

**GUIDE DOGS FOR THE BLIND, INC.**

**FINANCIAL STATEMENTS**

June 30, 2018 and 2017

GUIDE DOGS FOR THE BLIND, INC.

FINANCIAL STATEMENTS

June 30, 2018 and 2017

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## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Directors  
Guide Dogs for the Blind, Inc.  
San Rafael, California

**Report on the Financial Statements**

We have audited the accompanying financial statements of Guide Dogs for the Blind, Inc. (the "Organization"), which comprise the statements of financial position as of June 30, 2018 and 2017 and the related statements of activities and changes in net assets, functional expenses and cash flows for the years 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 audits. We conducted our audits 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 from 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.

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(Continued)

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guide Dogs for the Blind, Inc. as of June 30, 2018 and 2017 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.

*Crowe LLP*  
Crowe LLP

San Francisco, California  
September 28, 2018

GUIDE DOGS FOR THE BLIND, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2018 and 2017  
(in thousands)

	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 6,993	\$ 993
Accounts receivable	1	1
Notes receivable, current portion	45	45
Pledges receivable, current portion	783	816
Prepaid expenses and other assets	<u>953</u>	<u>1,364</u>
Total current assets	<u>8,775</u>	<u>3,219</u>
Long term assets:		
Notes receivable, net of current portion	91	136
Pledges receivable, net of current portion	2,070	1,678
Investments	378,717	363,962
Planned gifts	7,696	9,290
Property, plant and equipment, net	<u>35,677</u>	<u>30,964</u>
Total long term assets	<u>424,251</u>	<u>406,030</u>
Total assets	<u>\$ 433,026</u>	<u>\$ 409,249</u>
<b>LIABILITIES AND NET ASSETS</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 4,482	\$ 2,921
Equipment lease payable, current portion	<u>266</u>	<u>102</u>
Total current liabilities	<u>4,748</u>	<u>3,023</u>
Long term liabilities:		
Obligations under annuity agreements	3,567	4,146
Equipment lease payable	359	345
Loan payable, net of deferred loan issuance costs	<u>15,465</u>	<u>10,938</u>
Total long term liabilities	<u>19,391</u>	<u>15,429</u>
Total liabilities	<u>24,139</u>	<u>18,452</u>
Net assets:		
Unrestricted net assets:		
Board designated for lifetime support of current and future clients and infrastructure replacement	361,443	347,217
Other unrestricted	26,040	21,691
Temporarily restricted	9,767	10,441
Permanently restricted	<u>11,637</u>	<u>11,448</u>
Total net assets	<u>408,887</u>	<u>390,797</u>
Total liabilities and net assets	<u>\$ 433,026</u>	<u>\$ 409,249</u>

See accompanying notes to financial statements.

GUIDE DOGS FOR THE BLIND, INC.  
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
Years ended June 30, 2018 and 2017  
(in thousands)

	2018				2017			
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Revenue and support:								
Fundraising:								
Bequests and trusts	\$ 18,811	\$ 152	\$ 188	\$ 19,151	\$ 14,526	\$ 488	\$ 900	\$ 15,914
Contributions	7,543	1,285	1	8,829	6,775	1,391	6	8,172
Special campaigns	4,604	1,336	-	5,940	2,591	461	-	3,052
Special events	818	-	-	818	1,503	-	-	1,503
Less: Special event costs	(448)	-	-	(448)	(774)	-	-	(774)
Total fundraising	<u>31,328</u>	<u>2,773</u>	<u>189</u>	<u>34,290</u>	<u>24,621</u>	<u>2,340</u>	<u>906</u>	<u>27,867</u>
Other income:								
Investment income, net	26,383	235	-	26,618	40,965	1,348	-	42,313
Change in value of planned gifts	-	(1,015)	-	(1,015)	-	638	-	638
Other	<u>205</u>	<u>-</u>	<u>-</u>	<u>205</u>	<u>679</u>	<u>-</u>	<u>-</u>	<u>679</u>
Total other income	<u>26,588</u>	<u>(780)</u>	<u>-</u>	<u>25,808</u>	<u>41,644</u>	<u>1,986</u>	<u>-</u>	<u>43,630</u>
Total revenue and support	57,916	1,993	189	60,098	66,265	4,326	906	71,497
Net assets released from restrictions	<u>2,667</u>	<u>(2,667)</u>	<u>-</u>	<u>-</u>	<u>4,605</u>	<u>(4,605)</u>	<u>-</u>	<u>-</u>
Total revenue, support and net assets released from restriction	<u>60,583</u>	<u>(674)</u>	<u>189</u>	<u>60,098</u>	<u>70,870</u>	<u>(279)</u>	<u>906</u>	<u>71,497</u>
Expenses:								
Program services	34,665	-	-	34,665	32,512	-	-	32,512
Management and general	2,022	-	-	2,022	1,773	-	-	1,773
Development	<u>5,321</u>	<u>-</u>	<u>-</u>	<u>5,321</u>	<u>5,032</u>	<u>-</u>	<u>-</u>	<u>5,032</u>
Total expenses	<u>42,008</u>	<u>-</u>	<u>-</u>	<u>42,008</u>	<u>39,317</u>	<u>-</u>	<u>-</u>	<u>39,317</u>
Change in net assets	18,575	(674)	189	18,090	31,553	(279)	906	32,180
Net assets, beginning of year	<u>368,908</u>	<u>10,441</u>	<u>11,448</u>	<u>390,797</u>	<u>337,355</u>	<u>10,720</u>	<u>10,542</u>	<u>358,617</u>
Net assets, end of year	<u>\$ 387,483</u>	<u>\$ 9,767</u>	<u>\$ 11,637</u>	<u>\$ 408,887</u>	<u>\$ 368,908</u>	<u>\$ 10,441</u>	<u>\$ 11,448</u>	<u>\$ 390,797</u>

See accompanying notes to financial statements.

GUIDE DOGS FOR THE BLIND, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
Years ended June 30, 2018 and 2017  
(in thousands)

	2018					2017				
	Total Program Services	Support Services			Total Year 2018	Total Program Services	Support Services			Total Year 2017
		Management and General	Develop- ment	Total Support Services			Management and General	Develop- ment	Total Support Services	
Expenses:										
Salaries and wages	\$ 16,072	\$ 1,001	\$ 1,697	\$ 2,698	\$ 18,770	\$ 14,894	\$ 906	\$ 1,596	\$ 2,502	\$ 17,396
Workers' compensation	645	26	50	76	721	976	36	71	107	1,083
Payroll taxes and employee benefits	4,493	198	384	582	5,075	4,170	180	343	523	4,693
Veterinary services and supplies	3,495	-	1	1	3,496	3,099	-	1	1	3,100
Transportation	1,289	46	134	180	1,469	1,112	32	121	153	1,265
Utilities and telecommu- nications	908	66	33	99	1,007	931	67	33	100	1,031
Direct mail and publications	565	15	1,779	1,794	2,359	509	9	1,721	1,730	2,239
Professional services and fees	1,331	305	832	1,137	2,468	841	197	732	929	1,770
Dog food and supplies	659	-	4	4	663	545	-	3	3	548
Maintenance and repairs	1,127	132	110	242	1,369	973	131	85	216	1,189
Insurance	427	17	32	49	476	473	17	34	51	524
Other	609	65	64	129	738	576	54	72	126	702
Postage	74	12	83	95	169	112	12	90	102	214
Student food and services	113	-	-	-	113	97	-	-	-	97
Custodian and security fees	176	11	4	15	191	182	12	4	16	198
General office expense	51	8	10	18	69	53	9	9	18	71
Interest expense	211	1	-	1	212	307	1	1	2	309
Legal fees	42	15	21	36	78	46	3	26	29	75
	<u>32,287</u>	<u>1,918</u>	<u>5,238</u>	<u>7,156</u>	<u>39,443</u>	<u>29,896</u>	<u>1,666</u>	<u>4,942</u>	<u>6,608</u>	<u>36,504</u>
Depreciation and amortization	<u>2,378</u>	<u>104</u>	<u>83</u>	<u>187</u>	<u>2,565</u>	<u>2,616</u>	<u>107</u>	<u>90</u>	<u>197</u>	<u>2,813</u>
Total functional expenses	<u>\$ 34,665</u>	<u>\$ 2,022</u>	<u>\$ 5,321</u>	<u>\$ 7,343</u>	<u>\$ 42,008</u>	<u>\$ 32,512</u>	<u>\$ 1,773</u>	<u>\$ 5,032</u>	<u>\$ 6,805</u>	<u>\$ 39,317</u>

See accompanying notes to financial statements.

GUIDE DOGS FOR THE BLIND, INC.  
 STATEMENTS OF CASH FLOWS  
 Years ended June 30, 2018 and 2017  
 (in thousands)

	<u>2018</u>	<u>2017</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 18,090	\$ 32,180
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Unrealized gain on investments, net	(11,244)	(22,641)
Realized gain on sale of investments	(11,021)	(16,205)
Realized loss on sale of property, plant and equipment	314	40
Change in value of planned gifts	1,015	(638)
Depreciation and amortization	2,565	2,813
Contributions restricted for long-term investment	(189)	(906)
Changes in operating assets and liabilities:		
Accounts receivable	-	12
Pledges receivable	(359)	777
Prepaid expenses and other assets	411	(272)
Notes receivable	45	458
Accounts payable and accrued expenses	<u>1,561</u>	<u>270</u>
Net cash provided by (used in) operating activities	<u>1,188</u>	<u>(4,112)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property, plant and equipment	(7,606)	(2,129)
Proceeds from the sale of property, plant and equipment	14	29
Purchases of investments	(66,121)	(129,178)
Proceeds from sale of investments	<u>73,631</u>	<u>133,109</u>
Net cash (used in) provided by investing activities	<u>(82)</u>	<u>1,831</u>
<b>Cash flows from financing activities:</b>		
Contributions restricted for long-term investment	189	906
Proceeds received from equipment leases	300	283
Payments on equipment leases	(122)	(43)
Proceeds from issuance of new loan payable	4,527	10,938
Payments on loan payable	<u>-</u>	<u>(9,431)</u>
Net cash provided by financing activities	<u>4,894</u>	<u>2,653</u>
Increase in cash and cash equivalents	6,000	372
Cash and cash equivalents, beginning of the year	<u>993</u>	<u>621</u>
<b>Cash and cash equivalents, end of the year</b>	<u>\$ 6,993</u>	<u>\$ 993</u>
Cash paid during the year:		
Interest	\$ 250	\$ 332

See accompanying notes to financial statements.



GUIDE DOGS FOR THE BLIND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017  
(amounts in thousands)

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**NOTE 1 – ORGANIZATION AND OPERATIONS**

For 76 years, Guide Dogs for the Blind, Inc.'s (GDB) goal has remained the same: to increase independence, mobility, safety, and inclusion for individuals who are blind or have low vision. GDB is able to achieve this goal thanks to a passionate community of staff, donors, and volunteers. In fact, since GDB's founding in 1942, our amazing community has helped support the creation of more than 14,000 guide dog teams throughout the US and Canada. GDB is the largest guide dog school in North America and the second largest in the world.

GDB provides all services to its clients, to the 295 guide teams trained this year, and to its 2,125 active alumni free of charge. GDB receives no government funding, rather relies solely on donations from individuals, foundations, and corporations. Its support comes in the form of contributions, bequests and earnings from a Board Designated Endowment. The Board Designated Endowment was created to ensure that GDB will have sufficient means to support its alumni throughout their lifetimes. Because the commitment to GDB's alumni extends well beyond providing a trained guide dog, GDB manages the endowment in a prudent way to ensure that it will be able to create exceptional partnerships between people, dogs, and communities for many years to come. Combined, earnings from the endowment and annual fundraising equip GDB to continue to introduce industry leading programs and services, deliver superior service, and enhance the lives of individuals within the ever evolving visually impaired community.

GDB's primary operations are located on its campuses in San Rafael, California, and Boring, Oregon. GDB puppies are whelped from the school's own breeding stock on its California campus. The approximately 200 breeding stock dogs live in the homes of volunteer custodians who provide day-to-day care. After careful research and planning, dogs are bred and approximately 860 puppies are whelped each year. When the puppies are approximately 8 weeks old, they are placed in the home of one of GDB's 2,000 puppy-raising volunteers organized in circa 180 puppy clubs spread throughout ten Western States and Texas. These volunteers nurture and prepare the puppies for their eventual training as guide dogs. The dogs are returned from the puppy raiser homes to either the California or Oregon campus when they are between 15 and 17 months old. Once the dogs are returned to the school, they spend 12 weeks in formal guide work training with professional instructors. At the conclusion of this training, the dogs are matched with their blind or visually impaired partners and spend two weeks training on one of GDB's campuses. In addition, GDB also offers in-home training to about 10% of those applicants who are unable to travel to the GDB facilities for formal training. Graduation ceremonies mark the completion of training. Puppy raisers are invited to the graduation ceremonies to celebrate the life-changing partnerships they helped create.

Dogs that do not go on to serve as guide dogs may become breeding stock dogs or are specially selected for adoption by families with blind or visually impaired children as part of GDB's K9 Buddy Program. Other dogs are often adopted and retrained by outside organizations to assist people with hearing loss, diabetes, epilepsy or other disabilities, or for cancer detection, or pet therapy. Additionally, some dogs become pets in the homes of puppy raisers or are placed as pets by GDB with adopters from the general public.

GDB is the only guide dog school in the United States whose commitment to their alumni extends well beyond their graduation date through its Alumni Association, Client Services, and Veterinary Financial Assistance Program. After graduation, GDB provides formal, structured follow-up services, which include annual visits to ensure the team is working effectively, and offers consultation to assist with advocacy, veterinary care and any other services as needed. GDB also provides one-on-one training assistance to alumni who need help transitioning their new guide dog into their home life. Most guide dogs work until they are about 8 to 10 years old. When their guide dog is ready for retirement, GDB assists each individual in making a successful transition.

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(Continued)

GUIDE DOGS FOR THE BLIND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017  
(amounts in thousands)

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**NOTE 1 – ORGANIZATION AND OPERATIONS** (Continued)

GDB provides financial support for veterinary care as needed to over 4,000 program dogs including puppies, active breeding dogs, dogs in training, active guides and retired guides adopted by graduates by six in-house veterinarians and a network of over 2,000 outside veterinarians. Veterinary financial assistance is offered to all graduates to cover the cost of their dogs' health needs whether it is for routine or sudden emergency care.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation: The financial statements have been prepared on the accrual basis of accounting which recognizes revenue and support when earned and expenses when incurred.

The financial statement presentation follows the guidance of Financial Accounting Standards Board (the "FASB") *Accounting Standards Codification*<sup>™</sup> ("ASC") 958 - 205, *Not-for-Profit Entities – Presentation of Financial Statements* ("ASC 958 – 205"). Under ASC 958 – 205, the Organization is required to report information regarding its financial position and activities classified as permanently restricted, temporarily restricted, and unrestricted net assets with the change in each of these classes of net assets to be presented in the statements of activities and changes in net assets.

*Unrestricted Net Assets* – The portion of net assets that is neither temporarily restricted nor permanently restricted by donor-imposed stipulations. The Board of Directors has established a quasi-endowment fund for long-term investment and future needs of GDB. This fund was established to ensure that GDB will have sufficient financial means to provide services to its graduates throughout their lifetimes. These funds, generated primarily from bequests, are prudently invested and subject to a spending policy established by the Board of Directors. The income from the fund provides the financial resources necessary to provide additional guides and related services at no cost to students and alumni, and to ensure the ability to service graduates for their successor dog needs, which in some cases can span periods as long as 62 years.

*Temporarily Restricted Net Assets* – The portion of net assets whose use by GDB is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of GDB.

*Permanently Restricted Net Assets* – The portion of net assets whose use by GDB is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of GDB.

Concentration of Credit Risk: GDB's financial instruments consist primarily of cash and cash equivalents, investments, receivables and planned gifts. Cash balances, may at times, exceed Federal Deposit Insurance Corporation limits on insurable amounts. GDB attempts to mitigate this risk by investing excess cash with major financial institutions.

In order to mitigate the credit market risk of investments, GDB maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the investment managers' performance. The Investment Committee of the Board retains all discretion for selection of investments. They do this primarily by choosing funds to invest in that are managed by investment managers who are responsible for investing the funds in various investment alternatives. An investment advisor is also utilized. The investment custodian is State Street Bank & Trust Company.

All receivables consist primarily of unsecured amounts due from individuals and estates. The credit risk associated with the receivables from individuals is mitigated by the number of individuals and estates comprising the receivable balance. The credit risk associated with the receivables from estates is mitigated by the legal trust or estate documents.

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(Continued)

GUIDE DOGS FOR THE BLIND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017  
(amounts in thousands)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Cash and Cash Equivalents: GDB considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Pledges Receivable: GDB evaluates the collectability of its pledges receivable on an ongoing basis and records a reserve for potential uncollectible pledges receivable. During the years ended June 30, 2018 and 2017, GDB determined that all current pledges receivable were deemed collectible. Additionally, any pledges that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value.

Investments: Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Investments received as contributions are recorded at fair value on the date of receipt. Alternative investments are valued at the net asset value per unit or percentage of ownership as reported by the funds.

Fair value of investments in stock and other equities include those held in limited partnerships and trusts that are invested in a fund of funds and their fair values are recorded at values as determined by the individual fund managers. The ultimate liquidation of these investments is restricted to certain time periods and is generally limited to sale to the fund manager or distributions from the fund. Due to the inherent uncertainty of valuation of nonmarketable and restricted investments, those estimated values may differ significantly from the values that would have been used had a ready market for the securities existed and the differences could be material. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is reflected in the statement of activities net of investment fees.

Planned Gifts: Planned gifts include gift annuities and various charitable remainder trusts which consist primarily of marketable securities.

*Gift Annuities* – GDB recognizes its remainder interest in its gift annuity fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. When GDB is the trustee of a CRT, the assets held in trust are recorded at fair value, as determined by quoted market price or other relevant valuation methods, and a corresponding liability is established to recognize the trust's future obligations. Collectibility and changes in fair value of these contributions are evaluated periodically and charged or credited to income annually. The remaining balance which is recorded as obligations under annuity agreements (\$3,101 and \$3,242 at June 30, 2018 and 2017, respectively) represents the amount of the discount for future interest and is amortized over the expected life of the donor as temporarily restricted net assets using the appropriate discount rate and applicable mortality tables.

*Charitable Remainder Trusts* – GDB is the trustee of various charitable remainder trusts. The trusts provide for the payment of distributions to the trust's beneficiaries over the trust's term or the beneficiary's lifetime. The portion of the trust attributable to the future interest of GDB is recorded in the statements of activities and changes in net assets as temporarily restricted contributions in the year the trust is established. The corresponding liability for future amounts due beneficiaries is recorded as obligations under annuity agreements (\$466 and \$904 at June 30, 2018 and 2017, respectively) at the present value of the payments using an appropriate discount rate and applicable mortality tables. GDB has not recorded its beneficial interest in several charitable remainder trusts as sufficient information is not available to value these interests.

Deferred Loan Issuance Costs: Deferred loan issuance costs have been capitalized and are being amortized using the effective interest method over the life of the loan, which is 30 years.

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(Continued)

GUIDE DOGS FOR THE BLIND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017  
(amounts in thousands)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Property, Plant and Equipment, Net: Property, plant and equipment are recorded at cost. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets which range from 3 to 50 years. GDB's policy is to capitalize property, plant and equipment expenditures or donated property, plant and equipment greater than \$5,000.

Impairment of Long-Lived Assets: GDB evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Upon such an occurrence, recoverability of assets to be held and used is measured by comparing the carrying amount of an asset to forecasted undiscounted future net cash flows expected to be generated by the asset. If the carrying amount exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Once an impairment charge is recorded, the carrying amount cannot be increased. There was no impairment recorded for the years ended June 30, 2018 and 2017.

Revenue Recognition: Contributions are recognized as revenue when they are received or unconditionally promised as prescribed by ASC 958 – 605, *Not-for-Profit Entities – Revenue Recognition* ("ASC 958 – 605"). The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor stipulation expires, that is, when a stipulated time restriction ends or the purpose is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions. Conditional promises to give are not recorded as contributions until the conditions on which they depend are substantially met.

Donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is recorded are reported as temporarily restricted contributions and net assets released from restrictions as donor restrictions are met.

GDB is the beneficiary under various wills and trust agreements. Such amounts are recognized in GDB's financial statements as bequests, receivable and planned gifts when clear title is established and the proceeds are measurable.

Contributed Services and In-Kind Donations: During the 2018 and 2017 fiscal years, approximately 28,000 and 30,100 hours of unpaid volunteers' time have been contributed to GDB's programs, respectively. The value of this contributed time is not reflected in the financial statements because there is no objective means of measurement of valuation.

GDB also receives in-kind and professional service donations, which it records at estimated fair value at the time of contribution and classified as income and expense based on the nature of the donation.

Functional Expenses: Expenses have been charged to program or supporting service classifications based on direct expenditures incurred. Any expenditure not directly chargeable is allocated among program or support service classifications based on related usage.

Reclassifications: Some items in the prior year financial statements were reclassified to conform to the current presentation. Reclassifications had no effect on prior year change in net assets or ending net assets.

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(Continued)

GUIDE DOGS FOR THE BLIND, INC.  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018 and 2017  
(amounts in thousands)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Income Taxes: GDB is a nonprofit corporation exempt from federal income taxes under Internal Revenue Code section 501(c)(3) and from State of California income taxes. Therefore, these financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities.

Accounting principles generally accepted in the United States of America prescribes recognition thresholds and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Tax benefits will be recognized only if a tax position is more-likely-than-not sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. Management has concluded that they are unaware of any tax benefits or liabilities to be recognized at June 30, 2018 or 2017.

GDB would recognize interest and penalties related to unrecognized tax benefits in interest and income tax expense, respectively. GDB has no amounts accrued for interest or penalties for the year ended June 30, 2018 or 2017. GDB does not expect the total amount of unrecognized tax benefits to significantly change in the next 12 months.

Fair Value of Financial Instruments: Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. For investments recorded at fair value not determined by using an unadjusted net asset value, GDB is required to disclose the fair value in a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The three levels of the fair value hierarchy are as follows:

*Level 1* – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

*Level 2* – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

*Level 3* – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

As of June 30, 2018 and 2017, the carrying amounts of cash and cash equivalents and accounts payable, bequests and pledges receivable, notes receivable, and loan payable approximate fair value because of the relatively short maturities of these financial instruments or the associated variable rates of interest. Additionally, planned gifts are recorded at fair value of the assets and discounted for the estimated period of the donor's life expectancy. The fair value of other financial instruments is disclosed more fully in Note 5.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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(Continued)

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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Recent Accounting Pronouncements: In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). Under the amendments in this ASU, a lessee should recognize the assets and liabilities that arise from leases. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. This ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted. GDB has not yet implemented this ASU and is in the process of assessing the effect on GDB's financial statements.

In August 2016, the FASB issued ASU No. 2016-14 - *Not-for-Profit Entities* (Topic 958). The amendments in this update affect not-for-profit entity's (NFP's) and the users of their general purpose financial statements. The amendments in this Update make certain improvements to the current net asset classification requirements and the information presented in financial statements and notes about a NFP's liquidity, financial performance, and cash flows. The amendments in the ASU are effective for annual financial statements issued for fiscal years beginning after December 15, 2017. GDB has not yet implemented this ASU and is in the process of assessing the effect on GDB's financial statements.

**NOTE 3 – PLEDGES RECEIVABLE, NET**

	<u>2018</u>	<u>2017</u>
Pledges receivable	\$ 2,906	\$ 2,530
Less: discount on pledges receivable	<u>(53)</u>	<u>(36)</u>
Pledges receivable, net	<u>\$ 2,853</u>	<u>\$ 2,494</u>

Pledges receivable represent unconditional promises to give by donors. Pledges receivable of \$2,906 and \$2,530 at June 30, 2018 and 2017, respectively, are recorded at present value using discount rates ranging between .62% - 2.99% which is reflective of market considerations as required by the ASC guidance.

As of June 30, 2018, GDB has some bequests which are in process; however, the net realizable values could not be ascertained at year end, and are therefore not recorded in the accompanying financial statements.

Pledges receivable as of June 30, 2018 consisted of the following unconditional promises to give:

<u>Years Ending</u>	<u>Amount</u>
2019	\$ 783
2020	659
2021	541
2022	485
2023	343
Thereafter	<u>95</u>
	<u>\$ 2,906</u>

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**NOTE 4 – INVESTMENT SECURITIES**

Investments include domestic and international securities as well as pooled funds, such as mutual funds, limited partnerships, fund of funds and collective trusts. The pooled funds consist of domestic and foreign securities, private investment funds, corporate convertible securities, and hedge funds. The investments in these funds may utilize derivative instruments.

	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 5,936	\$ 5,041
Unrealized gains	11,244	22,641
Realized gains	<u>11,021</u>	<u>16,205</u>
	28,201	43,887
Less: investment expense	<u>(1,583)</u>	<u>(1,574)</u>
Investment income, net	<u>\$ 26,618</u>	<u>\$ 42,313</u>

**NOTE 5 – FAIR VALUE MEASUREMENTS**

The table below presents the balances of assets measured at fair value at June 30, 2018 on a recurring basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other - NAV</u>
Cash and cash equivalents	\$ 3,753	\$ 3,753	\$ -	\$ -	-
Domestic stock	494	494	-	-	-
Domestic securities and funds:					
Large cap	26,987	-	-	-	26,987
Small-mid cap	16,152	16,152	-	-	-
International equity funds:					
Large cap	29,203	-	-	-	29,203
Emerging market	38,569	27,583	-	-	10,986
Small-mid cap	12,230	12,230	-	-	-
Large blend	25,650	25,650	-	-	-
Fixed income funds:					
Commingled fixed income	10,589	-	-	-	10,589
Mutual funds	60,235	60,235	-	-	-
Alternative investments:					
Absolute return	54,681	-	-	-	54,681
Private equity	34,509	-	-	-	34,509
Real assets	42,899	-	-	-	42,899
Natural resource	12,089	-	-	-	12,089
Venture capital	<u>10,677</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,677</u>
Investments	<u>378,717</u>	<u>146,097</u>	<u>-</u>	<u>-</u>	<u>232,620</u>
Planned gift assets:					
Cash and cash equivalents	195	195	-	-	-
Domestic securities and funds	3,524	3,524	-	-	-
International equity funds	891	891	-	-	-
Fixed income funds	<u>3,086</u>	<u>3,086</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments and planned gift assets	<u>\$ 386,413</u>	<u>\$ 153,793</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,620</u>

(Continued)

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**NOTE 5 – FAIR VALUE MEASUREMENTS** (Continued)

The table below presents the balances of assets measured at fair value at June 30, 2017 on a recurring basis:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Other - NAV</u>
Cash and cash equivalents	\$ 5,003	\$ 5,003	\$ -	\$ -	-
Domestic stock	669	669	-	-	-
Domestic securities and funds:					
Large cap	28,511	-	-	-	28,511
Small-mid cap	15,749	15,749	-	-	-
International equity funds:					
Large cap	27,457	-	-	-	27,457
Emerging market	36,832	25,896	-	-	10,936
Small-mid cap	11,190	11,190	-	-	-
Large blend	23,458	23,458	-	-	-
Fixed income funds:					
Commingled fixed income	10,856	-	-	-	10,856
Mutual funds	60,845	60,845	-	-	-
Alternative investments:					
Absolute return	54,018	-	-	-	54,018
Private equity	31,648	-	-	-	31,649
Real assets	38,149	-	-	-	38,148
Natural resource	11,855	-	-	-	11,855
Venture capital	<u>7,722</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,722</u>
Investments	<u>363,962</u>	<u>142,810</u>	<u>-</u>	<u>-</u>	<u>221,152</u>
Planned gift assets:					
Cash and cash equivalents	182	182	-	-	-
Domestic securities and funds	4,227	4,227	-	-	-
International equity funds	1,251	1,251	-	-	-
Fixed income funds	<u>3,630</u>	<u>3,630</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments and planned gift assets	<u>\$ 373,252</u>	<u>\$ 152,100</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 221,152</u>

There were no significant transfers in or out of Levels 1 and 2 during the years ending June 30, 2018 and 2017.

As of June 30, 2018 and 2017, the Other - NAV instruments listed in the fair value hierarchy table above used the following valuation techniques and inputs:

*Domestic large cap funds* – The fair value of the domestic large cap funds classified as Other - NAV is primarily determined using the calculated net asset value per share (NAV). This is a commingled fund that invests in domestic equity securities, whose underlying values are based on Level 1 inputs. The fund manager receives prices from nationally recognized pricing services based on observable market transactions.

*International equity large cap funds* – The fair value of the international large cap funds are primarily determined using the calculated NAV and as a result are classified as Other - NAV. This is a commingled fund that invests in foreign equity securities, whose underlying values are based on Level 1 inputs. The fund manager receives prices from nationally recognized pricing services based on observable market transactions.

(Continued)



GUIDE DOGS FOR THE BLIND, INC.  
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**NOTE 5 – FAIR VALUE MEASUREMENTS** (Continued)

*International equity emerging market funds* – The fair value of the international emerging market fund is determined by using a calculated NAV and as a result is classified as Other - NAV. This is a commingled fund that invests in equity and fixed income securities of developing country issuers, whose underlying values are based on Level 1 and Other - NAV inputs. The fund manager receives prices from nationally recognized pricing services based on observable market transactions.

*Commingled fixed income* – The fair value of the commingled fixed income fund classified as Other - NAV is determined by using the calculated net asset value. The underlying investments are valued based on closing value on the exchange for the related security or, for over-the-counter securities, the value is determined by using the range of most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative value.

*Absolute return* – The fair value of absolute return fund investments classified as Other - NAV are determined using the calculated net asset value. The underlying investments are calculated at fair value using various techniques such as observable net asset values and market approach. Liquidity and market risk are also factored into fair value determination. The fair value of absolute return fund investments classified as Other - NAV are determined based on financial data, which is generally at an amount equal to the net asset value per share or the Fund's proportionate interest in the net assets or net equity of the portfolio funds as determined by each portfolio fund's general partner or investment manager.

*Private equity* – The fair value of the private equity investment has been estimated using the net asset value of the Guide Dog's ownership interest in partners' capital. The majority of underlying investments are in securities where reliable market quotations are not available. As a result, fair value is estimated by the General Partner and, except in circumstances considered by the General Partner, in its reasonable discretion, to require a different approach, an investment interest held by the Partnership in a private equity limited partnership is valued based on the Partnership's net asset value in the investment. The net asset values of the private equity limited partnerships have been determined in accordance with the applicable accounting guidance.

*Real assets* - The fair value of real asset investments classified as Other - NAV is determined using net asset value and consists of both redeemable and non-redeemable investments. The redeemable investment is an open-ended, perpetual life real estate investment fund. The objective of the Fund is to provide investors with access to an institutional-quality portfolio of core real estate investments throughout the United States. There is no lock up period or any other restrictions. The fair value of the non-redeemable real estate investments classified as Other - NAV has been estimated using the net asset value of Guide Dog's ownership interest in partners' capital. The values for underlying investments are fair value estimates determined either internally or by an external fund manager based upon the income, cost and sales comparison approaches of estimating property value.

*Natural resource fund* – The fair value of the natural resource investment has been estimated using the net asset value of Guide Dog's ownership interest in partners' capital. The underlying assets are recorded at fair value using net asset value. In some circumstances the estimate of fair value for underlying assets may be derived using the income approach through the calculation of discounted cash flow, with inputs such as discount rate, future production amount, and commodity pricing, or other market information, such as real estate appraisal reports.

*Venture capital* - The fair value of the venture capital investment has been estimated using the net asset value of Guide Dog's ownership interest in partners' capital. The fund invests primarily in other limited partnerships formed for the purpose of making venture capital investments in emerging growth companies. The determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions and best estimates after considering a variety of internal and external factors.

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GUIDE DOGS FOR THE BLIND, INC.  
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**NOTE 5 – FAIR VALUE MEASUREMENTS** (Continued)

GDB uses the NAV to determine the fair value of all the underlying investments which do not have readily determinable fair value.

The following table lists investments by major category, for the year ended June 30, 2018:

	2018				Redeemable Investments		
	# of Funds	Redeemable	Non-Redeemable	Total Valuation	Unfunded Commitments: Non-Redeemable	Redemption Frequency	Redemption Period Notice
Absolute return (a)	3	\$ 50,128	\$ 4,553	\$ 54,681	-	Quarterly	0-95 Days
Private equity (b)	4	-	34,509	34,509	8,106		
Real assets (c)	5	33,433	9,466	42,899	1,091	Quarterly	0-90 Days
Domestic large cap (d)	1	26,987	-	26,987	-	Daily	None
Fixed income (e)	1	10,589	-	10,589	-	Monthly	15 Days
International large cap (f)	1	29,203	-	29,203	-	Monthly	10 Days
Emerging markets (g)	1	10,986	-	10,986	-	Semi-Monthly	30 Days
Natural resource (h)	1	-	12,089	12,089	488		
Venture capital (i)	2	-	10,677	10,677	2,803		
Investments valued at NAV		161,326	71,294	232,620	12,488		
Level 1 investments		153,793	-	153,793	-		
Total investments		\$ 315,119	\$ 71,294	\$ 386,413	\$ 12,488		

The following table lists investments by major category, for the year ended June 30, 2017:

	2017				Redeemable Investments		
	# of Funds	Redeemable	Non-Redeemable	Total Valuation	Unfunded Commitments: Non-Redeemable	Redemption Frequency	Redemption Period Notice
Absolute return (a)	3	\$ 46,895	\$ 7,123	\$ 54,018	-	Quarterly	0-95 Days
Private equity (b)	4	-	31,649	31,649	11,381		
Real assets (c)	5	31,193	6,955	38,148	2,957	Quarterly	0-90 Days
Domestic large cap (d)	1	28,511	-	28,511	-	Daily	None
Fixed income (e)	1	10,856	-	10,856	-	Monthly	15 Days
International large cap (f)	1	27,457	-	27,457	-	Monthly	10 Days
Emerging markets (g)	1	10,936	-	10,936	-	Semi-Monthly	30 Days
Natural resource (h)	1	-	11,855	11,855	1,312		
Venture capital (i)	2	-	7,722	7,722	5,033		
Investments valued at NAV		155,848	65,304	221,152	20,683		
Level 1 investments		152,100	-	152,100	-		
Total investments		\$ 307,948	\$ 65,304	\$ 373,252	\$ 20,683		

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**NOTE 5 – FAIR VALUE MEASUREMENTS** (Continued)

- (a) Redeemable funds consist of offshore investment funds, investment partnerships, pooled income funds and US dollar denominated convertible securities. Non-redeemable funds seek to profit from investment opportunities that the manager believes have emerged as a result of dislocations and illiquidity in global capital markets.
- (b) Non-redeemable funds primarily invest in equity, equity related and debt obligations of corporations, partnerships, limited liability companies, and other similar entities that the managers believe are undervalued, offer an opportunity for growth if funded appropriately, and/or provide an attractive risk/return profile.
- (c) Redeemable funds are an open-ended private equity real estate fund with assets in the United States, Mexico and Canada. In addition, it consists of a common trust fund that invests in commodities futures. Non-redeemable funds are invested in real property and real estate related assets and securities.
- (d) A common trust fund that has an investment objective to approximate as closely as practicable the performance of the S&P 500 Index over a long term.
- (e) A commingled fixed income fund that invests in global debt securities across all sectors, global currencies and related derivatives. This includes allocations to both developed and emerging markets.
- (f) A trust that obtains long-term capital gains and income from a diversified portfolio of equity securities of companies ordinarily incorporated in any country other than the United States.
- (g) A common trust fund whose primary investment objective is to seek long-term capital growth with low volatility of returns and preservation of capital by investing primarily in equity, hybrid and fixed-income securities of developing country issuers.
- (h) This fund is intended to be a core component of a natural resource allocation, meaning it is expected to be constructed to meet long-term strategic (versus tactical) investment objectives. The fund's primary areas of investment are anticipated to be: natural gas and crude oil reserves, farmland, minerals and metals, and undeveloped land, including timberland.
- (i) This strategy seeks to achieve long-term capital appreciation and superior risk-adjusted net returns through equity investments. The primary strategic focus area is information technology with an early stage bias and a secondary strategic focus in healthcare and late stage technology.

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**NOTE 6 – PROPERTY, PLANT AND EQUIPMENT, NET**

Property, plant and equipment consisted of the following at June 30:

	<u>2018</u>	<u>2017</u>
Land	\$ 996	\$ 996
Land improvements	2,369	2,869
Building improvements	6,456	7,188
Buildings	46,810	45,990
Furniture and equipment	6,462	6,330
Vehicles	3,490	2,548
Communications media	159	159
Construction in progress	<u>7,732</u>	<u>2,918</u>
 Total	 74,474	 68,998
 Less: accumulated depreciation	 <u>(38,797)</u>	 <u>(38,034)</u>
 Property, plant and equipment, net	 <u>\$ 35,677</u>	 <u>\$ 30,964</u>

Depreciation expense for the years ended June 30, 2018 and 2017 amounted to \$2,565 and \$2,552, respectively.

**NOTE 7 – LOAN PAYABLE**

On December 1, 2016, GDB received a California Enterprise Development Authority (“CEDA”) Series A Tax Exempt Loan (“Series A loan”) with a par value of \$9,600. In addition, GDB received a Series B Tax Exempt Loan (“Series B loan”) with a par value up to \$20,000 which was issued by First Republic Bank to assist in funding construction of GDB’s Puppy Center. The amount outstanding on the Series A loan for both the years ended June 30, 2018 and 2017 was \$9,600. The amount outstanding on the Series B loan as of June 30, 2018, and June 30, 2017 was \$6,041 and \$1,517, respectively.

GDB is obligated to pay all debt service on the loan when due. Interest payments are due on the first of each month. The Series A and Series B loans bear variable interest, which is the greater of 1% or 67% of the LIBOR Index Rate plus .8% (2.14% and 1.51% at June 30, 2018 and 2017, respectively). On or before January 1, 2027, the rate may be converted, at GDB’s option, to fixed at the Treasury Rate through maturity of the loan. Principal payments are due beginning on February 1, 2020, continuing annually through February 1, 2047. Security for the loan includes all the personal property except the investments, restricted assets, and assets held in trust. In addition, security includes agreements not to encumber any of the real property.

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**NOTE 7 – LOAN PAYABLE** (Continued)

Future maturities of the tax-exempt loans are as follows as of June 30, 2018:

<u>Years Ending</u>	<u>Amount</u>
2019	\$ -
2020	241
2021	579
2022	579
2023	579
Thereafter	<u>13,663</u>
	\$ 15,641
Deferred loan issuance costs, net	<u>(176)</u>
	<u>\$ 15,465</u>

The loans contain covenants that GDB must comply with on a semi-annual and annual basis. At June 30, 2018, GDB was in compliance with all loan covenants.

**NOTE 8 – TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets were available for the following purpose-restricted programs or locations at June 30, 2018 and 2017:

	<u>2018</u>	<u>2017</u>
Program services	\$ 4,048	\$ 3,741
Accumulated net earnings held for endowment purposes	1,445	1,359
Planned giving	<u>4,274</u>	<u>5,341</u>
	<u>\$ 9,767</u>	<u>\$ 10,441</u>

Net assets of \$2,667 and \$4,605 were released during 2018 and 2017, respectively, in accordance with the donors' intent.

**NOTE 9 – PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets as of June 30, 2018 and 2017 of \$11,637 and \$11,448, respectively, are restricted to investment in perpetuity, the income from which is expendable to support general activities of GDB.

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**NOTE 10 – ENDOWMENTS**

GDB manages the endowment gifts under the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). The GDB endowment consists of 22 individual permanently restricted funds and a quasi-endowment established by the Board of Directors. 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. Donor-imposed restricted contributions to the funds are classified as permanently restricted net assets while net earnings activity is classified as temporarily restricted net assets until appropriated for expenditure.

Return Objectives and Risk Parameters: GDB 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 GDB 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 produce results that exceed the price and yield results of the S&P 500 and other relevant indexes while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives: To satisfy its long-term rate-of-return objectives, GDB 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).

Spending Policy and How the Investment Objectives Relate to Spending Policy: The Board-approved spending policy allows up to a 4.30% draw of the rolling 5 year average of investments and 4.35% draw of the rolling 5 year average of investments for fiscal years 2018 and 2017, respectively, as well as payouts on endowments as directed by donors and other payouts approved by the Board of Directors. Accordingly, over the long term, GDB expects the current spending policy to allow its endowment to grow annually after distributions to fund operations. This is consistent with GDB's 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. GDB's spending policy is reviewed periodically in light of economic conditions and relationship to the overall long-term benchmark.

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**NOTE 10 – ENDOWMENTS** (Continued)

The endowment net asset composition by type of fund as of June 30, 2018, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,445	\$ 11,637	\$ 13,082
Board-designated endowment fund	<u>361,443</u>	<u>-</u>	<u>-</u>	<u>361,443</u>
	<u>\$ 361,443</u>	<u>\$ 1,445</u>	<u>\$ 11,637</u>	<u>\$ 374,525</u>
Endowment net assets, beginning of year	\$ 347,217	\$ 1,359	\$ 11,448	\$ 360,024
Income	4,307	46	-	4,353
Net appreciation (realized and unrealized)	22,076	189	-	22,265
Contributions	-	-	189	189
Appropriation of endowment assets for expenditure	<u>(12,157)</u>	<u>(149)</u>	<u>-</u>	<u>(12,306)</u>
	<u>\$ 361,443</u>	<u>\$ 1,445</u>	<u>\$ 11,637</u>	<u>\$ 374,525</u>

The endowment net asset composition by type of fund as of June 30, 2017, are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ 1,359	\$ 11,448	\$ 12,807
Board-designated endowment fund	<u>347,217</u>	<u>-</u>	<u>-</u>	<u>347,217</u>
	<u>\$ 347,217</u>	<u>\$ 1,359</u>	<u>\$ 11,448</u>	<u>\$ 360,024</u>
Endowment net assets, beginning of year	\$ 312,302	\$ 1,095	\$ 10,542	\$ 323,939
Income	3,341	126	-	3,467
Net appreciation (realized and unrealized)	37,624	1,222	-	38,846
Contributions	-	-	906	906
Appropriation of endowment assets for expenditure	<u>(6,050)</u>	<u>(1,084)</u>	<u>-</u>	<u>(7,134)</u>
	<u>\$ 347,217</u>	<u>\$ 1,359</u>	<u>\$ 11,448</u>	<u>\$ 360,024</u>

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**NOTE 11 – CONTINGENCIES**

GDB is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of GDB.

**NOTE 12 – JOINT COSTS**

In 2018 and 2017, GDB incurred joint costs of \$1,217 and \$1,121, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$304 and \$490 was allocated to program services and \$913 and \$631 was allocated to development in 2018 and 2017, respectively.

**NOTE 13 – EMPLOYEE BENEFIT PLAN**

GDB has a 403(b) defined contribution plan with discretionary matching employer contributions. In 2018 and 2017, GDB contributed dollar-for-dollar matching contributions to the defined contribution plan, up to a maximum of 4% of an employees' salary. For the years ended June 30, 2018 and 2017, GDB contributed \$643 and \$611, respectively.

**NOTE 14 – SUBSEQUENT EVENTS**

GDB has evaluated the effects of all other subsequent events that have occurred subsequent to June 30, 2018 and through September 28, 2018, which is the date the financial statements were available to be issued, and has determined that there were no subsequent events that require recognition or disclosure in the financial statements or notes therein.