

GUIDE DOGS FOR THE BLIND, INC.

JUNE 30, 2009

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INDEPENDENT AUDITORS' REPORT,

FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

# Guide Dogs for the Blind, Inc.

## Independent Auditors' Report, Financial Statements and Supplementary Information

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<b>Independent Auditors' Report</b>	1
<b>Financial Statements</b>	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 18
<b>Independent Auditors' Report on Supplementary Information</b>	19
Schedule of Expenses – Oregon Campus	20

**Independent Auditors' Report**

THE BOARD OF DIRECTORS  
GUIDE DOGS FOR THE BLIND, INC.  
San Rafael, California

We have audited the accompanying statement of financial position of **GUIDE DOGS FOR THE BLIND, INC., (Guide Dogs)** as of June 30, 2009, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of Guide Dogs' management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from Guide Dogs' 2008 financial statements, and, in our report dated August 28, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Hood & Strong LLP*

August 31, 2009

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# Guide Dogs for the Blind, Inc.

## Statement of Financial Position (in thousands of dollars)

<i>June 30,</i>	2009	2008
<b>Assets</b>		
<b>Cash and Cash Equivalents</b>	\$ 2,247	\$ 1,172
<b>Accounts Receivable</b>	152	527
<b>Bequests and Pledge Receivable</b>	2,905	589
<b>Prepaid Expenses and Other Assets</b>	181	227
<b>Investments</b>	230,581	303,974
<b>Planned Gifts</b>	6,869	8,035
<b>Property, Plant, and Equipment - net</b>	21,566	19,419
<b>Total assets</b>	<b>\$ 264,501</b>	<b>\$ 333,943</b>
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Accounts payable and accrued expenses	\$ 3,499	\$ 3,145
Deferred revenue	4,958	4,927
<b>Total liabilities</b>	<b>8,457</b>	<b>8,072</b>
<b>Net Assets:</b>		
Unrestricted	242,094	312,363
Temporarily restricted	5,911	6,392
Permanently restricted	8,039	7,116
<b>Total net assets</b>	<b>256,044</b>	<b>325,871</b>
<b>Total liabilities and net assets</b>	<b>\$ 264,501</b>	<b>\$ 333,943</b>

# Guide Dogs for the Blind, Inc.

## Statement of Activities (in thousands of dollars)

*Year Ended June 30, 2009 (with comparative totals for 2008)*

	2009				2008 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
<b>Revenue and Support:</b>					
Bequests and trusts	\$ 14,412	\$ 2,878	\$ 788	\$ 18,078	\$ 12,839
Dividend and interest income, net	4,729	(705)		4,024	5,129
Contributions	4,228	1,160	135	5,523	5,891
Other	1,182			1,182	1,614
Net assets released from restrictions	2,617	(2,617)			
<b>Total revenues and support</b>	<b>27,168</b>	<b>716</b>	<b>923</b>	<b>28,807</b>	<b>25,473</b>
<b>Expenses:</b>					
Program services	26,729			26,729	26,945
Management and general	1,922			1,922	2,322
Development	3,608			3,608	3,947
<b>Total expenses</b>	<b>32,259</b>			<b>32,259</b>	<b>33,214</b>
<b>Change in Net Assets from Operations</b>	<b>(5,091)</b>	<b>716</b>	<b>923</b>	<b>(3,452)</b>	<b>(7,741)</b>
<b>Other Changes:</b>					
Change in value of planned gifts		(1,197)		(1,197)	(274)
Net realized gain (loss)	(19,381)			(19,381)	23,732
Net unrealized (loss)	(45,797)			(45,797)	(44,037)
<b>Change in Net Assets</b>	<b>(70,269)</b>	<b>(481)</b>	<b>923</b>	<b>(69,827)</b>	<b>(28,320)</b>
<b>Net Assets - beginning of year</b>	<b>312,363</b>	<b>6,392</b>	<b>7,116</b>	<b>325,871</b>	<b>354,191</b>
<b>Net Assets - end of year</b>	<b>\$ 242,094</b>	<b>\$ 5,911</b>	<b>\$ 8,039</b>	<b>\$ 256,044</b>	<b>\$ 325,871</b>

## Guide Dogs for the Blind, Inc.

### Statement of Functional Expenses (in thousands of dollars)

Year Ended June 30, 2009 (with comparative totals for 2008)

	Program Services							Supporting Services			2009 Total	2008 Total	
	Dog Training and Student Instruction	Student Selection Travel and Follow-up	Veterinary Care	Food and Dormitory	Breeding and Feeding	Puppy Raising	Public Information	Total	Management and General	Development			Total
<b>Expenses:</b>													
Salaries and wages	\$ 6,860	\$ 1,780	\$ 1,164	\$ 1,302	\$ 1,825	\$ 1,090	\$ 397	\$ 14,418	\$ 1,140	\$ 1,313	\$ 2,453	\$ 16,871	\$ 16,441
Payroll taxes and employee benefits	1,700	406	267	349	462	248	69	3,501	236	287	523	4,024	3,974
Veterinary services & supplies	2		2,168	6	50	115		2,341		7	7	2,348	2,133
Transportation	136	564	18	38	20	108	14	898	42	91	133	1,031	1,060
Utilities and telecommunications	358	114	55	170	54	63	37	851	74	47	121	972	956
Publications and special events	23	51	1	3	3	92	81	254	13	1,360	1,373	1,627	1,941
Workers compensation	184	38	28	46	45	32	10	383	23	32	55	438	768
Professional services and fees	199	21	20	12	4	3	34	293	115	91	206	499	441
Dog food and supplies	240	23	1		212	41		517		25	25	542	565
Maintenance and repairs	191	114	61	86	28	32	4	516	42	36	78	594	537
Insurance	137	40	46	50	32	30	16	351	51	49	100	451	452
Other	150	34	17	20	13	21	7	262	63	31	94	356	497
Postage	17	29	3		4	13	40	106	10	35	45	151	149
Student food and services	15	9	5	158	39	3	1	230	6	10	16	246	241
Custodian and security fees	38	10	6	55	10	5		124	16	5	21	145	182
General office expense	26	25	33	31	7	15	2	139	8	12	20	159	198
Interest expense			1					1			-	1	365
Legal fees							2	2	8	56	64	66	88
	10,276	3,258	3,894	2,326	2,808	1,911	714	25,187	1,847	3,487	5,334	30,521	30,988
<b>Depreciation and Amortization</b>	674	39	85	425	269	37	13	1,542	75	121	196	1,738	2,226
<b>Total Functional Expenses</b>	<b>\$ 10,950</b>	<b>\$ 3,297</b>	<b>\$ 3,979</b>	<b>\$ 2,751</b>	<b>\$ 3,077</b>	<b>\$ 1,948</b>	<b>\$ 727</b>	<b>\$ 26,729</b>	<b>\$ 1,922</b>	<b>\$ 3,608</b>	<b>\$ 5,530</b>	<b>\$ 32,259</b>	<b>\$ 33,214</b>

The accompanying notes are an integral part of this statement.

# Guide Dogs for the Blind, Inc.

## Statement of Cash Flows (in thousands of dollars)

<i>Year Ended June 30,</i>	2009	2008
<b>Cash Flows from Operating Activities:</b>		
Change in net assets	\$ (69,827)	\$ (28,320)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Unrealized loss on investments, net	45,797	44,037
Realized (gain) loss on sale of investments	19,381	(23,732)
Realized gain on sale of fixed assets	(4)	(24)
Planned gifts	1,197	274
Depreciation and amortization	1,738	2,226
Contributions restricted for long-term investment	923	107
Changes in operating assets and liabilities:		
Accounts receivable	374	(463)
Bequests receivable	(2,316)	(332)
Prepaid expenses and other assets	46	(4)
Accounts payable and accrued expenses	357	189
<b>Net cash used by operating activities</b>	<b>(2,334)</b>	<b>(6,042)</b>
<b>Cash Flows from Investing Activities:</b>		
Purchases of property, plant and equipment	(3,885)	(2,325)
Proceeds from the sale of property	3	24
Purchases of investments	(256,049)	(469,065)
Proceeds from sale of investments	264,263	487,656
<b>Net cash provided by investing activities</b>	<b>4,332</b>	<b>16,290</b>
<b>Cash Flows from Financing Activities:</b>		
Contributions restricted for long-term investment	(923)	(107)
Payments on bonds payable		(11,425)
<b>Net cash used by financing activities</b>	<b>(923)</b>	<b>(11,532)</b>
<b>Net Increase (Decrease) in Cash and Equivalents</b>	<b>1,075</b>	<b>(1,284)</b>
<b>Cash and Equivalents - Beginning of year</b>	<b>1,172</b>	<b>2,456</b>
<b>Cash and Equivalents - End of year</b>	<b>\$ 2,247</b>	<b>\$ 1,172</b>

**Non-Cash Supplemental Data:**

Interest paid	\$ 1	\$ 365
Gift of stock certificates	\$ 299	\$ 206

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### Note 1 - Organization:

Guide Dogs for the Blind, Inc. (Guide Dogs) is an educational organization established in 1942 to provide enhanced mobility to visually impaired people by partnering them with trained guide dogs throughout their lifetime.

Guide Dog puppies are whelped from the school's own breeding stock. The 155 breeding stock dogs live in the homes of volunteer custodians who provide day-to-day care. When the puppies are approximately 8 weeks old, they are placed in the home of one of Guide Dogs 1,400 puppy-raising volunteers organized in 138 puppy clubs spread throughout the eight Western States. These volunteers nurture and prepare the puppies for their eventual training as guide dogs. The dogs are returned from the puppy raiser homes to the campus when they are between 14 and 19 months old. Once the dogs are returned to the school, they spend up to five months in formal guide work training with professional licensed instructors. At the conclusion of this training, the dogs are matched with their visually impaired partners for up to three weeks of in-residence training. Graduation ceremonies mark the completion of training, and puppy raisers officially present the guide dogs they have raised to their new partners.

Dogs that do not train 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 Guide Dogs Canine 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, therapy, law enforcement and homeland security. Additionally, many dogs become pets in the homes of puppy raisers or are placed as pets by Guide Dogs with adopters from the general public.

After graduation, Guide Dogs provides formal, structured follow-up services, which include annual visits to ensure the team is working effectively, and offers consultation to assist with advocacy and veterinary care. Veterinary care and support are provided to over 4,000 program dogs including puppies, breeding dogs, dogs in training, active guides and retired guides adopted by graduates by four 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. When their guide dog is ready for retirement, Guide Dogs assists each graduate in the transition by providing counseling services. Graduates applying for retraining with a successor Guide Dog are eligible for accelerated training.

Guide Dogs provides all services to the 824 student applicants, 343 guide teams it trained this year and to its 2,206 active graduates free of charge. Guide Dogs receives its support from contributions, bequests and earnings from its long-term investment fund. Guide Dogs accepts visually impaired students from the United States and Canada for guide dog training. Guide Dogs primary operations are located on its campuses in San Rafael, California, and Boring, Oregon.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### Note 2 - Summary of Significant Accounting Policies:

#### a. Basis of Presentation and Description of Net Assets

Guide Dogs reports information regarding its financial position and activities according to their classes of net assets: unrestricted, temporarily restricted and permanently restricted.

##### *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 Guide Dogs. This fund was established to ensure that Guide Dogs 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 graduates, and to ensure the ability to service graduates for their successor dog needs, which in some cases can span periods as long as sixty-two years.

##### *Temporarily Restricted Net Assets*

The portion of net assets whose use by Guide Dogs is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of Guide Dogs.

##### *Permanently Restricted Net Assets*

The portion of net assets whose use by Guide Dogs is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Guide Dogs.

#### b. Recognition of Revenue

Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to give to Guide Dogs. Restricted contributions and grants are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Guide Dogs is the beneficiary under various wills and trust agreements. Such amounts are recognized in Guide Dogs' 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 (amounts in thousands of dollars)

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c. Contributed Services and In-Kind Donations

Approximately 105,511 hours at June 30, 2009 of unpaid volunteers' time have been contributed to Guide Dogs' programs. The value of this contributed time is not reflected in the financial statements because there is no objective means of measurement or valuation.

Guide Dogs also receives in-kind and professional service donations, which it records at estimated fair value at the time of contribution as miscellaneous income and expense.

d. Cash and Cash Equivalents

For purposes of the statement of cash flows, Guide Dogs considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

e. 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 market value on the date of receipt.

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.

f. 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 three to forty years. Amortization of leasehold improvements is computed over the life of the related lease. Guide Dogs' policy is to capitalize property, plant and equipment expenditures or donations greater than \$2,500.

g. Planned Gifts

Planned gifts include gift annuities, pooled income fund, and various charitable remainder trusts and consist primarily of marketable securities.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### *Gift Annuities*

Guide Dogs 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. The remainder interest is calculated by taking the fair value of the assets discounted for the estimated period of the donor's life expectancy. The remaining balance which is recorded as deferred revenue (\$3,386 at June 30, 2009) 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.

### *Pooled Income Fund*

Guide Dogs recognizes its remainder interest in its pooled income fund as temporarily restricted contribution revenue in the period in which the assets are received from the donor. The remainder interest is calculated by taking the fair value of the assets discounted for the estimated period of the donor's life expectancy. The remaining balance which is recorded as deferred revenue (\$130 at June 30, 2009) 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*

Guide Dogs 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 Guide Dogs is recorded in the statement of activity as temporarily restricted contributions in the year the trust is established. The corresponding liability for future amounts due beneficiaries is recorded as deferred revenue (\$1,442 at June 30, 2009) at the present value of the payments using an appropriate discount rate and applicable mortality tables. Guide Dogs has not recorded its beneficial interest in several charitable remainder trusts as sufficient information is not available to value these interests.

#### h. Functional Expenses

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

#### i. Income Taxes

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

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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j. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates based on assumptions. Those estimates affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

k. Fair Value of Financial Instruments

Investments are stated at fair value. The carrying amount of cash and cash equivalents, receivables and prepaid expenses, accounts payable and accrued expenses and other payables approximates fair value because of the short maturities of these financial instruments.

l. Financial Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Guide Dogs' financial statements for the year ended June 30, 2008 from which the summarized information was derived.

m. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement No. 159 (FAS No. 159), *The Fair Value Option for Financial Assets and Financial Liabilities-including an amendment of FASB Statement No. 115*, (effective as of the beginning of an entity's first fiscal year that begins after November 15, 2007). This Statement permits entities to choose to measure many financial instruments and certain other items at fair value. Guide Dogs has evaluated FAS 159 and determined that it does not choose to apply it at this time.

Financial Interpretation No. 48, *Accounting for Uncertainty in Income Taxes*, (FIN 48), was issued in July 2006 and establishes standards for the recognition of income taxes for tax positions taken in income tax returns. In December 2008, a FASB Staff Position deferred the effective date for exempt organizations, permitting adoption for years beginning after December 15, 2008. Guide Dogs is not subject to income taxes due to its exempt status. All transactions are deemed related to the mission of Guide Dogs so no provision for income taxes is included in these financial statements. Prior to adoption of FIN 48, Guide Dogs will continue to evaluate its uncertain tax positions and related income tax contingencies under Statement No. 5, *Accounting for Contingencies*. SFAS No. 5 requires Guide Dogs to accrue for losses it believes are probable and can be reasonably estimated. Management does not anticipate that the adoption of FIN 48 will have a material impact on its financial position or results of operations.

## Guide Dogs for the Blind, Inc.

### Notes to Financial Statements (amounts in thousands of dollars)

#### Note 3 - Investments:

The amortized cost and estimated fair values of the major components of investment securities are as follows:

<b>June 30, 2009</b>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Stock and other equities	\$ 143,437		\$ (1,680)	\$ 141,757
Fixed income funds	45,827		(228)	45,599
Cash and cash equivalents	43,225			43,225
	<u>\$ 232,489</u>		<u>\$ (1,908)</u>	<u>\$ 230,581</u>

<b>June 30, 2008</b>	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Stock and other equities	\$ 205,468	\$ 48,224	\$ (5,405)	\$ 248,287
Fixed income funds	45,135	985	(727)	45,393
Cash and cash equivalents	10,294			10,294
	<u>\$ 260,897</u>	<u>\$ 49,209</u>	<u>\$ (6,132)</u>	<u>\$ 303,974</u>

Investments in stock and other equities include those held in limited partnerships and trusts that are invested in two funds of funds. These funds consist of foreign securities, private investment funds, corporate convertible securities, and arbitrage and equity funds. The investments in these funds may utilize derivative instruments with off-balance sheet risks. At June 30, 2009, funds were directly invested in derivative financial instruments of \$1,235.

Total Dividend and Interest income for the year ended June 30, 2009 and 2008 of \$4,024 and \$5,129, respectively, is recorded net of investment fees of \$816 and \$1,065, respectively.

Guide Dogs has future commitments of \$3,476 to limited partnerships based on projected capital calls as determined by the limited partnerships.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### Note 4 - Fair Value Measurements:

Effective July 1, 2008, Guide Dogs adopted Statement No. 157, *Fair Value Measurements*, (SFAS 157) which provides a framework for measuring fair value under generally accepted accounting principles. SFAS 157 applies to all financial instruments that are being measured and reported on a fair value basis. SFAS 157 has been applied prospectively as of the beginning of the year.

SFAS 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 - Inputs are quoted market prices (unadjusted) in active markets for identical assets or liabilities. Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable, either directly or indirectly. Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third party pricing services for identical or similar assets or liabilities.

Level 3 - Inputs are unobservable. Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying Statement of Financial Position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

#### *Investment Securities*

The fair value of investment securities is the market value based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

## Guide Dogs for the Blind, Inc.

### Notes to Financial Statements (amounts in thousands of dollars)

The table below presents the balances of assets measured at fair value at June 30, 2009 on a recurring basis.

	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 43,225	\$ 43,225		
Equity funds	97,109	59,898	\$ 37,211	
Fixed income funds	45,599	22,585	23,014	
Hedge funds	25,053			\$ 25,053
Private equity and other	19,595		5,019	14,576
Total assets measured at fair value	\$ 230,581	\$ 125,708	\$ 65,244	\$ 39,629

The following table presents changes in Level 3 instruments measured on a recurring basis for the year ended June 30, 2009. Net losses are recorded in the statement of activity.

	Total	Hedge Funds	Private Equity & Other
Balance, July 1, 2008	\$ 58,617	\$ 43,140	\$ 15,477
Realized/Unrealized (Loss)	(14,239)	(10,094)	(4,145)
Purchases and Sales	(4,749)	(7,993)	3,244
Balance, June 30, 2009	\$ 39,629	\$ 25,053	\$ 14,576

#### Note 5 - Bequests Receivable:

Guide Dogs is the beneficiary under various wills and trust agreements in which clear title has been established and the proceeds are measurable. Management believes that all bequest expectancies are collectible on or before June 30, 2010. As of June 30, 2009, Guide Dogs has some bequests which are in process, however, the net realizable value could not be ascertained at year-end, and are not recorded in the accompanying financial statements.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### Note 6 - Property, Plant, and Equipment:

Property, plant and equipment at June 30, 2009 and 2008, consist of the following:

	2009	2008
Land	\$ 1,372	\$ 1,372
Land improvements	2,035	1,921
Building improvements	5,402	5,365
Buildings	30,633	27,631
Furniture and equipment	4,997	4,780
Vehicles	2,228	2,074
Construction in progress	393	313
Communications media	463	450
	47,523	43,906
Less accumulated depreciation	25,957	24,487
	\$ 21,566	\$ 19,419

### Note 7 - Bonds Payable:

Guide Dogs issued \$14,200 in bonds to finance the construction of a training and education facility in Oregon. Adjustable Rate Revenue Bonds were issued on April 5, 1995, by the Oregon State Treasurer on behalf of the State and the State of Oregon Health, Housing, Educational and Cultural Facilities Authority (HHECFA). The bonds were secured by an irrevocable letter of credit, with Allied Irish Bank. The letter of credit expired on April 16, 2007. At that time the bond was paid and retired.

Guide Dogs issued \$11,775 in bonds to refinance bonds issued in 1995 for the construction of a training and education facility in Oregon. Adjustable Rate Revenue Bonds were issued on March 1, 2007, by the Oregon State Treasurer on behalf of the State and the State of Oregon Health, Housing, Educational and Cultural Facilities Authority. On March 20, 2008, the bond was paid in full.

For the periods ended June 30, 2009 and 2008, interest expense on the bonds totaled \$0 and \$364, respectively.

The average interest rate on the bonds for the year ended June 30, 2008 was 4.27%.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### Note 8 - Temporarily Restricted Net Assets:

Temporarily restricted net assets are available for the following time period or purpose at June 30:

	2009	2008
Planned giving	\$ 4,644	\$ 3,425
Program services	1,267	2,967
	<hr/>	<hr/>
	\$ 5,911	\$ 6,392

Net assets of \$2,617 and \$3,412 were released during 2009 and 2008, respectively, in accordance with the donors' intent.

### Note 9 - Permanently Restricted Net Assets:

Permanently restricted net assets as of June 30, 2009 and 2008 of \$8,039 and \$7,116, respectively, are restricted to investment in perpetuity, the income from which is expendable to support general activities of Guide Dogs.

### Note 10 - Endowment Fund:

The Guide Dogs endowment consists of 14 individual funds, established for a variety of purposes. Its endowment includes donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

#### *Interpretation of Relevant Law*

The Board of Directors of Guide Dogs has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Guide Dogs classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by SPMIFA.

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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In accordance with SPMIFA, Guide Dogs considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) The duration and preservation of the fund, (2) The purposes of the organization and the donor-restricted endowment fund, (3) General economic conditions, (4) The possible effect of inflation and deflation, (5) The expected total return from income and the appreciation of investments, (6) Other resources of the organization, (7) The investment policies of the organization.

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the level that the donor or SPMIFA requires Guide Dogs to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in unrestricted net assets are \$1,046 as of June 30, 2009.

### *Return Objectives and Risk Parameters*

Guide Dogs 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 Guide Dogs 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. Guide Dogs expects its endowment funds, over time, to provide an average rate of return of approximately eight percent annually. Actual returns in any given year may vary from this amount.

### *Strategies Employed for Achieving Objectives*

To satisfy its long-term rate-of-return objectives, Guide Dogs 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). Guide Dogs targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

### *Spending Policy and How the Investment Objectives Relate to Spending Policy*

Guide Dogs is reinvesting all interest and gain associated with its endowments. Accordingly, over the long term, Guide Dogs expects the current spending policy to allow its endowment to grow at an average of three percent annually after distributions to fund operations. This is consistent with Guide Dogs 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.

## Guide Dogs for the Blind, Inc.

### Notes to Financial Statements (amounts in thousands of dollars)

In 2009, Guide Dogs implemented FSP FAS 117-1 “Endowments of Not-for-Profit Organizations – Net Assets Classification of Funds Subject to Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds” which was effective for fiscal years ending after December 15, 2008. The state of California adopted a version of the Uniform Prudent Management of Institutional Funds Act as its SPMIFA which is applicable to funds established on or after January 1, 2009 and funds established prior to January 1, 2009 only with respect to actions taken after January 1, 2009.

	Unrestricted Funds	Temporarily Restricted	Permanently Restricted	Total
Donor restricted endowment funds		\$ 371	\$ 8,039	\$ 8,410
Underwater endowment balance	\$ (1,046)			(1,046)
<hr/>				
Net – donor endowment funds	(1,046)	371	8,039	7,364
Board designated fund	221,277			221,277
<hr/>				
<b>Total Endowment Funds</b>	<b>\$ 220,231</b>	<b>371</b>	<b>\$ 8,039</b>	<b>\$ 228,641</b>
<hr/>				
Endowment Net Assets, beginning of year	\$ 293,892	\$ 1,131	\$ 7,116	\$ 302,139
Investment Return:				
Income	3,894	130		4,024
Net Depreciation (realized and unrealized)	(63,298)	(1,881)		(65,179)
<hr/>				
<b>Total Investment Return</b>	<b>(59,404)</b>	<b>(1,751)</b>		<b>(61,155)</b>
<hr/>				
Contributions			923	923
Appropriation of endowment assets for expenditure	(13,211)	(55)		(13,266)
<hr/>				
Subtotal before other changes	221,277	(675)	8,039	228,641
Other changes:				
Deficiencies due to investment losses transferred to non board designated net assets	(1,046)	1,046		
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Endowment Net Assets, end of year	\$ 220,231	\$ 371	\$ 8,039	\$ 228,641

# Guide Dogs for the Blind, Inc.

## Notes to Financial Statements (amounts in thousands of dollars)

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### **Note 11 - Joint Costs:**

In 2009, Guide Dogs incurred joint costs of \$755 for informational materials and activities that included fundraising appeals. Of those costs, \$566 was allocated to program services and \$189 was allocated to development in 2009.

### **Note 12 - Employee Benefit Plan:**

Guide Dogs has a 403(b) defined contribution plan with discretionary matching employer contributions. Guide Dogs contributes dollar-for-dollar matching contributions to the defined contribution plan, up to a maximum of 6 percent of an employee's salary. For the periods ended June 30, 2009 and 2008, Guide Dogs contributed \$805 and \$801.

### **Note 13 - Concentration of Credit Risk:**

Guide Dogs has identified its financial instruments which are potentially subject to credit risk. These financial instruments consist principally of cash, investments, receivables and planned gifts.

Guide Dogs invests its excess cash in cash deposits with various financial institutions. These deposits include amounts over the federally insured limits of approximately \$1,931 at June 30, 2009.

In order to mitigate credit and market risk, Guide Dogs maintains a formal investment policy that sets out performance criteria, investment guidelines and requires review of the investment managers' performance. Investments are managed by multiple investment managers, who have responsibility for investing the funds in various investment alternatives. An investment advisor is also utilized. The investment custodian is State Street Bank & Trust Company.

Assets of the pooled income fund are held by Union Bank. Assets of the gift annuities and charitable remainder trusts are held by U.S. Bank.

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.

### **Note 14 – Subsequent Events:**

Guide Dogs has reviewed the results of operations for the period of time from its fiscal year ended June 30, 2009 through the date of the independent auditors' report and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements nor subsequent events have occurred, the nature of which would require disclosure.

**Independent Auditors' Report on  
Supplementary Information**

THE BOARD OF DIRECTORS  
GUIDE DOGS FOR THE BLIND, INC.  
San Rafael, California

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole of **GUIDE DOGS FOR THE BLIND, INC.** as of and for the year ended June 30, 2009, which is presented in the preceding section of this report. The supplementary information as of and for the year ended June 30, 2009, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

*Hood & Strong LLP*

August 31, 2009

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## Guide Dogs for the Blind, Inc.

### Schedule of Expenses - Oregon Campus

Year Ended June 30, 2009

	Program Services				Support Services			Total Year 2009
	Dog Training/ Student Instruction	Veterinary Care	Food and Dormitory	Total Program Services	Management and General	Development	Total	
<b>Expenses:</b>								
Salaries and wages	\$ 3,007,804	\$ 240,952	\$ 501,624	\$ 3,750,380	\$ 28,413	48,965	77,378	\$ 3,827,759
Workers' compensation	78,647	6,323	18,130	103,100	656	1,433	2,089	105,189
Payroll taxes and employee benefits	760,190	61,296	142,776	964,263	7,582	13,483	21,065	985,327
Veterinary services and supplies	408	104,941	1,523	106,873	6		6	106,879
Transportation	73,037	7,650	13,180	93,866	2,939	2,349	5,288	99,154
Utilities and telecommunication	226,764	28,065	87,347	342,177	10,448	345	10,793	352,970
Publications and special events	13,745	449	2,361	16,555	1,614	89,672	91,287	107,841
Interest expense	240	30	94	364	11		11	375
Dog food and supplies	138,139			138,139		2,168	2,168	140,307
Maintenance and repairs	129,309	24,320	45,567	199,196	6,267	2,189	8,456	207,652
General office expense	12,707	26,927	27,651	67,285	1,260	2,124	3,383	70,668
Professional services and fees	6,509	1,569	3,681	11,759	259	2,659	2,917	14,676
Insurance	63,285	6,368	21,556	91,208	1,363	3,015	4,378	95,587
Human food and services	7,206	1,268	41,072	49,546	233	469	701	50,247
Other	38,098	1,696	594	40,388	3,842	7,369	11,212	51,600
Postage	14,344	71	12	14,427	1,791	1,803	3,594	18,021
Legal fees				-			-	
Custodian and security fees	6,298	687	33,675	40,660	358	100	459	41,118
Depreciation and amortization	425,274	36,877	170,297	632,449	27,308	35,163	62,472	694,920
<b>Total Functional Expenses</b>	<b>\$ 5,002,002</b>	<b>\$ 549,490</b>	<b>\$ 1,111,142</b>	<b>\$ 6,662,635</b>	<b>\$ 94,349</b>	<b>\$ 213,307</b>	<b>\$ 307,655</b>	<b>\$ 6,970,290</b>