

Guide Dogs for the Blind, Inc.

Financial Statements

June 30, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Guide Dogs for the Blind, Inc.
San Rafael, California

Opinion

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, 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 Guide Dogs for the Blind, Inc. as of June 30, 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 Guide Dogs for the Blind, Inc. 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 these 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 Guide Dogs for the Blind, Inc.'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, including omissions, 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 Guide Dogs for the Blind, Inc.'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 Guide Dogs for the Blind, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the statements of financial position as of June 30, 2023 and 2022 and the related statements of activities for the years then ended but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Armanino^{LLP}
San Francisco, California

September 29, 2023

Guide Dogs for the Blind, Inc.
Statements of Financial Position
June 30, 2023 and 2022
(In thousands)

	2023	2022
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,884	\$ 3,786
Other receivables	459	268
Contributions receivable, current portion, net	865	874
Bequests receivable	871	650
Prepaid expenses and other assets	899	857
Total current assets	6,978	6,435
Long-term assets		
Contributions receivable, net of current portion, allowance and discount	1,586	1,667
Investments	423,942	420,692
Planned gifts	8,496	7,583
Property, plant and equipment, net	46,512	49,153
Total long-term assets	480,536	479,095
Total assets	\$ 487,514	\$ 485,530
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable, accrued expenses and other liabilities	\$ 4,275	\$ 5,317
Current portion of loans payable	1,224	1,207
Total current liabilities	5,499	6,524
Long-term liabilities		
Obligations under annuity agreements	2,890	2,663
Loans payable, net of deferred issuance costs, net of current portion	27,976	28,772
Total long-term liabilities	30,866	31,435
Total liabilities	36,365	37,959
Net assets		
Without donor restrictions		
Board-designated operating reserve for sustainability	195,722	179,607
Available for infrastructure expansion and upgrades	100,000	100,000
Available for client's successor dogs and expansion of client services	124,136	138,095
Total without donor restrictions	419,858	417,702
With donor restrictions	31,291	29,869
Total net assets	451,149	447,571
Total liabilities and net assets	\$ 487,514	\$ 485,530

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

Guide Dogs for the Blind, Inc.
Statements of Activities
For the Years Ended June 30, 2023 and 2022
(In thousands)

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue						
Fundraising						
Bequests and trusts	\$ 18,462	\$ 2,018	\$ 20,480	\$ 21,041	\$ 6,693	\$ 27,734
Contributions	13,124	4,647	17,771	12,549	4,156	16,705
Special events	1,146	-	1,146	516	-	516
Less: special event costs	(400)	-	(400)	(73)	-	(73)
Total fundraising	<u>32,332</u>	<u>6,665</u>	<u>38,997</u>	<u>34,033</u>	<u>10,849</u>	<u>44,882</u>
Other income (loss)						
Investment income (loss), net	21,764	175	21,939	(32,587)	(271)	(32,858)
Change in value of planned gifts	(415)	725	310	152	(1,281)	(1,129)
Other	574	-	574	514	-	514
Total other income (loss)	<u>21,923</u>	<u>900</u>	<u>22,823</u>	<u>(31,921)</u>	<u>(1,552)</u>	<u>(33,473)</u>
Total support and revenue	<u>54,255</u>	<u>7,565</u>	<u>61,820</u>	<u>2,112</u>	<u>9,297</u>	<u>11,409</u>
Net assets released from restriction	<u>6,143</u>	<u>(6,143)</u>	<u>-</u>	<u>3,880</u>	<u>(3,880)</u>	<u>-</u>
Total support, revenue and net assets released from restriction	<u>60,398</u>	<u>1,422</u>	<u>61,820</u>	<u>5,992</u>	<u>5,417</u>	<u>11,409</u>
Functional expenses						
Program services	45,354	-	45,354	40,749	-	40,749
Management and general	4,465	-	4,465	3,685	-	3,685
Development	8,423	-	8,423	8,266	-	8,266
Total functional expenses	<u>58,242</u>	<u>-</u>	<u>58,242</u>	<u>52,700</u>	<u>-</u>	<u>52,700</u>
Change in net assets	2,156	1,422	3,578	(46,708)	5,417	(41,291)
Net assets, beginning of year	<u>417,702</u>	<u>29,869</u>	<u>447,571</u>	<u>464,410</u>	<u>24,452</u>	<u>488,862</u>
Net assets, end of year	<u>\$ 419,858</u>	<u>\$ 31,291</u>	<u>\$ 451,149</u>	<u>\$ 417,702</u>	<u>\$ 29,869</u>	<u>\$ 447,571</u>

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

Guide Dogs for the Blind, Inc.
Statements of Functional Expenses
For the Years Ended June 30, 2023 and 2022
(In thousands)

	2023				2022			
	Program Services	Management and General	Development	Total	Program Services	Management and General	Development	Total
Functional expenses								
Salaries and wages	\$ 21,257	\$ 2,107	\$ 2,056	\$ 25,420	\$ 19,564	\$ 1,819	\$ 2,264	\$ 23,647
Payroll taxes and employee benefits	5,571	409	401	6,381	5,276	354	370	6,000
Direct response and publications	702	74	5,054	5,830	376	4	4,271	4,651
Veterinary services and supplies	4,407	-	-	4,407	3,732	1	1	3,734
Professional services and fees	1,088	810	357	2,255	1,131	730	625	2,486
Maintenance and repairs	2,259	286	98	2,643	2,042	267	120	2,429
Transportation	1,444	57	102	1,603	1,317	113	48	1,478
Utilities and telecommunications	1,354	120	48	1,522	1,091	38	55	1,184
Interest	1,034	-	-	1,034	346	-	-	346
Other	616	307	34	957	643	172	162	977
Insurance	594	42	36	672	610	35	36	681
Dog food and supplies	649	1	5	655	747	-	14	761
Postage	168	54	104	326	100	11	193	304
Custodian and security fees	291	16	6	313	285	22	8	315
Workers' compensation	216	14	13	243	185	11	11	207
Student food and services	132	-	-	132	125	-	-	125
Legal fees	6	67	52	125	7	23	32	62
General office expense	44	8	8	60	38	10	7	55
Depreciation and amortization	3,522	93	49	3,664	3,134	75	49	3,258
Total functional expenses	<u>\$ 45,354</u>	<u>\$ 4,465</u>	<u>\$ 8,423</u>	<u>\$ 58,242</u>	<u>\$ 40,749</u>	<u>\$ 3,685</u>	<u>\$ 8,266</u>	<u>\$ 52,700</u>

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

Guide Dogs for the Blind, Inc.
Statements of Cash Flows
For the Years Ended June 30, 2023 and 2022
(In thousands)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 3,578	\$ (41,291)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Unrealized (gains) losses on investments, net	(14,599)	73,400
Realized (gains) losses on sales of investments, net	2,852	(31,739)
Donations of stock	(270)	(337)
Gain on sale of property, plant and equipment	(15)	-
Change in value of planned gifts	(310)	1,129
Depreciation and amortization	3,664	3,258
Amortization of loan issuance costs	8	8
Contributions restricted for long-term investment	(112)	120
Changes in operating assets and liabilities		
Other receivables	(191)	(67)
Contributions receivable, net	(184)	(1,572)
Bequests receivable	(221)	746
Prepaid expenses and other assets	(42)	(23)
Planned gifts	(376)	40
Accounts payable, accrued expenses and other liabilities	<u>(1,042)</u>	<u>15</u>
Net cash provided by (used in) operating activities	<u>(7,260)</u>	<u>3,687</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(1,023)	(2,622)
Proceeds from sale of property, plant and equipment	15	-
Purchases of investments	(145,721)	(93,734)
Proceeds from sale of investments	<u>154,488</u>	<u>93,847</u>
Net cash provided by (used in) investing activities	<u>7,759</u>	<u>(2,509)</u>
Cash flows from financing activities		
Cash received for contributions restricted for long-term investment	386	444
Payments on loans payable	<u>(787)</u>	<u>(1,070)</u>
Net cash used in financing activities	<u>(401)</u>	<u>(626)</u>
Net increase in cash and cash equivalents	98	552
Cash and cash equivalents, beginning of year	<u>3,786</u>	<u>3,234</u>
Cash and cash equivalents, end of year	<u>\$ 3,884</u>	<u>\$ 3,786</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 975	\$ 325

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

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

1. ORGANIZATION AND OPERATIONS

Guide Dogs for the Blind, Inc. ("GDB") was founded over 80 years ago in 1942 and is the largest guide dog school in North America. GDB is more than an industry-leading guide dog school; GDB is a passionate community serving the visually impaired and more than 16,000 guide dog teams have been created since its inception.

GDB believes that everyone deserves to move through the world safely and confidently to live the life they want to live. A guide dog is so much more than a mobility tool for someone with a visual impairment. A guide dog is a partner, confidence builder, soulmate, travel companion, and social bridge. GDB's community commits to the absolute best practices in preparing dogs and clients for the guide dog lifestyle. A full complement of support services is provided to clients and includes orientation and mobility training services as well as youth services. GDB also advocates for the policy reforms that change how the world views blindness and disability because when everyone is supported by and can contribute to society, communities are stronger.

GDB is headquartered in San Rafael, California, has a campus in Boring, Oregon, and field support staff located throughout the United States and Canada. All services are provided to clients from the U.S. and Canada at no cost. GDB does not receive government assistance and its full complement of free services are funded entirely by private donations.

Guide Dog Programs

GDB is recognized as a world leader in the breeding, socialization, and training of guide dogs along with unparalleled support of its guide dog team. During the year ended June 30, 2023, GDB served up to 2,000 guide dog teams across the U.S. and Canada. Guide dog teams train and graduate from GDB's campuses in California and Oregon, and in-home client training services are also available. As part of GDB's commitment to client service and support, clients have ongoing access to on-campus veterinary services, veterinary financial assistance, dedicated field service representatives, 24/7 call-in support, an alumni association and much more.

Orientation & Mobility Immersion Program

About five years ago, GDB expanded its service offerings to include a free Orientation & Mobility Immersion ("OMI") Program. This program assists people needing to improve the travel skills that are most relevant to becoming a successful guide dog handler and also provides services to enhance the skills of current guide dogs handlers who may have experienced a change in their vision. This expanded service has trained 239 clients to date, and this year 45 clients were helped on their journey to greater safety, independence, and inclusion. GDB trained clients on both campuses as well as conducted in-home trainings to continue to build momentum for this critical program. Instructors also employed special protocols to ensure the safety of all involved.

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

1. ORGANIZATION AND OPERATIONS (continued)

K9 Buddy Program

GDB's K9 Buddy Program matches specially selected dogs, who were not suited to become guide dogs, as wonderful pets and buddies to people who are blind or visually impaired, including children and their families, and adults of all ages. A dog can contribute to the heightening of sensory development, motivating a client and enhancing self-esteem. During the year ended June 30, 2023, 27 K9 Buddy teams were created at no cost to the client or their family.

Youth Programs

While GDB's guide dog and OMI programs primarily serve adults, GDB also seeks out ways beyond its K9 Buddy Program to engage youth who are blind or visually impaired. GDB has several free programs that provide youth and their families an opportunity to explore the guide dog lifestyle starting at a young age.

At Camp GDB, participants explore the companionship, independence, and responsibility of having a guide dog. Campers experienced hands-on fun and unique activities with dogs and learned why orientation and mobility ("O&M") skills are so important for a successful partnership with a guide dogs. GDB hosted two in-person camps this year with participants ranging from ages 14 to 24. Both camps took place at the Hull Park Foundation & Learning Center for the Blind & Visually Impaired in Sandy, Oregon, with outings to GDB's Oregon campus and activities including hiking, river rafting, and archery.

GDB also launched a new monthly webinar series called "Ready, Set, FORWARD!". This series of webinars is designed to assist youth and young adults by providing information from a panel consisting of guide dog users, GDB staff members, parents, and blindness professionals. The topic covered included information about cane usage, the guide dog lifestyle, and K9 Buddy partnerships to ensure a full breadth of options was provided. 10 to 20 participants ranging from ages 14 to 24 registered each month.

Advocacy efforts

GDB's Advocacy team is leading the industry with innovative advocacy initiatives. GDB, partnering with the American Foundation for the Blind, has completed a first of its kind blindness research project, and results were shared via press releases, reports, and at in-person presentations including the International Guide Dog Federation Conference in Vancouver, British Columbia. Through direct contact with airlines and airports, the Federal Department of Transportation Civil Aviation, GDB continues to facilitate communication and provide information to improve guide dogs handlers' access to air travel. GDB was also proud to co-sponsor California legislation to address the negative impact of fraudulent services animals while protecting public access rights for people with legitimate service animals like guide dogs. The bill became law in September 2021. GDB also continues to work with service animal advocates in other states to design legislation akin to California legislation.

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

1. ORGANIZATION AND OPERATIONS (continued)

Support network

GDB's partnerships with thousands of passionate volunteers who donate their time, talents, and hearts are what make GDB's mission a reality. GDB has up to 2,000 volunteer puppy raisers in the 10 western states, several hundred Breeder Custodians and foster care volunteers, and averages nearly 800 campus volunteers each year. Volunteers welcome dogs into their homes; they act as program ambassadors; they provide administrative support to many departments, and they support the mission in a myriad of ways.

GDB's generous private donors help GDB fulfill its life-changing mission through general contributions, grants, honor and memorial gifts, bequests, and numerous estate planning vehicles. Donors are recognized for their commitment to GDB through giving societies, dedicated to those who have made a substantial contribution. GDB's Legacy Society honors the vision of those who have included GDB in their estate plans.

GDB is a 501(c)(3) nonprofit, charitable organization. All donations are fully tax deductible.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting and financial statement presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") which recognizes support and revenue when earned and expenses when incurred.

Net assets and changes therein are classified as follows:

- *Net assets without donor restrictions* - net assets not subject to donor-imposed stipulations. Net assets without donor restrictions includes a board-designated operating reserve for sustainability and funds available for infrastructure expansion and upgrades, client's successor dogs and funds generally available for program services. The Board of Directors (the "Board") defined the operating reserve for sustainability as three years of expenses in the upcoming fiscal year budget.
- *Net assets with donor restrictions* - 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, as well as net assets subject to donor-imposed stipulations that required they be maintained in perpetuity. Net assets with donor restrictions also include the portion of donor-restricted endowment earnings that have not yet been appropriated for expenditure by GDB.

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 utilizes an outside chief investment officer ("OCIO") model rather than retaining all discretion for selection of investments. The OCIO is responsible for making investment decisions within the parameters of the formal investment policy and the Investment Committee of the Board monitors the performance of the OCIO.

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 comprising the receivable balance. The credit risk associated with the receivables from estates is mitigated by the legal trust or estate documents.

As of June 30, 2023 and 2022, three donors accounted for approximately 98% and two donors accounted for approximately 93% of GDB's outstanding contributions receivable, respectively. As of June 30, 2023 and 2022, two individuals accounted for 100% and one individual accounted for 100% of GDB's outstanding bequests receivable, respectively. During the years ended June 30, 2023 and 2022, one individual accounted for approximately 12% and two individuals accounted for approximately 42% of bequests and trusts revenue, respectively.

Cash and cash equivalents

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

Contributions receivable

GDB evaluates the collectability of its contributions receivable on an ongoing basis and records a reserve for potential uncollectible contributions receivable. At June 30, 2023 and 2022, the allowance for doubtful contributions receivable amounted to \$75 and \$95, respectively. Additionally, any contributions that are expected to be collected after one year have been discounted and are reflected in the financial statements at their net present value.

Bequests receivable

Bequest revenue is recognized when cash is received or when clear title has been established and the proceeds are measurable. Receivables are recorded for the period ended as long as notice was received prior to the period end.

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

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 statements of activities net of investment expenses. Investment income or loss is classified as increases or decreases in net assets without donor restrictions, unless their use is restricted by the donor.

Planned gifts

Planned gifts include gift annuities and various charitable remainder trusts ("CRTs") which consist primarily of marketable securities.

Gift Annuities - GDB recognizes its remainder interest in its gift annuity fund as contribution revenue with donor restrictions in the period in which the assets are received from the donor. When GDB is the trustee of a gift annuity fund, 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. Collectability 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 (\$2,710 and \$2,454 at June 30, 2023 and 2022, respectively) represents the amount of the discount for future interest and is amortized over the expected life of the donor as net assets with donor restrictions using the appropriate discount rate and applicable mortality tables.

Charitable Remainder Trusts - GDB is the trustee of various CRTs. The CRTs provide for the payment of distributions to the CRT's beneficiaries over the CRT's term or the beneficiary's lifetime. The portion of the CRT attributable to the future interest of GDB is recorded in the statements of activities as contribution revenue with donor restrictions in the year the CRT is established. The corresponding liability for future amounts due to beneficiaries is recorded as obligations under annuity agreements (\$180 and \$209 at June 30, 2023 and 2022, respectively) at the present value of the payments using an appropriate discount rate and applicable mortality tables.

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Amortization of the loan issuance costs is charged to interest expense. These capitalized costs are offset against the corresponding loans payable on the statements of financial position.

Property, plant and equipment

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 \$10,000.

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, 2023 and 2022.

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"). GDB reports gifts of cash and other assets as support with donor restrictions 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restriction. Conditional promises to give are not recorded as contributions until they become unconditional; that is when the barrier has been overcome and right of release/right of return no longer exists.

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

Guide Dogs for the Blind, Inc.
Notes to Financial Statements
June 30, 2023 and 2022
(In thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed services and in-kind donations

During the years ended June 30, 2023 and 2022, approximately 23,000 and 20,000 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 as these services do not meet the criteria for recognition.

GDB also receives in-kind and professional service donations. In-kind donations of goods are recorded based on the estimated fair value at the date the contribution is made. Professional service donations are recognized as contribution revenue at the fair value of those services, if the services (a) create or enhance non-financial assets, or (b) require specialized skills that are provided by individuals possessing those skills, and would be purchased if not donated. In-kind donations for the years ended June 30, 2023 and 2022 totaled \$343 and \$269, respectively, and are classified as contributions and expense on the statements of activities based on the nature of the donation.

Functional expenses

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

Advertising costs

GDB's policy is to expense advertising costs as the costs are incurred. Advertising costs totaled \$121 and \$134 for the years ended June 30, 2023 and 2022, respectively, and are included in direct response and publications on the statements of functional expenses.

Income taxes

GDB is a nonprofit corporation exempt from Federal income and California franchise taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code and 23701(d) of the California Revenue and Taxation Code, respectively. Therefore, these financial statements contain no provision for such taxes. Informational returns are filed annually with federal and state taxing authorities.

GDB recognizes the effect of income tax positions only if those positions are more likely than not of being sustained, and changes in recognition or measurement are reflected in the period in which the change in judgment occurs. GDB has evaluated its current tax positions and has concluded that as of June 30, 2023 and 2022, it does not have any significant uncertain tax positions for which a reserve would be necessary.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 for the asset or liability. Unobservable inputs reflect GDB's own assumptions about the assumptions market participants would use in pricing the asset or liability (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include GDB's own data.

Use of estimates

The preparation of financial statements in conformity with U.S. 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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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Change in accounting principle

In February 2016, the Financial Accounting Standards Board ("FASB") issued 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 statements of financial position. 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. GDB adopted the standard effective July 1, 2022 and recognized and measured leases existing at, or entered into after, July 1, 2022, with certain practical expedients available. GDB has elected not to recognize ROU assets and lease liabilities for short term leases and instead records them in a manner similar to operating leases under legacy leasing guidelines. A short-term lease is one with a maximum lease term of 12 months or fewer and does not include a purchase option that the lessee is reasonably certain to exercise. The adoption of the new lease accounting guidance had no material impact on GDB's financial statements as GDB maintains no lease agreements with terms in excess of 12 months.

Subsequent events

GDB has evaluated subsequent events through September 29, 2023, the date the financial statements were available to be issued, and has determined no subsequent events have occurred that would have a material impact on the presentation of GDB's financial statements.

3. CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable represent unconditional promises to give by donors. Contributions receivable expected to be collected after one year are recorded at present value using discount rates ranging between 0.94% and 4.47%, which is reflective of market considerations.

Contributions receivable, net consisted of the following:

	<u>2023</u>	<u>2022</u>
Receivable in less than one year	\$ 889	\$ 909
Receivable in one to five years	<u>1,686</u>	<u>1,750</u>
	2,575	2,659
Less: discount on contributions receivable	(49)	(23)
Less: allowance for doubtful contributions receivable	<u>(75)</u>	<u>(95)</u>
	<u>\$ 2,451</u>	<u>\$ 2,541</u>

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4. INVESTMENTS

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.

Investments consisted of the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 119	\$ 215
Domestic securities and funds	105,611	81,591
International equity funds	79,051	93,345
Fixed income funds	127,043	122,882
Alternative investments	<u>112,118</u>	<u>122,659</u>
	<u>\$ 423,942</u>	<u>\$ 420,692</u>

Investment income (loss), net consisted of the following:

	<u>2023</u>	<u>2022</u>
Interest and dividend income	\$ 11,153	\$ 9,844
Unrealized gains (losses), net	14,599	(73,400)
Realized gains (losses), net	<u>(2,852)</u>	<u>31,739</u>
	22,900	(31,817)
Less: investment expense	<u>(961)</u>	<u>(1,041)</u>
	<u>\$ 21,939</u>	<u>\$ (32,858)</u>

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5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, GDB's assets at fair value as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Cash and cash equivalents	\$ 119	\$ -	\$ -	\$ 119
Domestic securities and funds	105,611	-	-	105,611
International equity funds	79,051	-	-	79,051
Fixed income funds	<u>127,043</u>	-	-	<u>127,043</u>
	311,824	-	-	311,824
Planned gifts	<u>-</u>	<u>-</u>	<u>8,496</u>	<u>8,496</u>
	<u>\$ 311,824</u>	<u>\$ -</u>	<u>\$ 8,496</u>	320,320
Investments measured at net asset value				<u>112,118</u>
				<u>\$ 432,438</u>

The following table sets forth by level, within the fair value hierarchy, GDB's assets at fair value as of June 30, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
Investments				
Cash and cash equivalents	\$ 215	\$ -	\$ -	\$ 215
Domestic securities and funds	81,591	-	-	81,591
International equity funds	93,345	-	-	93,345
Fixed income funds	<u>122,882</u>	-	-	<u>122,882</u>
	298,033	-	-	298,033
Planned gifts	<u>-</u>	<u>-</u>	<u>7,583</u>	<u>7,583</u>
	<u>\$ 298,033</u>	<u>\$ -</u>	<u>\$ 7,583</u>	305,616
Investments measured at net asset value				<u>122,659</u>
				<u>\$ 428,275</u>

There were no significant transfers in or out of Levels 1, 2 or 3 during the years ending June 30, 2023 and 2022.

GDB uses the net asset value ("NAV") to determine the fair value of all the underlying investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

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5. FAIR VALUE MEASUREMENTS (continued)

The following table lists GDB's investments measured at NAV by major category as of June 30, 2023:

Strategy	NAV in Funds	# of Funds	Redeemable	Non- Redeemable	Amount of Unfunded Commitments	Redemption Term	Redemption Restrictions
Absolute return	\$ 394	1	\$ -	\$ 394	\$ -	N/A	Non-redeemable
Private equity	37,865	4	-	37,865	11,924	N/A	Non-redeemable
Real assets	3,213	4	-	3,213	868	N/A	Non-redeemable
Natural resource	7,963	1	-	7,963	338	N/A	Non-redeemable
Venture capital	22,861	2	-	22,861	308	N/A	Non-redeemable
Hedge fund	39,822	1	-	39,822	-	N/A	Non-redeemable
	<u>\$ 112,118</u>		<u>\$ -</u>	<u>\$ 112,118</u>	<u>\$ 13,438</u>		

The following table lists GDB's investments measured at NAV by major category as of June 30, 2022:

Strategy	NAV in Funds	# of Funds	Redeemable	Non- Redeemable	Amount of Unfunded Commitments	Redemption Term	Redemption Restrictions
Absolute return	\$ 511	1	\$ -	\$ 511	\$ -	N/A	Non-redeemable
Private equity	43,578	4	-	43,578	15,006	N/A	Non-redeemable
Real assets	4,915	4	-	4,915	873	N/A	Non-redeemable
Natural resource	9,192	1	-	9,192	338	N/A	Non-redeemable
Venture capital	28,910	2	-	28,910	393	N/A	Non-redeemable
Hedge fund	35,553	1	-	35,553	-	N/A	Non-redeemable
	<u>\$ 122,659</u>		<u>\$ -</u>	<u>\$ 122,659</u>	<u>\$ 16,610</u>		

6. PROPERTY, PLANT AND EQUIPMENT, NET

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

	2023	2022
Land	\$ 996	\$ 996
Land improvements	6,061	5,968
Building improvements	9,034	8,872
Buildings	68,007	68,007
Furniture and fixtures	8,349	7,549
Vehicles	3,586	3,616
Communications media	159	159
Construction in progress	478	509
	<u>96,670</u>	<u>95,676</u>
Less: accumulated depreciation and amortization	<u>(50,158)</u>	<u>(46,523)</u>
	<u>\$ 46,512</u>	<u>\$ 49,153</u>

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6. PROPERTY, PLANT AND EQUIPMENT, NET (continued)

Depreciation and amortization expense for the years ended June 30, 2023 and 2022 amounted to \$3,664 and \$3,258, respectively.

7. LINE OF CREDIT

In February 2019, GDB entered into a line of credit loan agreement with a borrowing limit of \$10,000. The principal balance on the line of credit and all accrued and unpaid interest was due on August 31, 2021. The line of credit was not renewed thereafter. The line of credit bore interest at the rate as published in the Western Edition of The Wall Street Journal as the U.S. prime rate, minus one percent (3.75% at June 30, 2022) and was secured by the right, title and interest in all of GDB's personal property except for investments, assets held in trust of others including planned gifts, and donor restricted funds. As of June 30, 2022, there was no outstanding balance on the line of credit.

8. LOANS 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 and a Series B Tax Exempt Loan ("Series B loan") with a par value up to \$20,000 both which were issued by First Republic Bank to assist in funding construction of GDB's Puppy Center. In October 2018, the original loan agreement was amended to allow GDB to receive a Series C Tax Exempt Loan ("Series C loan") with a par value up to \$3,000. The amount outstanding on the Series A loan for the years ended June 30, 2023 and 2022 was \$8,602 and \$8,844, respectively. The amount outstanding on the Series B loan as of June 30, 2023 and 2022 was \$17,963 and \$18,467, respectively. The amount outstanding on the Series C loan as of June 30, 2023 and 2022 was \$2,812 and \$2,852, respectively.

GDB's net loan issuance costs associated with the loans payable amounted to \$177 and \$184 as of June 30, 2023 and 2022, 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 loans bear variable interest, which was the greater of 1% or 67% of the LIBOR Index Rate plus 0.8% (1.55% as of June 30, 2022) through May 31, 2023. On June 1, 2023, the interest rate was amended to be the greater of 1% or the 67% of the SOFR Index Rate plus 0.8% (4.34% at June 30, 2023). 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 on the Series A loan became due beginning on February 1, 2020, and continue annually through February 1, 2047. Principal payments on the Series B loan became due beginning on August 1, 2020, and continue annually through February 1, 2047. Principal payments on the Series C loan became due beginning on February 1, 2021, and continue 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. Interest expense on the loan payable amounted to \$1,034 and included \$8 of amortized debt issuance costs.

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8. LOANS PAYABLE (continued)

The future maturities of the tax-exempt loans are as follows:

<u>Year ending June 30,</u>		
2024	\$	1,224
2025		1,224
2026		1,224
2027		1,224
2028		1,224
Thereafter		<u>23,257</u>
		29,377
Deferred loan issuance costs, net		<u>(177)</u>
	<u>\$</u>	<u>29,200</u>

The loans contain covenants that GDB must comply with on a semi-annual and annual basis. At June 30, 2023 and 2022, GDB was in compliance with all loan covenants.

9. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions consisted of the following:

	<u>2023</u>	<u>2022</u>
Restricted for a specified purpose		
Program Support	\$ 8,864	\$ 7,461
Puppy Clubs	1,568	1,463
Team Sponsors	140	265
All others	<u>300</u>	<u>195</u>
	<u>10,872</u>	<u>9,384</u>
Restricted for passage of time		
Long-term contributions receivable without donor restrictions	184	1,148
Planned gifts	6,374	5,649
Endowment earnings	<u>1,637</u>	<u>1,572</u>
	<u>8,195</u>	<u>8,369</u>
To be held in perpetuity	<u>12,224</u>	<u>12,116</u>
	<u>\$ 31,291</u>	<u>\$ 29,869</u>

Net assets of \$6,143 and \$3,880 were released during the years ended June 30, 2023 and 2022, respectively, in accordance with the donors' intent.

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10. ENDOWMENT

On February 9, 2019, the Board changed how expenses were managed from using a spending policy to the use of a budgetary method with long range planning in order to focus on a much more integrated and mission-driven approach. The spending policy for board-designated funds was eliminated and the Board defined sustainability as three years of current expenses. Three years of current expenses is now set aside in the net assets without donor restrictions. The impact of this decision was to effectively eliminate the board-designated endowment used in previous years by the Board. In eliminating the board-designated endowment, funds were re-designated to board-designated, non-endowment funds based on three years of current expenses, as well as other funds earmarked for future expenditures including infrastructure expansion and upgrades, client's successor dogs and expansion of client services. As of June 30, 2023, GDB has 27 individual donor-restricted endowment funds.

Interpretation of relevant law

The Board of GDB has interpreted the California enacted version of the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing GDB to appropriate for expenditure or accumulate so much of an endowment fund as GDB determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board. The remaining portion of the donor-restricted endowment fund that is not classified as held in perpetuity are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Return objectives and risk parameters

For donor-restricted endowment funds, GDB has adopted investment policies that will provide a predictable stream of funding to programs supported by its restricted endowments. Endowment assets include those assets of donor restricted funds that GDB must hold in perpetuity.

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

For the years ended June 30, 2023 and 2022, the Board of GDB used specified donor restrictions or, where there were no specified donor restrictions, UPMIFA for managing its restricted endowments. Under UPMIFA, up to 7% of a rolling 5 year average may be appropriated for expenditures. The actual spending is reviewed periodically in light of economic conditions and relationship to the overall long term investment benchmarks.

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10. ENDOWMENT (continued)

Funds with deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires GDB to retain as a fund of perpetual duration. There were no such deficiencies as of June 30, 2023 and 2022.

Endowment composition

Endowment net asset composition by type of fund as of June 30, 2023 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 13,861</u>	<u>\$ 13,861</u>

Endowment net asset composition by type of fund as of June 30, 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 13,688</u>	<u>\$ 13,688</u>

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10. ENDOWMENT (continued)

Endowment composition (continued)

Changes in endowment net assets for the fiscal years ended June 30, 2023 and 2022 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Balance, June 30, 2021	\$ -	\$ 13,966	\$ 13,966
Interest and dividends	-	48	48
Net depreciation (realized and unrealized)	-	(319)	(319)
Contributions	-	112	112
Appropriation of endowment assets	-	(119)	(119)
	<u>-</u>	<u>(278)</u>	<u>(278)</u>
Balance, June 30, 2022	<u>-</u>	<u>13,688</u>	<u>13,688</u>
Interest and dividends	-	89	89
Net appreciation (realized and unrealized)	-	86	86
Contributions	-	108	108
Appropriation of endowment assets	-	(110)	(110)
	<u>-</u>	<u>173</u>	<u>173</u>
Balance, June 30, 2023	<u>\$ -</u>	<u>\$ 13,861</u>	<u>\$ 13,861</u>

11. CONTRIBUTED SERVICES AND IN-KIND DONATIONS

Contributed services and in-kind donations recognized as contributions and expense in the statements of activities consisted of the following:

	<u>2023</u>	<u>2022</u>
Vet services	\$ 220	\$ 174
Donated canine medicine	57	64
Media and other	66	31
	<u>\$ 343</u>	<u>\$ 269</u>

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11. CONTRIBUTED SERVICES AND IN-KIND DONATIONS (continued)

Contributed services and in-kind donation valuation techniques

Vet services, media and other in-kind donations are valued using the fair market value of the services provided. Donated canine medicine is valued using U.S. wholesale purchase prices.

Donor restrictions and contributed services and in-kind donation use

All in-kind donations are unrestricted. GDB uses vet services and donated canine medicine in their guide dog programs. Media and other are used as services and advertisement for guide dog programs and fundraising events.

12. 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.

13. JOINT COSTS

For the years ended June 30, 2023 and 2022, GDB incurred joint costs of \$1,537 and \$1,291, respectively, for informational materials and activities that included fundraising appeals. Of those costs, \$769 and \$323 was allocated to program services, \$538 and \$968 was allocated to development, and \$230 and \$0 was allocated to general for the years ended June 30, 2023 and 2022, respectively.

14. EMPLOYEE BENEFIT PLAN

GDB has a 403(b) defined contribution plan with discretionary matching employer contributions. For the years ended June 30, 2023 and 2022, 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, 2023 and 2022, GDB contributed \$932 and \$832, respectively.

15. LIQUIDITY AND FUNDS AVAILABLE

As part of GDB's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

As part of this policy, GDB holds in its investment account a board-designated operating reserve equal to at least three years of operating expenses that could be made available if needed. Spending from the board-designated operating reserve is determined by the Board on an annual basis. The Board approved budgetary draw for the years ending June 30, 2024 and 2023 is \$28,949 and \$26,584, respectively.

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15. LIQUIDITY AND FUNDS AVAILABLE (continued)

Long-term investments include both the board-designated operating reserve and donor-restricted funds. There are also certain limitations on availability of long-term investment funds totaling approximately \$112,000 and \$123,000 at June 30, 2023 and 2022, respectively, which are non-redeemable and therefore are not available to support general expenditures within one-year from the statement of financial position.

GDB's CEDA Series A, Series B, and Series C loans issued to assist in funding construction of GDB's Puppy Center are collateralized by all personal property except the investments, restricted assets, and assets held in trusts. In addition, security includes agreements not to encumber any of the real property. The loans payable balance as of June 30, 2023 and 2022 totaled \$29,377 and \$30,163, respectively. The loan agreements also specify a liquidity requirement whereby GDB is to maintain liquid assets in an amount not less than \$75,000.

Short-term contributions receivable consists of unconditional promises to give expected to be received within one year from June 30, 2023 and 2022. Short-term contributions receivable will be available to support general operations of GDB.

The following is a quantitative disclosure which describes assets that are available within one year of June 30, 2023 and 2022 to fund general expenditures and other obligations as they become due:

Financial assets available for general expenditure within one year as of June 30,:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 3,884	\$ 3,786
Other receivables	459	268
Contributions receivable, current portion, net	865	874
Bequests receivable	871	650
Board approved budgetary draw from investments	<u>28,949</u>	<u>26,584</u>
	<u>\$ 35,028</u>	<u>\$ 32,162</u>