

# **GUIDE DOGS OF AMERICA**

**(A California Nonprofit Corporation)**

**Audited Financial Statements**

**Year Ended June 30, 2017**

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Year Ended June 30, 2017**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Guide Dogs of America  
Sylmar, California

We have audited the accompanying financial statements of Guide Dogs of America (A California Nonprofit Corporation), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, 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 presentation 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.

### *Auditor's 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 the 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 the entity's 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 the entity's 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 Guide Dogs of America as of June 30, 2017, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Valencia, California  
October 31, 2017

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Statement of Financial Position**  
**June 30, 2017**

**Assets:**

Cash and cash equivalents	\$ 3,930,371
Investments	21,533,417
Bequests receivable	4,129,666
Other assets	126,412
Land, building, and equipment, net	<u>8,247,256</u>
<b>Total assets</b>	<b>\$ <u>37,967,122</u></b>

**Liabilities:**

Accounts payable and accrued expenses	\$ <u>308,128</u>
<b>Total liabilities</b>	<b>308,128</b>

**Net assets:**

Unrestricted - undesignated	30,804,421
Unrestricted - Board designated	<u>6,854,573</u>
<b>Total net assets</b>	<b><u>37,658,994</u></b>
<b>Total liabilities and net assets</b>	<b>\$ <u>37,967,122</u></b>

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

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Statement of Activities**  
**Year Ended June 30, 2017**

**Public Support and Revenue**

**Public Support**

Contributions:

Bequests	\$ 4,756,963
Grants and other support	881,963
Individuals	564,716
Sponsorships	442,416
Workplace giving	276,472
In-kind services	200,000
Businesses	118,647

<b>Total Public Support</b>	<u>7,241,177</u>
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**Revenue**

Investment income, net	2,008,775
Special events, net	1,246,403

<b>Total Revenue</b>	<u>3,255,178</u>
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<b>Total Public Support and Revenue</b>	10,496,355
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**Functional expenses**

Program expenses	4,286,901
Support Services:	
Fundraising	622,938
Management and administrative	591,104
	<u>1,214,042</u>

<b>Total Expenses</b>	<u>5,500,943</u>
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<b>Change in net assets</b>	4,995,412
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Net assets, beginning of year	<u>32,663,582</u>
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<b>Net assets, end of year</b>	<u><u>\$ 37,658,994</u></u>
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The accompanying notes are an integral part of these financial statements.

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

	<b>Support Services</b>			<b>Total</b>
	<b>Program Services</b>	<b>Fundraising</b>	<b>Management and General</b>	
<b>Expenses:</b>				
Salaries	2,053,468	154,532	269,578	2,477,578
In-kind services	135,000	33,000	32,000	200,000
Employee health and welfare	501,785	37,779	65,871	605,435
Payroll taxes	166,397	12,528	21,843	200,768
<b>Total personnel</b>	<b>2,856,650</b>	<b>237,839</b>	<b>389,292</b>	<b>3,483,781</b>
Depreciation	271,120	20,413	35,591	327,124
Dog food and supplies	70,186	-	-	70,186
Insurance	139,241	10,483	18,279	168,003
Occupancy	73,604	5,542	9,662	88,808
Office supplies	148,351	11,169	19,474	178,994
Postage and shipping	48,130	3,624	6,318	58,072
Printing and publications	-	89,714	15,249	104,963
Professional fees	1,700	65,100	55,525	122,325
Promotional	64,701	159,765	8,085	232,551
Program supplies	10,838	816	1,423	13,077
Repairs and maintenance	12,912	972	1,695	15,579
Student training	35,358	-	-	35,358
Subscriptions, meetings and dues	54,458	4,100	7,149	65,707
Taxes and licenses	47,841	-	-	47,841
Travel	33,400	2,515	4,385	40,300
Utilities and telephone	122,127	9,195	16,031	147,353
Vehicle	16,178	1,219	2,124	19,521
Veterinarian fees and supplies	273,843	-	-	273,843
Miscellaneous	6,263	472	822	7,557
<b>Total</b>	<b><u>\$ 4,286,901</u></b>	<b><u>\$ 622,938</u></b>	<b><u>\$ 591,104</u></b>	<b><u>\$ 5,500,943</u></b>

(Continued on page 5)

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

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2017**

Expenses:	Kennel	Guide Dog Training	Student Relations	Puppy Program	Breeding	Total Program Services
Salaries	\$ 566,980	\$ 794,390	\$ 283,987	\$ 177,103	\$ 231,008	\$ 2,053,468
In-kind services	27,000	27,000	27,000	27,000	27,000	135,000
Employee health and welfare	138,584	194,042	69,383	43,289	56,487	501,785
Payroll taxes	45,946	64,366	23,013	14,345	18,727	166,397
<b>Total personnel</b>	<b>778,510</b>	<b>1,079,798</b>	<b>403,383</b>	<b>261,737</b>	<b>333,222</b>	<b>2,856,650</b>
Depreciation	74,879	104,843	37,488	23,389	30,521	271,120
Dog food and supplies	39,834	21,844	-	4,277	4,231	70,186
Insurance	38,456	53,845	19,253	12,012	15,675	139,241
Occupancy	20,328	28,463	10,177	6,350	8,286	73,604
Office supplies	40,972	57,368	20,513	12,798	16,700	148,351
Postage and shipping	13,293	18,612	6,655	4,152	5,418	48,130
Printing and publications	-	-	-	-	-	-
Professional fees	-	1,700	-	-	-	1,700
Promotional	17,009	23,815	8,516	8,232	7,129	64,701
Program supplies	2,993	4,191	1,499	935	1,220	10,838
Repairs and maintenance	3,566	4,993	1,785	1,114	1,454	12,912
Student training	-	30,714	4,644	-	-	35,358
Subscriptions, meetings, dues	-	15,205	5,569	29,515	4,169	54,458
Taxes and licenses	-	44,701	-	3,140	-	47,841
Travel	9,225	12,916	4,618	2,881	3,760	33,400
Utilities and telephone	33,729	47,227	16,887	10,536	13,748	122,127
Vehicle	4,468	6,256	2,237	1,396	1,821	16,178
Veterinarian fees and supplies	220,038	2,542	1,325	4,089	45,849	273,843
Miscellaneous	1,730	2,422	866	540	705	6,263
<b>Total</b>	<b><u>\$ 1,299,030</u></b>	<b><u>\$1,561,455</u></b>	<b><u>\$ 545,415</u></b>	<b><u>\$ 387,093</u></b>	<b><u>\$ 493,908</u></b>	<b><u>\$ 4,286,901</u></b>

(See page 4)

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

**GUIDE DOGS OF AMERICA**  
**(A California Nonprofit Corporation)**  
**Statement of Cash Flows**  
**Year Ended December 31, 2017**

**Operating activities:**

Change in net assets \$ 4,995,412

*Non cash transaction:*

Depreciation 327,124

Net realized and unrealized gain on investments (1,525,613)

*Adjustments to reconcile increase in net assets  
to net cash provided by operating activities:*

(Increase) decrease in:

Bequests receivable 1,768,359

Other assets (30,591)

Increase in:

Accounts payable and accrued expenses 158,250

**Net cash provided by operating activities** 5,692,941

**Investing Activities:**

Purchases of investments (6,684,072)

Building and equipment additions (3,757,931)

Proceeds on sale of investments 3,370,009

**Net cash used in investing activities** (7,071,994)

Net decrease in cash (1,379,053)

Cash and cash equivalents at beginning of year 5,309,424

**Cash and cash equivalents at end of year** \$ 3,930,371

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



**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Activities:**

International Guiding Eyes, Inc. d/b/a Guide Dogs of America (“GDA”) is a non-profit organization incorporated in 1948 by the International Association of Machinists and Aerospace Workers (“IAM”) (“Union”) union. GDA was organized under the laws of the State of California.

GDA enriches and inspires the lives of the blind and visually impaired through the use of a professionally trained guide dog. GDA’s operations located in Sylmar, California include a Kennel, Guide Dog Training, Breeding and Puppy Programs along with a training facility dedicated to producing the highest quality canine companions for the blind.

GDA’s Breeding center hosts approximately 50 adult canines for breeding and manages the placement of puppies with volunteer homes to provide day to day care until it is time for them to be returned to GDA for training.

GDA’s Puppy program monitors and assists with training in the community until the puppies are returned for training. The Kennel boards these dogs when requested and cares for all dogs returned for formal training at approximately 18 months of age. Licensed instructors take over training the skill set required for a guide dog. Throughout this time, GDA’s Veterinary Hospital provides most of all medical needs for the dogs.

GDA provide temporary living quarters for its Student Relations program. The Student Relations program is designed for blind recipients of guide dogs to receive specialized instruction on mastering the technique of using a guide dog. GDA is committed to assisting each student during the working life of the team, including boarding and veterinary care when available.

GDA’s volunteer base has expanded to approximately 150 on campus volunteers in addition to the approximately 200 volunteers who have GDA dogs in their homes. The community of volunteers provide added care to the dogs onsite along with providing assistance to the blind who are involved with GDA.

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Fixed Assets:**

Fixed assets are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets.

Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$5,000 and the useful life is greater than one year. The estimated useful lives are as follows:

Buildings	39 years
Building improvements	15 – 20 years
Furniture and fixtures	7 years
Automobiles	5 years
Computers and equipment	5 years
Breeding dogs	7 years

**Cash and Cash Equivalents:**

Cash and cash equivalents include all highly liquid investments available for current use with a maturity of three months or less.

**Financial Statement Presentation:**

The financial statements are presented based on Accounting Standards Codification (“ASC”) Topic 958, Not-for-Profit Entities. ASC Topic 958, Sections 210 and 225 requires classification of the Organization’s net assets, revenues as well as expenses based on the existence or absence of donor-imposed restrictions.

The statement requires presentation of the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – in the Statement of Financial Position and the amounts of change in each of those classes of net assets in the Statement of Activities.

**Contributions:**

Contributions received, including unconditional promises to give, are recognized as revenue at their fair value in the period received. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions. As such, the net assets of GDA and changes therein are classified and reported as follows:

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Contributions: (Continued)**

Unrestricted net assets – net assets that are not subject to donor-imposed stipulations and may be expendable for any purpose in performing the objectives of GDA.

Temporarily restricted net assets – net assets subject to donor-imposed stipulations that may or will be met either by actions of GDA and/or the passage of time. As the restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the accompanying financial statements as net assets released from restrictions. Donor-restricted, contributions that are received and expended in the same reporting period are classified as unrestricted in the accompanying financial statements. As of June 30, 2017, GDA did not have any temporarily restricted net assets.

Permanently restricted net assets – net assets that are subject to donor-imposed stipulations requiring that the contribution be maintained permanently. As of June 30, 2017, GDA did not have any permanently restricted net assets.

**Bequests:**

Bequests are an individual's charitable contribution from their estate at the time of their death. GDA generally realizes bequest contributions after a will or trust document or excerpt thereto is received from the estate's representative and the amount that is expected to be received can be reasonably estimated and is not being contested. Management believes all are collectible; therefore, no allowance for uncollectible bequest receivables has been recorded.

**Contributed services:**

Many individual volunteer their time and perform a variety of tasks that assist GDA in running its programs. While these services are most important and noteworthy, the total value of these services does not meet the accounting requirements for recognition in the financial statements and no value has been recorded for the year ended June 30, 2017.

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Contributed services:** (Continued)

Some services amounting to \$200,000 were paid directly by the Union and were recorded as in-kind service revenue and in-kind service expense for the year ended June 30, 2017.

**Estimates:**

The process of preparing financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from estimated amounts.

**Functional Allocation of Expenses:**

Costs of providing program services have been presented in the Statement of Functional Expenses. Expenses by function have been allocated between programs and supporting services classifications based on relevant measures determined by management.

**Income Taxes:**

GDA is exempt from federal income taxes under Section 501(c) (3) of the Internal Revenue Code and California income taxes under section 23701(d) of the California Revenue and Taxation Code. GDA's tax returns for the years ended June 30, 2016, 2015 and 2014 and 2013 for state taxes are subject to examination by federal and state taxing authorities.

**Investments**

Investments are adjusted to their fair value at the date of the Statement of Financial Position date, resulting in either an unrealized gains or loss. Investments donated are recorded at fair market value at the date of receipt. Gains and losses on investments are recognized on disposal at trade date.

**Presentation of Financial Statements of Not-for-Profit Entities**

In August 2016, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2016-14 to improve the presentation of financial statements of not-for-profit entities. ASU 2016-14 impacts all not-for-profit entities in the scope of Topic 958. This is the first major change to the nonprofit financial statement model in over 20 years, which is intended to provide more useful information to donors, grantors, and other users. The ASU becomes effective for fiscal years beginning after December 15, 2017. GDA is currently evaluating the impact of the adoption of ASU 2016-14.

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 2: LAND, BUILDING, AND EQUIPMENT**

Land, buildings and equipment as of June 30, 2017 was comprised of:

Buildings	\$ 10,320,347
Building improvements	938,583
Computers and equipment	431,548
Furniture and fixtures	425,848
Automobiles	216,216
Breeding dogs	22,196
Total depreciable costs	<u>12,354,738</u>
Less accumulated depreciation	<u>4,711,186</u>
	7,643,552
Land	603,704
Land, building and equipment, net	<u><u>\$ 8,247,256</u></u>

Depreciation for the year ended June 30, 2017 was \$327,134.

**NOTE 3: CONCENTRATION OF CREDIT RISK**

GDA maintains its cash balances primarily in a few financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation. As of June 30, 2017, uninsured cash was approximately \$2,494,000. GDA has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash.

**NOTE 4: INVESTMENT SECURITIES / FAIR VALUE**

Generally accepted accounting principles define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy that prioritizes the inputs to valuation techniques. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that a transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 4: INVESTMENT SECURITIES / FAIR VALUE (Continued)**

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

Level 1

Quoted prices in active markets for identical assets or liabilities.

Level 2

Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. This includes certain pricing models, discounted cash flow methodologies and similar techniques that use significant 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 asset is classified.

*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 fund 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 GDA are open-end mutual funds that are registered with the SEC. These funds are required to publish their daily NAV and to transact at that price and, therefore, are deemed to be actively traded.

*Equity securities:* Equity securities are valued at the closing price reported in the active market in which the individual securities are traded and are classified as Level 1.

*Certificates of deposit:* Valued at fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the creditworthiness of the issuer. Certificates of deposit are classified as Level 2.

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 4: INVESTMENT SECURITIES / FAIR VALUE (Continued)**

The following is a summary of investments at market value:

<u>Investment</u>	<b>Fair Value Measuring Using</b>			
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 903,439	\$ -	\$ 903,439
Mutual funds	18,385,830	-	-	18,385,830
Stocks	2,212,072	-	-	2,212,072
Oil rights, net depletion	-	-	32,076	32,076
	<u>\$ 20,597,902</u>	<u>\$ 903,349</u>	<u>\$ 32,076</u>	<u>\$ 21,533,417</u>

Investment income for the year ended June 30, 2017 consisted of:

Unrealized gain	\$ 1,472,433
Dividends and interest	554,911
Realized gain	53,180
Oil rights income, net of depletion	27,478
Management and broker expenses	(99,227)
Investment income, net	<u>\$ 2,008,775</u>

**NOTE 5: BOARD DESIGNATED FUNDS FOR OPERATIONS**

GDA's Investment Policy Statement establishes an endowment from unrestricted funds to ensure a strong future for the organization by planning for a continuous stream of income to help finance operations. These funds are unrestricted. The board designated this endowment during the year ended June 30, 2016.

The following table presents the activity of the Endowment for the year ended June 30, 2017:

Endowment net assets, beginning of year	\$ 2,701,442
Appropriation from general unrestricted funds to Board-designated endowment	3,754,856
Investment return:	
Unrealized gain	344,673
Dividends and interest	73,075
Realized (loss)	(10,473)
	<u>407,275</u>
Endowment net assets, end of year	<u>\$ 6,854,573</u>

**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 6: SPECIAL EVENTS**

GDA engaged in various fund raising activities. The following is a summary of these events' revenues and expenses for the year ended June 30, 2017.

	<u>Revenue</u>	<u>Expenses</u>	<u>Net revenue</u>
Annual fundraiser	\$ 992,072	\$ 307,223	\$ 684,849
Other fundraising activities	627,479	65,925	561,554
Total special event income, net	\$ <u>1,619,551</u>	\$ <u>373,148</u>	\$ <u>1,246,403</u>

**NOTE 6: PENSION**

GDA is a contributing employer to the IAM National Pension Fund. This is a multiemployer plan, a defined pension plan covering substantially all of the GDA's employees. Pension benefits are based on years of past and expected future service years. IAM is solely responsible for any obligation or unfunded pension obligation. The pension plan is on a calendar year reporting basis. The annual funding notice indicated that as of January 1, 2016 (valuation date) the plan was 95.9% funded. The current contribution rate to pension is \$3.60 per hour for each employee in a job classification covered by the collective bargaining agreement. The employees are accepted for participation with no past service credit. Plan contributions for the year ended June 30, 2017 were \$277,355.

**NOTE 7: CONCENTRATIONS**

*Workforce:* The majority of GDA's workforce are covered under a collective bargaining agreement with IAM. This agreement, among other things, governs compensation, benefits, and worker's rights.

*Major Contributors:* Contributions from bequests includes one contribution from an estate in the amount of approximately \$1,300,000 which was 27% of the total contributions from bequests for the year ended June 30, 2017.



**GUIDE DOGS OF AMERICA**  
**Notes To Financial Statements**  
**Year Ending June 30, 2017**

**NOTE 8: SUBSEQUENT EVENTS**

In preparing these financial statements, Management has evaluated events and transactions for potential recognition or disclosure in the financial statements through October 31, 2017, the date the financial statements were available to be issued.

On September 1, 2017, GDA renewed its collective bargaining agreement with the Union.