changes in Net Assets	3,063,446	11,580,565	3,174,240	2,966,064	20,784,315	5,983,108	3,606,497	30,373,920	29,488,494
Other Expenses:									
Fundraising event expenses						290,896		290,896	985,122
Total expenses	\$ 3,063,446	\$ 11,580,565	\$ 3,174,240	\$ 2,966,064	\$ 20,784,315	\$ 6,274,004	\$ 3,606,497	\$ 30,664,816	\$ 30,473,616

See accompanying notes to financial statements.

Canine Companions for Independence, Inc.

Statement of Cash Flows

<i>Year Ended December 31, 2020 (with comparative totals for 2019)</i>	2020	2019
Cash Flows from Operating Activities:		
Change in net assets	\$ 5,556,374	\$ 17,913,971
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation and amortization	1,810,165	1,546,726
Contributions - capital campaign	(2,547,051)	(3,001,046)
Changes in pooled income funds	(71,436)	(253,293)
Unrealized and realized gains on investments	(3,839,507)	(4,021,101)
(Gain) loss on disposal of property and equipment	(423,964)	12,678
Changes in operating assets and liabilities:		
Contributions receivable	107,357	1,286,425
Accounts receivable	(196,661)	(176,749)
Bequests receivable	(3,344,722)	(2,635,864)
Other assets	958,369	(681,156)
Accounts payable and accrued expenses	(775,768)	(358,541)
Accrued payroll and related expenses	414,527	203,394
Gift annuities payable	(201,657)	63,590
Net cash (used) provided by operating activities	(2,553,974)	9,899,034
Cash Flows from Investing Activities:		
Purchases of investments	(1,613,275)	(6,574,767)
Proceeds from sale of investments	1,381,466	5,407,689
Proceeds from sale of property and equipment	625,000	
Acquisitions of property and equipment	(8,621,546)	(10,186,606)
Net cash used by investing activities	(8,228,355)	(11,353,684)
Cash Flows from Financing Activities:		
Paycheck protection program (PPP) loan proceeds	3,738,300	
Collections on capital campaign	2,547,051	2,890,645
Net cash provided by financing activities	6,285,351	2,890,645
Net Change in Cash and Cash Equivalents	(4,496,978)	1,435,995
Cash and Cash Equivalents, beginning of year	19,384,844	17,948,849
Cash and Cash Equivalents, end of year	\$ 14,887,866	\$ 19,384,844
Noncash Investing Activities:		
Equipment acquisition in accounts payable	\$ -	\$ 1,762,913

See accompanying notes to financial statements.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Note 1 - Description of the Organization:

Canine Companions for Independence, Inc. (Canine Companions) is a non-profit corporation organized to provide trained assistance dogs and ongoing support to individuals with disabilities. Canine Companions operates regional training facilities in the states of California, Ohio, Florida, New York and Texas. Its National headquarters is located in Santa Rosa, California. Canine Companions' support comes primarily from donor contributions and bequests.

Canine Companions has been impacted by the COVID-19 pandemic. It was classified as an essential service providing services to persons with disabilities many of whom were people at increased risk as defined by the Centers for Disease Control and Prevention. See Note 18 for summary of the effects on financial results and changes in operations.

On December 28, 2020, Canine Companions established Canine Companions Charitable Properties, LLC (the LLC) with Canine Companions as the sole member. For the purposes of these financial statements, the activity of the LLC is not consolidated as it is not material to Canine Companion's financial statements for the year ended December 31, 2020.

The following is a description of the programs and services offered by Canine Companions:

Breeding and puppy raising:

Since 1975, Canine Companions has developed a proven formula for breeding, raising and training assistance dogs. Canine Companions breeds Labrador Retrievers, Golden Retrievers, and a cross of the two to be assistance dogs.

Volunteer breeder caretakers care for Canine Companions breeder dogs and nurture newborn puppies for eight weeks. In certain instances, Canine Companions manages the birthing and caretaking during these early stages at its facilities in Santa Rosa, California. From ages eight weeks to eighteen months volunteer puppy raisers care for, provide basic obedience training and socialize Canine Companions puppies. When a Canine Companions puppy reaches the age of about eighteen months, he or she is returned to one of Canine Companions' regional centers for professional instruction.

Training and follow up:

Canine Companions maintains a waiting list of persons desiring placement with a dog. Individuals are screened, interviewed and selected prior to attending a Team Training class. Leading up to a Team Training class, instructors spend six to nine months teaching the dog to master more than forty commands. Canine Companions instructors train five types of assistance dogs to best serve our clients:

- Service Dogs - assist adults with physical disabilities by performing daily tasks such as picking up dropped items.

Canine Companions for Independence, Inc.

Notes to Financial Statements

- Service Dogs for Veterans - assist veterans with physical disabilities, hearing loss, or adults with post-traumatic-stress disorder (PTSD). Service dogs for individuals with PTSD are trained in tasks such as anxiety and nightmare interruption.
- Skilled Companions - enhance independence for children and adults with physical, cognitive and developmental disabilities.
- Hearing Dogs - alert their handler who is deaf or hard of hearing to important sounds.
- Facility Dogs - work with a professional who directly serves clients with disabilities in a visitation, education or healthcare setting.

The matching of students and canines takes place during an intensive two-week training course where students learn the skills to command their new assistance dogs. Students also learn techniques to expand the range of commands to meet their particular needs. In addition, each student must demonstrate the ability to provide for the dog's care and well-being before graduating with a Canine Companions assistance dog.

After graduation, Canine Companions keeps track of all the teams through follow-up visits and graduate workshops. The main purposes of graduate follow-up visits are to maintain as well as enhance the effectiveness of graduate team well-being.

Canine Companions has also developed customer service and quality control tools known as graduate seminars. These provide the graduates one to two-day follow-up training at regional centers or in centrally located cities for problem solving and further education to ensure the ongoing success of the assistance dog team. Canine Companions conducts annual graduate seminars at each of our six training centers.

Public information:

Canine Companions takes a proactive stance in raising awareness of assistance dogs and challenges faced by people with disabilities. Canine Companions' efforts have produced many articles in national and regional newspapers, magazines and newsletters. Canine Companions has worked with national and regional web, radio, and television broadcasts to bring awareness of our program to millions. Additionally, Canine Companions maintains ongoing ad campaigns that include billboards, online, print advertising and televised public service announcements.

Canine Companions also distributes newsletters, electronic messages and direct mail packages that educate the general public and provide program updates. Additionally, Canine Companions maintains and regularly updates in social media accounts. Canine Companions' web site (www.cci.org) provides information about aspects of its programs and services.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Veterinary:

Canine Companions provides health care to all puppies and dogs in professional training. Additionally, Canine Companions provides supplementary veterinary service for puppies and graduate dogs on an as needed basis.

Note 2 – Summary of Significant Accounting Policies:

a. Basis of Presentation and Description of Net Assets

Canine Companions uses the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP) and reports information regarding its financial position and activities according to two classes of net assets.

Net assets without donor restrictions:

The portion of net assets that is neither subject to time or donor-imposed restrictions and may be expended for any purpose in performing the primary objective of Canine Companions. The Board of Directors has designated approximately \$23,900,000 of net assets without donor restrictions as an endowment for use in programs and future operations and approximately \$3,100,000 as an endowment for projects in the Southeast Region (see Note 12).

Net assets with donor restrictions:

The portion of net assets whose use by Canine Companions is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Canine Companions. Net assets with donor restrictions also include a portion of net assets consisting of contributions to endowment funds where the donor indicated that a portion of the fund be retained in perpetuity.

b. Cash and Cash Equivalents

Canine Companions considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents and not held for investment purposes.

c. Contributions and Pledges Receivable

Contributions and pledges receivable consist of unconditional promises to give. Unconditional promises to give that are expected to be collected within one year are recorded at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value based upon the present value of their estimated future cash flows. Discounts are computed using estimated market rates. Amortization of the discounts is included in contributed income.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Canine Companions uses the allowance method to determine uncollectible receivables. The allowance is based on prior years' experience and management's analysis of specific promises made.

d. Investments

Investments are reported at fair value. Changes in fair values as well as realized gains and losses are reflected in the Statement of Activities and Changes in Net Assets. Dividend and interest income are accrued when earned. Investments received through gifts are recorded at estimated fair value at the date of donation.

All debt and equity securities with readily determinable market values are carried at estimated fair value based on market prices. Certain investments are recorded at the lower of their cost or market value. The fair value of the assets held by Community Foundation Sonoma County and Marin Community Foundation (collectively, the Foundations) are determined using the net asset value (NAV) per share as determined by the Foundations under the so called "practical expedient." The practical expedient allows net asset value per share to represent fair value for reporting purposes when the criteria for using this method are met.

Funds transferred by Canine Companions to the Foundations for which Canine Companions is the beneficiary are accounted for under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 958-605, Transfer of Assets to a Not-for-Profit Organization (see Note 6) and are held at the net asset value per share as reported by the Foundations.

e. Fair Value Measurements

Canine Companions carries certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Canine Companions classifies its financial assets and liabilities according to three levels, and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Level 1 - Quoted market prices (unadjusted) in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date.

Level 2 - Observable inputs other than quoted prices included within Level 1 for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the asset or liability that are not corroborated by market data.

Canine Companions for Independence, Inc.

Notes to Financial Statements

f. Property, Equipment and Improvements

Property, equipment and improvements are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from five to forty years. Amortization of leasehold improvements is computed over the lesser of the useful life or the term of the related lease.

g. Split Interest Agreements

Beneficial interests in charitable trust assets:

Beneficial interests in charitable trust assets include the estimated fair value of Canine Companions' interest in pooled income funds and charitable remainder trusts. Assets of these trusts are held by independent trustees. The fair values are measured by the estimated present value of the remainder interest using applicable mortality tables and discount rates used to compute the donors' original charitable deduction.

Canine Companions recognizes its remainder interest in the assets received as contribution revenue with donor restrictions in the period in which the assets are received from the donor. Subsequent changes in the estimated fair value are recognized in the Statement of Activities and Changes in Net Assets.

Charitable gift annuities:

Canine Companions records a gift annuity upon execution of the contract and receipt of the assets. The liability is recorded at the estimated present value of payments using applicable mortality tables and approximate discount rate of 2.0%.

California Insurance Code (the Code) requires that organizations maintain a reserve fund adequate to meet the future payments under its outstanding charitable gift annuity contracts. In addition, the Code requires that 50% of the reserve fund be invested in specified governmental fixed income investments. As of December 31, 2020, Canine Companions had sufficient funds in its reserve fund to meet the California Insurance Code requirements and those funds were invested in accordance with the Code. Canine Companions is in compliance with all laws and regulations in all States it is registered to issue charitable gifts annuities.

h. Endowment Funds

Canine Companions' endowments include donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Interpretation of relevant law:

The Board of Directors of Canine Companions has interpreted 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, Canine Companions 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 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. Canine Companions utilizes the accumulated earnings when 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, Canine Companions 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 Canine Companions 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 Canine Companions, (7) the investment policies of Canine Companions.

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 requires Canine Companions to retain as a fund of perpetual duration.

Return objectives and risk parameters:

Canine Companions has adopted investment and spending policies for endowment assets that will ultimately provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that Canine Companions must hold in perpetuity as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to exceed the yield of relevant indexes while assuming a moderate level of investment risk. Canine Companions expects its endowment funds, over time, to provide an average rate of return of approximately 6% annually. Actual returns in any given year may vary from this amount.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Strategies employed for achieving objectives:

To satisfy its long-term rate-of-return objectives, Canine Companions relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). Canine Companions targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending policy and how the investment objectives relate to spending policy:

Except for the Board Designated endowment fund related to the Martha McCrary Bequest, Canine Companions is reinvesting all interest and gain associated with its endowments until such time as the fund is large enough to significantly fund Canine Companions' programs. The McCrary funds are appropriated based on the annual needs of Canine Companions' Southeast Regional Office and can vary year to year, with a goal of maintaining as much principal as possible. This is consistent with Canine Companions' objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

i. Recognition of Revenue

Contributions and grants are recognized at their fair value when the donor makes an unconditional promise to give to Canine Companions. Certain contributions are reported as support without donor restrictions when the restriction is met in the same period as the contribution is received. All other donor restricted contributions and grants are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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.

Canine Companions is the beneficiary under various wills and trust agreements, the total realizable amount of which is not presently determinable. Such amounts are recognized in Canine Companions' financial statements as bequests receivable when clear title is established, and the proceeds are measurable.

j. Contributed Goods and Services

Contributions of services are recognized when received if such services (a) enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not donated. A substantial number of volunteers have donated significant amounts of time in Canine Companions' program services and fundraising activities. The value of donated volunteer services has not been recognized in the accompanying financial statements because such volunteer services do not meet the above-mentioned criteria.

Canine Companions for Independence, Inc.

Notes to Financial Statements

During the year, Canine Companions participated in various outreach events supported by Canine Companions staff and by more than 4,700 volunteers.

k. Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the Statement of Activities and Changes in Net Assets. Accordingly, certain costs have been allocated among program services and supporting services benefited. Such allocations are determined by management on an equitable basis.

Personnel expenses were assigned by each position's departmental classification and, in certain instances, allocated among classifications after considering the functional roles and time spent in those roles.

Occupancy, depreciation, and facilities-related services were allocated based upon estimated departmental usage of building and kennel space weighted by the estimated insured value of building replacement, contents, and equipment costs. Professional services, printing, and information technology were allocated based upon the functions provided or by full-time equivalent staff headcount. Travel, education and awareness, and other expenses were allocated based upon time and effort.

l. Income Taxes

Canine Companions is a tax-exempt organization under the Internal Revenue Code, Section 501(c)(3) and related California code sections. Accordingly, no provision for income taxes on income has been reflected in these financial statements.

Canine Companions follows the guidance on accounting for uncertainty in income taxes issued by FASB ASC Topic 740. As of December 31, 2020, management evaluated Canine Companions' tax positions and concluded that Canine Companions had maintained its tax-exempt status and had taken no uncertain tax positions that required adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

m. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Canine Companions for Independence, Inc.

Notes to Financial Statements

n. Recent Accounting Pronouncements

Pronouncement Effective in the Future:

In February 2016, the FASB issued amendments to Accounting Standards Update (ASU) 2016-02, *Leases*. Among other things, lessees will be required to recognize the following at the commencement date of all leases not classified as short term: 1) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and 2) a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2021 (i.e., January 1, 2022 for a calendar year entity) and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. Canine Companions is currently evaluating the impact of this guidance.

In September 2020, the FASB issued ASU 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This ASU changes the required presentation for in-kind contributions other than contributed services. The first element will require separate presentation on the Statement of Activities and the second element will require additional disclosure about how the in-kind gifts were utilized (in which program or part of management and general or fundraising), donor restrictions associated with the gifts and valuation techniques employed. The ASU is effective for Canine Companions for the fiscal year beginning after June 15, 2021 (December 31, 2022) with early application permitted. Canine Companions is currently assessing the impact the adoption of this ASU will have on its financial statements.

o. Subsequent events

Canine Companions evaluated subsequent events with respect to the financial statements for the year ended December 31, 2020 through May 24, 2021, the date the financial statements were available to be issued and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor have any subsequent events occurred, the nature of which would require disclosure, except as discussed in Notes 4, 10 and 13.

Note 3 - Contributions Receivable:

Contributions receivable consist of the following at December 31, 2020:

Contributions receivable	\$ 692,076
Pledges receivable, net of allowance of \$30,000	338,543
Federal and state employee pledges, net of allowance of \$23,320	86,680
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	\$ 1,117,299

Canine Companions for Independence, Inc.

Notes to Financial Statements

At December 31, 2020, contributions receivable are due as follows:

Receivable in less than one year	\$ 1,098,882
Receivable in one to five years	18,417
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	\$ 1,117,299

Pledges Receivable:

Pledges receivable include amounts related to Canine Companions' \$21 million capital campaign for the North Central Region to expand and support future operations. As of December 31, 2020, Canine Companions has raised approximately \$13,957,000 including long-term pledge commitments of approximately \$5,138,000. As of December 31, 2020, the remaining balance of the long-term pledge commitments is \$289,569.

In 2019, Canine Companions received an intent to give of \$3.5 million. The intent to give is subject to approval by the donor and is excluded from the outstanding receivables at year-end. As of December 31, 2020, the remaining balance of the intent to give is \$3.5 million.

Federal and State employee pledges:

Canine Companions is a beneficiary of funds collected through payroll deductions of Federal and State employees through two agencies, Animal Funds of America and Independent Charities of America. Pledges designated through both agencies are made in September and reported to Canine Companions the following April. The combined federal campaign pledge receivable as of December 31, 2020 represents amounts due for the September 2019 campaign. Amounts due from the September 2020 campaign are not yet determinable, and therefore, have not been recorded.

Note 4 - Bequests Receivable:

Canine Companions is the beneficiary under several wills and trust agreements in which clear title has been established and the proceeds are measurable. As of December 31, 2020, the total of these expectancies is \$7,406,705. Management believes that all bequest expectancies are collectible.

As of December 31, 2020, Canine Companions also has various bequests which are in process. However, the amount to be received is not yet determinable. No value has been recorded on these bequests.

During 2020, Canine Companions was informed of a bequest consisting of marketable securities and shares of stock (the Stock) in two private companies. On December 28, 2020, Canine Companions established Canine Companions Charitable Properties, LLC (the LLC) with Canine Companions as the sole member. The LLC will receive and hold the Stock that can only be liquidated under certain contingencies according to an existing shareholders agreement. As of the date of this report, Canine Companions has not received the Stock or final valuation of the Stock.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Note 5 - Investments:

Investments consist of the following at December 31, 2020:

Cash and cash equivalents	\$ 8,171,173
Fixed income	1,170,848
Mutual funds	1,145,890
Investments held by Marin Community Foundation	26,969,245
Investments held by Community Foundation Sonoma County	7,176,573
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Subtotal	44,633,729
Private equity, at cost	30,377
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	\$ 44,664,106

Net investment income, including amounts earned on assets at the Foundations, consists of the following at December 31, 2020:

Interest and dividends	\$ 403,607
Investment fees	(203,371)
Net realized and unrealized gain	3,898,139
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	\$ 4,098,375

Marin Community Foundation and Community Foundation Sonoma County (the Foundations) were established as component funds to benefit Canine Companions. The Foundations are expendable funds that may grant to Canine Companions both principal and earnings upon its request.

The Foundations have variance power in the event that a restriction or condition of a component fund cannot be fulfilled. Per terms of the agreement with Canine Companions, in such a situation, the Foundations may make grants from their component funds to organizations that most nearly serve the purposes and objectives for which the funds were established. The agreements between Canine Companions and the Foundations may be terminated by either party.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Note 6 - Fair Value Measurements and Net Asset Value Disclosures:

The table below presents the balances of assets measured at fair value at December 31, 2020 on a recurring basis.

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>
Investments:			
Cash and cash equivalents	\$ 8,171,173	\$ 8,171,173	
Fixed income – government obligations	1,170,848	1,170,848	
Mutual funds:			
Global equity	108,823	108,823	
Domestic equity	977,624	977,624	
Complimentary	10,772	10,772	
Real assets	48,671	48,671	
Investments held by Marin Community Foundation (a)	26,969,245		
Investments held by Community Foundation Sonoma County (a)	7,176,573		
Total investments	44,633,729	10,487,911	
Split interest agreements	1,177,633		\$ 1,177,633
Investments held for deferred compensation	46,155	46,155	
Total assets measured at fair value	\$ 45,857,517	\$ 10,534,066	\$ 1,177,633

(a) In accordance with ASC 820-10 Consolidation, the investments held by Marin Community Foundation and Community Foundation Sonoma County are valued using the NAV per share (or its equivalent) practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Statement of Financial Position.

Net asset value disclosure:

Canine Companions uses the NAV as a practical expedient to determine the fair value of all the underlying investments which do not have readily determinable fair value and prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The investments held by the Foundations (see Note 5) represent Canine Companions' board-designated endowment assets and donor restricted endowment assets, including related earnings which have not yet been withdrawn. The assets are invested in the endowment pools of the Foundations.

Canine Companions for Independence, Inc.

Notes to Financial Statements

The Marin Community Foundation endowment pool focuses on a long-term strategy designed to protect assets against inflation over time. The target asset allocation is 75% in equity funds and 25% in fixed income. The investments may be redeemed on a daily basis and are subject to restrictions imposed by the Board of Directors at the Marin Community Foundation.

The Community Foundation Sonoma County endowment pool focuses on a long-term strategy designed to protect assets against inflation over time, while providing for a steady stream of gains. The target asset allocation, which is designed to provide diversification and reduce volatility, is 85% in a core portfolio which includes five categories of stocks (55%) and three categories of bonds (30%), and 15% in a satellite portfolio. The core portfolio consists of investments that track major market indices with minimal tracking error (defined as the deviation of excess return). Additional positions, known as satellites, are added to the portfolio and allow for greater flexibility regarding tracking error. Overall, the pool is allocated 65% to stocks and 35% to bonds. The investments may be redeemed on a daily basis and are subject to restrictions imposed by the Board of Directors at Community Foundation Sonoma County.

Note 7 - Revocable Funds:

A fund was established by an outside donor under the administration of Community Foundation Sonoma County, to support the mission and activities of Canine Companions. Fund A is a permanent endowment fund with a balance of \$3,008,656 at December 31, 2020. Distributions from this fund are subject to Community Foundation Sonoma County's endowment spending policy. Fund A is revocable and is not included on the Statement of Financial Position at December 31, 2020. During 2020, there were no distributions from Fund A.

Note 8 - Property, Equipment and Improvements:

Property, equipment and improvements consisted of the following at December 31, 2020:

Buildings and land	\$ 51,911,981
Leasehold improvements	1,642,477
Office equipment	2,033,351
Software	583,694
Automotive equipment	1,024,419
Construction in progress	333,422
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	57,529,344
Less: accumulated depreciation and amortization	17,254,560
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	\$ 40,274,784

Depreciation and amortization expense totaled \$1,810,165 for 2020.

Canine Companions for Independence, Inc.

Notes to Financial Statements

In January 2019, Canine Companions signed a construction contract for construction of the North Central campus located in New Albany. The construction is being financed from capital campaign contributions and a loan from Huntington National Bank. The facility was completed during 2020 and Canine Companions placed the asset into service on October 1, 2020.

During December 31, 2020, Canine Companions disposed of a property previously used for in the North Central region, below is a summary of the gain recognized on the sale:

Net proceeds from sale of property	\$ 581,659
Cost Basis	(413,313)
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Less accumulated depreciation	255,618
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Gain on sale	\$ 423,964

Note 9 - Other Assets:

Other assets at December 31, 2020 consisted of the following:

Land held for sale	\$ 1,136,605
Split interest agreements	1,177,633
Inventories	72,975
Investments held for deferred compensation plans	46,155
Other	323,415
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	\$ 2,756,783

The land held for sale represents a donation to Canine Companions in accordance with Canine Companions' Gift Acceptance Policy. The land was donated to benefit the Northeast Region for its general operating purposes and Canine Companions is actively marketing the land for sale.

Note 10 - Line of Credit and Loan Agreement:

Line of Credit:

Canine Companions obtained a revolving line of credit (LOC) of \$4,000,000 to finance operations as necessary. The line has a variable interest rate with a floor rate of 5.0% per annum and a commitment fee of 0.375% for the term of the loan. The interest rate at December 31, 2020 was 5.00% and the LOC will expire in November 1, 2021. There was no balance outstanding on the LOC as of December 31, 2020.

Canine Companions for Independence, Inc.

Notes to Financial Statements

There are financial covenants applicable to the LOC. As of December 31, 2020, Canine Companions was in compliance with all financial covenants.

Loan Agreements:

On April 17, 2019, Canine Companions entered into a loan agreement with Huntington National Bank. The loan was to fund a portion of the \$21,000,000 North Central capital project (see Note 8). The loan amount available was \$4,000,000 and could have been drawn upon up until April 9, 2021. On May 8, 2024, the loan principal would have been due in full. The loan was at a rate of LIBOR plus 2.0% resulting in an annual rate of 4.483% at December 31, 2020 and could have been pre-paid without penalty at any time. Canine Companions did not draw down any funds and the draw down period and loan have terminated.

CCI received loan proceeds in the amount of \$3,738,300 with a maturity date of May 5, 2022 under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest may be forgivable as long as CCI uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll and other personnel related levels. The amount of loan forgiveness will be reduced if certain requirements are not met. The unforgiven portion of the PPP loan is payable over two years at an annual interest rate of 1.0%, with a deferral of payments for the first six months. CCI believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, and it has completed the application process for forgiveness December 15, 2020. As of March 22, 2021, Canine Companions was informed by the SBA that the PPP forgiveness is under review and pending approval.

Note 11 - Net Assets With Donor Restrictions:

Net assets with donor restrictions as of December 31, 2020 are available for the following purposes or periods:

Property, equipment and improvements	\$ 2,160,415
Split interest agreements and charitable trust assets	1,223,778
Program and time restrictions	1,417,275
Bequests receivable	7,406,705
Donor endowments – corpus and earnings	7,206,214
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	\$ 19,414,388

Canine Companions for Independence, Inc.

Notes to Financial Statements

Net assets were released during 2020 in accordance with the donors' intent or release of time restrictions as follows:

Purpose and time restrictions	\$ 2,457,051
Property, equipment and improvements	14,489,052
Bequests receivable	2,614,538
Total restrictions released	\$ (19,560,641)

Note 12 - Endowments:

Endowment net asset composition by type of fund as of December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor Restricted:			
General use		\$ 7,206,214	\$ 7,206,214
Board Designated:			
Earnings available for general use	\$ 23,878,436		23,878,436
Earnings available for general use by the Southeast Region	3,090,808		3,090,808
Total	\$ 26,969,244	\$ 7,206,214	\$ 34,175,458

Changes in endowment net assets for the year ended December 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets, beginning of year	\$ 24,258,625	\$ 6,102,210	\$ 30,360,835
Interest and dividends	139,896	113,264	253,160
Investment fees	(149,698)	(53,499)	(203,197)
Net gain (realized and unrealized)	2,720,421	944,239	3,664,660
Net investment income	2,710,619	1,004,004	3,714,623
Contributions		100,000	100,000
Endowment Net Assets, end of year	\$ 26,969,244	\$ 7,206,214	\$ 34,175,458

Canine Companions for Independence, Inc.

Notes to Financial Statements

Note 13 - Availability of Financial Assets and Liquidity:

The following table reflects Canine Companions' financial assets reduced by amounts not available for general expenditure within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, held by a trust, or assets held for others.

Canine Companions' financial assets available within one year for general expenditures are as follows at December 31:

	2020	2019
Financial assets at year-end:		
Cash and cash equivalents	\$ 14,887,866	\$ 19,384,844
Contributions receivable	1,117,299	1,224,656
Accounts receivable	996,866	800,205
Bequests receivable	7,406,705	4,061,983
Investments	44,664,106	40,592,790
Other assets	1,223,787	1,976,214
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Total financial assets	70,296,629	68,040,692
<hr/>		
Less amounts not available to be used within one year:		
Deferred compensation	46,155	46,119
Life insurance policy		777,754
Split interest agreements and charitable trust assets	1,223,778	1,518,931
Net assets with donor restrictions:		
Time or purpose including long – term receivables	8,823,981	2,705,748
Property, equipment and improvements	2,160,415	13,206,555
Add net assets with restrictions to be met		
in less than a year	(3,553,838)	(5,306,498)
Donor endowments – corpus and earnings	7,206,214	6,102,210
Net assets designated by the board	26,969,244	24,258,625
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	42,875,949	43,309,444
<hr/>		
Financial assets available to meet general expenditures		
over the next twelve months	\$ 27,420,680	\$ 24,731,248
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Canine Companions' strives to maintain financial assets to meet 90 days of operating expenses (approximately \$7,400,000). As part of its liquidity plan, excess cash is invested in short-term investments, including money market accounts and certificates of deposit. Canine Companions intends to meet operating expenses during 2021 by utilizing cash and cash equivalents. The Board of Directors can undesignate the Board designated funds and make them available for general operations. During 2021, Canine Companions plans to utilize available resources to supplement the construction costs of a facility in its National headquarters campus.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Note 14 - Commitments:

Canine Companions entered into several lease agreements for its headquarters and regional offices for office space and office equipment. The approximate future minimum lease payments related to these leases are as follows:

Year Ended December 31,	
2021	\$ 162,000
2022	50,000
2023	31,000
2024	20,000
2025	18,000
	<hr/>
	\$ 281,000

Rent expenses under all operating leases amounted to \$292,683 for the year ended December 31, 2020.

Canine Companions also leases property for its Southwest Region center under a thirty-year lease ending August 2025. There is a ten-year renewal option. This property is leased to Canine Companions rent-free with the agreement that the premises will be used exclusively for the purpose of assistance dog training and other related purposes.

Note 15 - Pension Plans:

Canine Companions sponsors a 403(b) defined contribution pension plan that covers all employees who meet certain eligibility requirements. Contributions to the plan by Canine Companions are based on eligible compensation and include elective and matching contributions not to exceed 6% of compensation for 2020. For the year ended December 31, 2020, the amount of pension expense was \$1,064,156.

Canine Companions also has a 457(b) deferred compensation plan for certain management personnel that is closed to new participants. Eligible employees may elect to defer a certain portion of their salary. The plan does not allow contributions from Canine Companions.

Note 16 - Concentrations of Credit Risk:

Canine Companions has identified financial instruments which potentially subject it to credit risk. These financial instruments consist principally of cash, investments and receivables.

Canine Companions invests its excess cash and investments with various financial institutions. These deposits include amounts over the federally insured limits.

Canine Companions for Independence, Inc.

Notes to Financial Statements

Receivables consist primarily of unsecured amounts due from individuals, trusts, and estates. The credit risk associated with the receivables from individuals is substantially mitigated by the large number of individuals comprising the receivable balance.

Total contributions from board members are approximately \$1,882,000 for the year ended December 31, 2020.

Note 17 - Affiliation Agreement:

Baylor Scott & White Health (BSWH) and Canine Companions entered into an affiliation and management agreement effective September 30, 2013. The parties cooperated in the development of Canine Companions' South Central Training Center in Irving, Texas, built and owned by BSWH at its sole cost and expense and operated, staffed and managed by Canine Companions. The new campus, built and owned by BSWH, opened October 2015. The initial project included dormitory rooms and kennels with the overall objective of developing a campus capable of graduating approximately 60 new assistance dog teams per year.

The initial term of the agreement is for 10 years. In consideration of the benefits of affiliation with Canine Companions and Canine Companions' commitment to establishing and operating a whelping center, the Canine Early Development Center (CEDC), near its campus in Santa Rosa, BSWH made a one-time contribution to Canine Companions of \$500,000 intended to fund 50% of the operating costs of the CEDC for its first 3 years ended June 30, 2019. Besides ensuring the underwriting of the operating costs of the Canine Companions program in Texas, BSWH also pays Canine Companions a \$470,000 fee per annum beginning January 1, 2014 representing the approximate historical fundraising amount by Canine Companions in Texas. In subsequent years, BSWH will be charged an annual management fee not to exceed 7% of the mutually approved annual budget for the Training Center. As of December 31, 2020, the outstanding receivable under this arrangement is \$335,116.

Note 18 - Global Pandemic:

On March 11, 2020, the World Health Organization publicly characterized COVID-19 as a pandemic. States of emergency have been declared in many federal, state and local jurisdictions and shelter in place orders have been instituted in many cities and states, including California, which impacts general business operations in most industries and sectors.

Canine Companions evacuated its six campuses starting March 18. Our service dogs in training were fostered by volunteers during this time and training activities were stopped. During this period, Canine Companions used off-site personnel to engage with our clients, volunteers and donors through phone calls and video-conference sessions. Our veterinary staff developed plans and protocols with management for service dogs and essential staff to return to campuses to begin operating on a limited basis. In addition, plans were developed to conduct marketing and fundraising activities remotely and in a virtual setting.

Canine Companions for Independence, Inc.

Notes to Financial Statements

In late May and early June, all campuses were operational with service dogs on-site and limited training of clients with service dogs occurring. Volunteer activities including breeding and puppy-raising continued and logistical issues such as transporting puppies were overcome by emergency planning including the use of private pilots for distributing puppies to the other campuses. Canine Companions had planned to produce 333 to 402 new teams during 2020 and successfully produced 358. Follow-up sessions were conducted in person or remotely with 39% of the 2,617 active teams.

Despite the generous response of donors and efforts of staff, income from fundraising events were 19% below the budgeted amount, individual giving was 49% below, corporation and foundation giving was 30% below, and total operating income before bequests was \$6,200,000 or 27% below budget.

Canine Companions maintained staffing levels throughout 2020, and as a result, personnel expenses were only 4% below budget. Other categories were impacted by the limited operations including supplies and shipping 26% below budget and travel and meeting 78% below with total operating expenses \$2,800,000 or 9% below budget. These cost savings partially mitigated the negative financial impact on income resulting from the COVID-19 pandemic.

During 2021 Canine Companions anticipates a better operating environment and growth in the number of new teams produced compared to 358 in 2020. For the quarter ended March 31, 2021, income excluding capital contributions and long-term investment gains “operating income” is approximately 12% ahead of last year. Canine Companions expects virtual and in-person fundraising events, gifts from solicited individuals, and direct marketing to exceed that in 2020.

During 2021 Canine Companions anticipates maintaining staffing levels roughly equivalent to 2020. As a result, personnel expenses are likely to rise as much as 5% or more due to a merit increase program and higher insurance costs. Similar to 2020, Canine Companions expects cost savings from travel related costs, and supplies and shipping relative to the expense levels in a normal operating environment.