MATTHEWS CUTRER and LINDSAY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

GALLANT HEARTS GUIDE DOG CENTER
JACKSON, MISSISSIPPI

FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

Ridgeland, Clinton, and Yazoo City, Mississippi

THIS PAGE INTENTIONALLY LEFT BLANK

GALLANT HEARTS GUIDE DOG CENTER

TABLE OF CONTENTS

1020 Highland Colony Parkway
Suite 500
Ridgeland, MS 39157
601.898.8875
Fax: 601.898.2983

541 B Highway 80 West
Clinton, MS 39056
601.924.6842
Fax: 601.924.6679

200 South Main Street
Yazoo City, MS 39194
662.746.4581
Fax: 662.746.5384

www.mcl.cpa

MATTHEWS CUTRER *and* LINDSAY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gallant Hearts Guide Dog Center
Jackson, Mississippi

Opinion

We have audited the accompanying financial statements of Gallant Hearts Guide Dog Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gallant Hearts Guide Dog Center as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gallant Hearts Guide Dog Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

1020 Highland Colony Parkway
Suite 500
Ridgeland, MS 39157
601.898.8875
Fax: 601.898.2983

541 B Highway 80 West
Clinton, MS 39056
601.924.6842
Fax: 601.924.6679

200 South Main Street
Yazoo City, MS 39194
662.746.4581
Fax: 662.746.5384

www.mcl.cpa

MATTHEWS CUTRER *and* LINDSAY, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Gallant Hearts Guide Dog Center
Jackson, Mississippi

Opinion

We have audited the accompanying financial statements of Gallant Hearts Guide Dog Center (a nonprofit organization), which comprise the statements of financial position as of December 31, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Gallant Hearts Guide Dog Center as of December 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Gallant Hearts Guide Dog Center and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Gallant Hearts Guide Dog Center's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Gallant Hearts Guide Dog Center 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.

Mathews, Cutrer & Lindsay, P.A.

Ridgeland, Mississippi
September 9, 2024

GALLANT HEARTS GUIDE DOG CENTER

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	$ 669,413	$ 652,868
Inventory	2,850	-
	672,263	652,868
FIXED ASSETS		
Dog kennel	93,042	93,042
Land Improvements	10,090	10,090
Automobile	6,750	6,750
Less accumulated depreciation	(21,455)	(13,397)
	88,427	96,485
OTHER ASSETS		
Operating lease right-of-use asset	-	51,616
	$ 760,690	$ 800,969

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,023	$ 15,781
Right-of-use operating lease liability, current	-	51,616
	9,023	67,397
NET ASSETS		
Without donor restrictions	751,667	733,572
	$ 760,690	$ 800,969

See Notes to Financial Statements.

GALLANT HEARTS GUIDE DOG CENTER

STATEMENTS OF FINANCIAL POSITION
AT DECEMBER 31, 2023 AND 2022

ASSETS

	2023	2022
CURRENT ASSETS		
Cash	$ 669,413	$ 652,868
Inventory	2,850	-
	672,263	652,868
FIXED ASSETS		
Dog kennel	93,042	93,042
Land Improvements	10,090	10,090
Automobile	6,750	6,750
Less accumulated depreciation	(21,455)	(13,397)
	88,427	96,485
OTHER ASSETS		
Operating lease right-of-use asset	-	51,616
	$ 760,690	$ 800,969

LIABILITIES AND NET ASSETS

	2023	2022
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 9,023	$ 15,781
Right-of-use operating lease liability, current	-	51,616
	9,023	67,397
NET ASSETS		
Without donor restrictions	751,667	733,572
	$ 760,690	$ 800,969

See Notes to Financial Statements.

GALLANT HEARTS GUIDE DOG CENTER

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
UNRESTRICTED NET ASSETS		
Support and revenue		
Grants and contracts	$ -	$ 20,000
Contributions	104,997	68,392
Fundraising	8,610	4,460
Other income	10,260	6,559
	123,867	99,411
Bingo revenue	1,130,808	1,011,799
Less cost of revenue		
Prizes	(792,024)	(671,098)
Direct bingo expenses	(209,987)	(213,887)
Net bingo revenue	128,797	126,814
	252,664	226,225
Expenses		
Program services	167,724	159,137
Management and general	63,580	46,453
Fundraising	3,265	1,210
	234,569	206,800
CHANGE IN UNRESTRICTED NET ASSETS	18,095	19,425
NET ASSETS AT BEGINNING OF YEAR	733,572	714,147
NET ASSETS AT END OF YEAR	$ 751,667	$ 733,572

See Notes to Financial Statements.

GALLANT HEARTS GUIDE DOG CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2023

	Program Services	Management and General	Fundraising	Total
Advertising	$ -	$ 105	$ -	$ 105
Breeding program	485	-	-	485
Contract services	2,302	13,625	-	15,927
Depreciation	-	8,058	-	8,058
Dues and subscriptions	-	919	-	919
Fundraising	-	-	3,265	3,265
Guide dog program	3,723	-	-	3,723
Insurance	-	3,918	-	3,918
Miscellaneous	7,590	399	-	7,989
Puppy raising	49,659	-	-	49,659
Postage	454	50	-	504
Salaries and payroll taxes	67,940	33,882	-	101,822
Supplies	16,934	194	-	17,128
Telephone and utilities	935	165	-	1,100
Training	10,909	-	-	10,909
Travel	6,793	2,265	-	9,058
	$ 167,724	$ 63,580	$ 3,265	$ 234,569

See Notes to Financial Statements.

GALLANT HEARTS GUIDE DOG CENTER

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2022

	Program Services	Management and General	Fundraising	Total
Advertising	$ -	$ 3,058	$ -	$ 3,058
Breeding program	369	-	-	369
Contract services	2,750	13,625	-	16,375
Depreciation	-	7,719	-	7,719
Dues and subscriptions	-	10	-	10
Education	700	-	-	700
Fundraising	-	-	1,210	1,210
Guide dog program	16,175	-	-	16,175
Insurance	-	3,348	-	3,348
Miscellaneous	4,650	245	-	4,895
Puppy raising	33,980	-	-	33,980
Postage	528	59	-	587
Printing and publications	220	12	-	232
Salaries and payroll taxes	68,785	12,139	-	80,924
Supplies	13,027	2,299	-	15,326
Telephone and utilities	935	165	-	1,100
Training	5,695	-	-	5,695
Travel	11,323	3,774	-	15,097
	$ 159,137	$ 46,453	$ 1,210	$ 206,800

See Notes to Financial Statements.

GALLANT HEARTS GUIDE DOG CENTER

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 18,095	$ 19,425
Adjustment to reconcile change in net assets to net cash provided by operating activities		
Contribution of automobile	-	(6,750)
Depreciation	8,058	7,719
Increase in		
Inventory	(2,850)	-
Increase (decrease) in		
Accounts payable and accrued expenses	(6,758)	3,305
Net cash provided by operating activities	16,545	23,699
NET INCREASE IN CASH	16,545	23,699
CASH AT BEGINNING OF YEAR	652,868	629,169
CASH AT END OF YEAR	$ 669,413	$ 652,868
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 46,000	$ 57,500
Right-of-use assets obtained in exchange for operating lease obligation	$ -	$ 119,969

See Notes to Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization and Business

Gallant Hearts Guide Dog Center (the Center) was organized as a nonprofit corporation with a mission to provide well-trained, healthy guide dogs to people who are blind. These dogs are provided, free of charge, to qualified individuals throughout the United States. The Center is governed by a nine-member Board of Directors selected for their expertise in governance, fundraising, veterinary care, medicine, legal issues, finance, and the media. The Center receives a significant amount of fundraising revenue from bingo activities operated under the State of Mississippi Charitable Bingo laws as regulated by the Mississippi Gaming Commission.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Financial Statement Presentation

The financial statements of Gallant Hearts Guide Dog Center have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require Gallant Hearts Guide Dog Center to report information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Gallant Hearts Guide Dog Center management and the board of directors.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Financial Statement Presentation - Continued

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors, and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Gallant Hearts Guide Dog Center or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

Inventory

Inventory, consisting of bingo supplies, is valued at the lower of cost or market, on a first-in, first-out basis.

Fixed Assets

All building, furniture, equipment, and leasehold improvements are recorded at cost less accumulated depreciation or, if acquired by gift, at the fair market value at the date of gift. Depreciation is provided over a twenty-year period using the straight-line method for leasehold improvements.

Revenue Recognition

Contributions received are recorded as without donor restriction or with donor restriction support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in net assets with restrictions, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with restrictions are reclassified to net assets without restrictions and reported in the statement of activities as satisfaction of activity restrictions. Donor-restricted contributions for which the restrictions are met in the same reporting period are recorded as unrestricted support.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Revenue Recognition - Continued

Cash and other assets contributed to the Center are recorded as revenue when received. Contributions are recognized when a donor makes a promise to give that is, in substance, unconditional. No promises to give or contributed services have been recognized in the accompanying financial statements. Donated assets are recorded at fair market value at the date of donation.

Bingo patrons are required to play games they have purchased during the session in which the purchase is made. Therefore, bingo revenue is recognized when a sale occurs.

Leases

Gallant Hearts Guide Dog Center determines if an arrangement is or contains a lease at inception. Leases are included in right-of-use (ROU) assets and lease liabilities in the statement of financial position. ROU assets and lease liabilities reflect the present value of the future minimum lease payments over the lease term, and ROU assets could also include prepaid or accrued rent. Operating lease expense is recognized on a straight-line basis over the lease term. The Center does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

Income Taxes

Gallant Hearts Guide Dog Center is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from Federal and State income taxes pursuant to Section 501(a) of the Internal Revenue Code and similar state statutes. Rules and regulations regarding unrelated business income tax apply to the Center. The Center believes it has no uncertain tax positions.

Functional Allocation of Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Adoption of Accounting Pronouncement

In February 2016, the Financial Accounting Standards Board (FASB) issued guidance (Accounting Standards Codification [ASC] 842, *Leases*) to increase transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Center adopted the standard effective January 1, 2022, and recognized and measures leases existing at, or entered into after, January 1, 2022 using the new transition alternative. Under the new transition alternative, the Center recognized the cumulative effect adjustment to the opening balance of net assets at that date. Implementation resulted in recognition of an operating lease ROU asset and liability with no net effect on net assets or the statement of activities.

2. LEASES

During the year ended December 31, 2016, the Center entered into various lease agreements of one year or less for bingo facilities and equipment. As of December 31, 2016 these lease agreements went to a one month or less agreement. During the year ended December 31, 2020, a new lease agreement was entered into for a new building for Bingo operations for three years.

Total lease costs for the year ended December 31, 2022 are as follows:

Operating lease costs	$69,000
Weighted-average discount rate:	
Operating leases	0.78%
Weighted-average remaining lease term:	
Operating leases	0.75

2. LEASES- Continued

Upon the expiration of this lease on August 31, 2023, the Center entered into a month-to-month agreement with the lessor until a both parties could arrive at a new long-term agreement. Consequently, no right-of-use asset has been recognized at December 31, 2023 as no long-term lease existed at that point. Subsequent to year-end, the Center agreed to a new long-term lease beginning April 1, 2024.

3. FIXED ASSETS

A summary of fixed assets is as follows:

	2023	2022
Dog kennel	$ 93,042	$ 93,042
Leasehold land improvements	10,090	10,090
Automobile	6,750	6,750
Less: accumulated depreciation	(21,455)	(13,397)
	$ 88,427	$ 96,485

The depreciation expense was $8,058 and $7,719 for the years ended December 31, 2023 and 2022, respectively.

4. CONCENTRATION OF CREDIT RISK

Gallant Hearts Guide Dog Center receives the majority of its funding from proceeds of the charitable bingo operation. The loss of these proceeds could significantly impact the Center's ability to start new programs and to continue existing programs.

The Center maintains its cash deposits at local banks insured by the Federal Deposit Insurance Corporation (FDIC) up to certain limits. At December 31, 2023 and 2022, the Center's cash balances exceeded the FDIC limit by $386,732 and $398,181, respectively.

5. FUNDRAISING ACTIVITY

The Center operates bingo games under the provisions of the Mississippi Charitable Bingo laws. This fundraising activity is operated in Kosciusko, Mississippi, under the name of Big Dog Bingo. Big Dog Bingo collects all proceeds and pays all prizes and operating expenses. The net profits are transferred to the operating cash account. The following is a summary of the fundraising activity's operations:

	2023	2022
Revenue	$ 1,130,808	$ 1,011,799
Cost of revenue (Bingo prizes)	(792,024)	(671,098)
Operating expenses	(209,987)	(213,887)
Net income	$ 128,797	$ 126,814

The gross profit, operating expenses and all assets and liabilities of Big Dog Bingo have been recorded in the accompanying financial statements.

Amounts included as direct bingo expenses, are summarized below:

	2023	2022
Payroll and taxes	$ 74,636	$ 67,884
Building rent	46,000	57,500
Contract services	18,135	17,028
Equipment rental	30,902	37,429
Gaming Commission fees	7,031	11,410
Postage	76	-
Printing and publications	230	178
Supplies	26,043	16,297
Telephone and utilities	1,259	2,375
Miscellaneous	5,675	3,786
	$ 209,987	$ 213,887

6. LIQUIDITY

The following reflects the Center's financial assets as of December 31, 2023 reduced by amounts not available for general use within one year because of contractual or donor imposed restrictions. Amounts not available include amounts set aside as Board designated net assets that could be drawn upon if the governing board approves that action.

Financial assets available	$ 669,413
Less those unavailable for general expenditures within expenditures within one year	-
	$ 669,413

The Center does not maintain an operating reserve account to cover the average monthly operating costs. However, the average monthly costs were approximately $36,400 for the year ended December 31, 2023. The Center had approximately eighteen months of financial assets available to meet its average monthly operating costs for the year ended December 31, 2023. The Center does not have a policy regarding the investment of cash in excess of daily requirements.

7. SUBSEQUENT EVENTS

In accordance with FASB Accounting Standards Codification Topic 855, Subsequent Events, the Coalition has evaluated subsequent events through September 9, 2024, which is the date the financial statements were available to be issued. All subsequent events requiring recognition as of September 9, 2024 have been incorporated into these financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

www.mcl.cpa