

**INTERNATIONAL GUIDING EYES,
INC.**

d/b/a GUIDE DOGS OF AMERICA

(A California Nonprofit Corporation)

Audited Financial Statements

Years Ended June 30, 2019 and 2018

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Years Ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of Guide Dogs of America (A California Nonprofit Corporation), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT


(Continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Guide Dogs of America as of June 30, 2019 and 2018, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2019, Guide Dogs of America adopted new accounting guidance ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.



Valencia, California
November 15, 2019

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Statements of Financial Position
As of June 30, 2019 and 2018

	June 30,	
	2019	2018
Assets:		
Cash and cash equivalents	\$ 1,931,253	\$ 4,275,901
Investments	28,532,091	25,885,616
Bequests receivable	3,274,143	1,751,068
Other assets	349,829	182,834
Land, building, and equipment, net	12,226,116	8,694,913
Total assets	\$ 46,313,432	\$ 40,790,332
Liabilities:		
Accounts payable and accrued expenses	\$ 357,402	\$ 805,696
Total liabilities	357,402	805,696
Net assets:		
Without donor restrictions:		
- Undesignated	37,411,579	32,629,455
- Board designated	8,544,451	7,355,181
Total net assets	45,956,030	39,984,636
Total liabilities and net assets	\$ 46,313,432	\$ 40,790,332

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

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Statements of Activities
Years Ended June 30, 2019 and 2018

	June 30,	
	2019	2018
Public Support and Revenue		
Public Support		
Contributions:		
Bequests	\$ 6,100,001	\$ 2,247,327
Grants and other support	1,161,780	934,161
Individuals	553,883	485,855
Sponsorships	399,829	665,084
Workplace giving	284,292	273,042
In-kind services	220,000	200,000
Businesses	54,773	160,090
Total Public Support	8,774,558	4,965,559
Revenue		
Investment income, net	1,669,506	1,674,686
Special events, net	1,618,635	1,478,143
Total Revenue	3,288,141	3,152,829
Total Public Support and Revenue	12,062,699	8,118,388
Expenses and Losses		
Program expenses	4,911,690	4,790,686
Support Services:		
Fundraising	695,087	585,553
Management and administrative	343,598	416,507
	1,038,685	1,002,060
Loss on property disposals	140,930	-
Total expenses and loss on property disposals	6,091,305	5,792,746
Change in net assets	5,971,394	2,325,642
Net assets, beginning of year	39,984,636	37,658,994
Net assets, end of year	\$ 45,956,030	\$ 39,984,636

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

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2019

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 2,088,795	\$ 203,573	\$ 132,175	\$ 2,424,543
In-kind services	154,000	33,000	33,000	220,000
Employee benefits	560,804	54,656	35,487	650,947
Payroll taxes	169,827	16,551	10,746	197,124
Total personnel	2,973,426	307,780	211,408	3,492,614
Cleaning and janitorial	33,086	2,709	1,510	37,305
Depreciation	414,287	33,921	18,907	467,115
Dog food and supplies	93,862	-	-	93,862
Insurance	134,909	11,046	6,157	152,112
Merchandise	-	57,875	-	57,875
Occupancy	146,993	12,036	6,708	165,737
Office, computer, and supplies	93,693	7,671	4,276	105,640
Postage and shipping	38,062	3,116	1,737	42,915
Professional fees	-	-	66,623	66,623
Promo., printing, and publications	-	211,798	-	211,798
Program supplies	74,302	-	-	74,302
Repairs and maintenance	104,758	8,578	4,781	118,117
Special events - fundraising	-	464,145	-	464,145
Student training	27,096	-	-	27,096
Subscriptions, meetings, and dues	149,999	12,282	6,845	169,126
Taxes and licenses	92,293	7,557	4,212	104,062
Travel	47,939	3,925	2,188	54,052
Utilities and telephone	166,442	13,628	7,596	187,666
Vehicle	14,231	1,165	650	16,046
Veterinarian fees and supplies	306,312	-	-	306,312
Total expense by function	4,911,690	1,159,232	343,598	6,414,520
Less expense included with revenue on the Statement of Activities	-	(464,145)	-	(464,145)
Total expense included in the expense section on the Statement of Activities	\$ <u>4,911,690</u>	\$ <u>695,087</u>	\$ <u>343,598</u>	\$ <u>5,950,375</u>

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

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Statement of Functional Expenses
Year Ended June 30, 2018

	<u>Support Services</u>			<u>Total</u>
	<u>Program Services</u>	<u>Fundraising</u>	<u>Management and General</u>	
Salaries	\$ 2,165,717	\$ 185,826	\$ 156,235	\$ 2,507,778
In-kind services	135,000	33,000	32,000	200,000
Employee benefits	564,493	48,277	40,589	653,359
Payroll taxes	182,208	15,634	13,145	210,987
Total personnel	3,047,418	282,737	241,969	3,572,124
Cleaning and janitorial	30,140	2,586	2,174	34,900
Depreciation	372,531	31,964	26,874	431,369
Dog food and supplies	90,407	-	-	90,407
Insurance	151,359	12,987	10,919	175,265
Merchandise	-	98,486	-	98,486
Occupancy	109,386	9,386	7,891	126,663
Office, computer, and supplies	114,057	18,019	30,602	162,678
Postage and shipping	40,670	3,344	2,812	46,826
Professional fees	-	14,250	54,247	68,497
Promo., printing, and publications	107,865	77,515	7,781	193,161
Program supplies	33,583	-	-	33,583
Repairs and maintenance	19,788	-	5,601	25,389
Special events - fundraising	-	558,457	-	558,457
Student training	29,099	-	-	29,099
Subscriptions, meetings, and dues	120,302	8,192	8,307	136,801
Taxes and licenses	50,538	4,336	3,646	58,520
Travel	15,092	6,420	794	22,306
Utilities and telephone	161,977	13,898	11,685	187,560
Vehicle	17,237	1,433	1,205	19,875
Veterinarian fees and supplies	279,237	-	-	279,237
Total expense by function	4,790,686	1,144,010	416,507	6,351,203
Less expense included with revenue on the Statement of Activities	-	(558,457)	-	(558,457)
Total expense included in the expense section on the Statement of Activities	\$ <u>4,790,686</u>	\$ <u>585,553</u>	\$ <u>416,507</u>	\$ <u>5,792,746</u>

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

GUIDE DOGS OF AMERICA
(A California Nonprofit Corporation)
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	Year Ended June 30,	
	2019	2018
Operating activities:		
Change in net assets	\$ 5,971,394	\$ 2,325,642
<i>Non-cash transactions:</i>		
Depreciation	467,115	431,369
Net unrealized gain on investments	(713,770)	(997,433)
Donated securities	(637,079)	(531,190)
Oil rights - depletion	5,085	6,253
Loss on property disposals	140,930	-
<i>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</i>		
(Increase) decrease in:		
Bequests receivable	(1,523,075)	2,378,598
Other assets	(166,996)	(56,423)
Increase (decrease) in:		
Accounts payable and accrued expenses	(448,294)	497,569
Net cash provided by operating activities	3,095,310	4,054,385
Investing Activities:		
Purchases of investments	(3,726,033)	(8,594,978)
Building and equipment additions	(4,139,247)	(879,026)
Proceeds on sale of investments	2,425,322	5,765,149
Net cash used in investing activities	(5,439,958)	(3,708,855)
Net (decrease) increase in cash	(2,344,648)	345,530
Cash and cash equivalents, beginning of year	4,275,901	3,930,371
Cash and cash equivalents, end of year	\$ 1,931,253	\$ 4,275,901

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

GUIDE DOGS OF AMERICA
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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities:

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

The Organization enriches and inspires the lives of the blind and visually impaired through the use of professionally trained guide dogs. The Organization’s operations located in Sylmar, California include a Kennel, Guide Dog Training, Veterinarian Care, Student Relations, Puppy Program and Breeding.

The Organization’s Breeding center hosts approximately 38 adult canines for breeding and manages the placement of puppies with volunteer homes to provide day-to-day care until it is time for them to be returned to the Organization for training.

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

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

The Organization’s volunteer base has expanded to approximately 210 on campus volunteers in addition to the approximately 140 volunteers who have the Organization’s dogs in their homes. The community of volunteers provide added care to the dogs onsite along with providing assistance to the blind who are involved with the Organization.

New Accounting Pronouncement

The Organization adopted Accounting Standard Update (“ASU”) No. 2016-14 – *Not-for-Profit Entities* (Topic 958): *Presentation of Financial Statements of Not-for-Profit Entities*. This guidance is intended to improve the net asset classification requirements and the information presented in the financial statements and notes about not-for-profit entity’s liquidity, financial performance, and cash flows.

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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

New Accounting Pronouncement (Continued)

Main provisions of this guidance include presentation of two classes of net assets versus the previously required three.

The guidance also enhances disclosures for board designations amounts, composition of net assets without donor restrictions, liquidity, and expenses by both their natural and functional classification. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

Financial Statement Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

Basis of presentation-

The financial statements present information regarding the financial position and activities according to two classes of net assets: net assets without donor restrictions, and net assets with donor restrictions:

Net Assets Without Donor Restrictions: Net assets that are not subject to donor-imposed stipulations and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of the Organization's management and board of directors.

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

Contributions received, including unconditional promises to give, are recognized as revenue at their fair value in the period when the contribution becomes unconditional. Contributions and net assets are classified based on the existence or absence of donor-imposed restrictions.

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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Future Accounting Standards

The Financial Accounting Standards Board (“FASB”) has issued three substantial ASUs which will become effective in future years.

The amendments of ASU 2014-09 *Revenue from Contracts with Customers* and subsequent updates require that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Adoption of the new standard is to be applied on a full retrospective basis or modified retrospective basis. The Organization is in the process of assessing how this new ASU and subsequent updates will affect the Organization’s reporting of revenues.

The assessment includes determining the effect of the new standard on the Organization’s financial statements, accounting systems, business processes, and internal controls. Based on its assessment to date, the Organization does not currently expect the adoption to have a material effect on its revenues. Adoption of ASU 2014-09 will also require enhanced financial statement disclosures about the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers for fiscal years beginning after December 15, 2018.

In June 2018, ASU 2018-08 Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made was issued to provide guidance on the accounting and reporting of grants and contributions. This guidance will assist nonprofit organizations in evaluating if a transaction is an exchange transaction or a contribution. Clarification was also added to determine if a contribution is conditional or unconditional and how each of these should be recorded. This update is effective for transactions in which the Organization serves as the resource recipient for fiscal years beginning after December 15, 2018. The Organization is evaluating the effect that the provisions of ASU 2018-08 will have on its financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02 *Leases*. The primary change addressed by ASU 2016-02 is the requirement for a lessee to recognize on the statement of financial position a liability to make lease payments (“lease liability”) and a right-to-use asset representing its right to use the underlying asset for the lease term. ASU 2016-02 also requires qualitative and quantitative disclosures to enable users of the financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. ASU is effective for fiscal years beginning after December 15, 2020. Lessees must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The Organization is evaluating the effect that the provisions of ASU 2016-02 will have on its financial statements and related disclosures.

GUIDE DOGS OF AMERICA
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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Fixed Assets:

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

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

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

Cash and Cash Equivalents:

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

Bequests:

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

Contributed services:

Many individual volunteer their time and perform a variety of tasks that assist the Organization in running its programs. While these services are most important and noteworthy, the total value of these services does not meet the accounting requirements for recognition in the financial statements and no value has been recorded for the years ended June 30, 2019 and 2018.

Some services for the years ended June 30, 2019 and 2018, amounting to \$220,000 and \$200,000, respectively, were paid directly by the Union and were recorded as in-kind service revenue and in-kind service expense.

GUIDE DOGS OF AMERICA
(a California Nonprofit Corporation)
Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

Estimates:

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

Functional Allocation of Expenses:

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a reasonable basis that is consistently applied. The expenses are allocated on the basis of estimates of time and effort. The estimates of time are determined by employee by function and converted into a full-time equivalent factor that is applied to expenses that are allocated.

Income Taxes:

The Organization is exempt from taxes under Section 501(c) (3) of the Internal Revenue Code and from state income taxes under section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision or benefit for federal or state income taxes is recorded in the accompanying financial statements.

The Organization is subject to audit by tax authorities, including a review of its nonprofit status. The Organization's Forms 990, *Return of Organization Exempt from Income Tax* are subject to examination by the federal taxing authorities within three years from the latest filing date. Federal returns for the fiscal years ended June 30, 2016 and subsequent remain subject to examination by the Internal Revenue Service. The Organization's Forms 199 *California Exempt Organization Annual Information Return* are subject to examination by the state taxing authorities within four years from the latest filing. State tax returns for the fiscal years ending June 30, 2015 and subsequent remain subject to examination by Franchise Tax Board.

Investments

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

Reclassifications

Certain reclassifications have been made to the 2018 financial statements to conform to the 2019 financial statement presentation.

GUIDE DOGS OF AMERICA
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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 2: LIQUIDTY AND AVAILABILITY OF FINANCIAL ASSETS

As part of the Organization'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. In addition, the Organization's invests cash in excess of daily requirements in a savings account and short-term investments. The Organization's has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to generally meet 90 days of operating expenses. Cash in excess of anticipated short-term needs is transferred to the Organization's investment portfolio.

The following table reflects the Organization's financial assets available for general expenditure within one year of the date of the statement of financial position as of June 30, 2019.

Cash (Note 4)	\$	1,740,837
Investments (Note 5)		20,157,320
	\$	21,898,157

The Organization's board-designated endowment of \$8,544,451 is subject to an annual spending rate of 4%. Although the Organization does not intend to spend from the board-designated endowment, the assets could be made available to pay general expenditures if necessary (Note 6).

NOTE 3: LAND, BUILDING, AND EQUIPMENT

Land, buildings and equipment as of June 30, 2019 was comprised of:

	June 30,	
	2019	2018
Buildings	\$ 10,079,229	\$ 10,232,347
Building improvements	5,190,087	975,559
Automobiles	269,694	216,216
Computers and equipment	211,403	449,754
Furniture and fixtures	201,095	426,868
Breeding dogs	-	23,595
Total depreciable costs	15,951,508	12,324,339
Less accumulated depreciation	(4,329,096)	(5,105,439)
	11,622,412	7,218,900
Land	603,704	603,704
Renovations under construction	-	872,309
Land, building, and equipment, net	\$ 12,226,116	\$ 8,694,913

GUIDE DOGS OF AMERICA
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Notes to the Financial Statements
Years Ended June 30, 2019 and 2018

NOTE 3: LAND, BUILDING, AND EQUIPMENT (Continued)

Depreciation for the years ended June 30, 2019 and 2018 was \$467,115 and \$431,369, respectively.

NOTE 4: CONCENTRATION OF CREDIT RISK

The Organization maintains its cash balances primarily in several financial institutions. Accounts are insured by the Federal Deposit Insurance Corporation. As of June 30, 2019, uninsured cash was approximately \$988,000. The Organization has not experienced any losses in such accounts and management believes that it is not exposed to any significant credit risk of cash.

As of June 30, 2019, and 2018 the Organization's cash included the following:

	June 30,	
	2019	2018
Cash, general operating / investing (Note 2)	\$ 1,740,837	\$ 4,203,221
Cash, board directed endowment (Note 6)	190,416	72,680
	\$ 1,931,253	\$ 4,275,901

NOTE 5: INVESTMENT SECURITIES / FAIR VALUE

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

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

Level 1

Quoted prices in active markets for identical assets or liabilities.

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NOTE 5: INVESTMENT SECURITIES / FAIR VALUE (Continued)

Level 2

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

Level 3

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

The following is a description of the valuation methodologies used for assets measured at fair value on a recurring basis. The description includes an indication of the level of the fair value hierarchy in which the asset is classified.

Mutual funds: Shares held in mutual funds are valued at quoted market prices that represent the Net Asset Value (“NAV”) of shares held by the fund at years end and are classified as Level 1. The NAV is based on the value of the underlying assets owned by the fund, less its liabilities, then divided by the number of shares outstanding.

Mutual funds held by the Organization are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price and, therefore, are deemed to be actively traded and are classified as Level 1.

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

The following is a summary of investments at market value:

<u>Investment</u>	As of June 30, 2019			
	Fair Value Measuring Using			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 25,799,520	\$ -	\$ -	\$ 25,799,520
Exchange Traded Funds	2,711,835	-	-	2,711,835
Oil rights, net of depletion	-	-	20,736	20,736
	\$ 28,511,355	\$ -	\$ 20,736	\$ 28,532,091

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Notes to the Financial Statements
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NOTE 5: INVESTMENT SECURITIES / FAIR VALUE (Continued)

<u>Investment</u>	As of June 30, 2018			
	Fair Value Measuring Using			
	Level 1	Level 2	Level 3	Total
Mutual funds	\$ 23,372,311	\$ -	\$ -	\$ 23,372,311
Exchange Traded Funds	2,487,484	-	-	2,487,484
Oil rights, net of depletion	-	-	25,821	25,821
	\$ 25,859,795	\$ -	\$ 25,821	\$ 25,885,616

As of June 30, 2019, the Organization's investments include \$8,354,035 which is part of the board designated endowment fund (See Note 6).

Investments, general (Note 2)	\$ 20,157,320
Investments, board directed endowment	8,354,035
Oil rights, net of depletion	20,736
	\$ 28,532,091

As of June 30, 2018, the Organization's investments include \$7,282,501 which is part of the board designated endowment fund

Investments, general	\$ 18,557,294
Investments, board directed endowment	7,282,501
Oil rights, net of depletion	25,821
	\$ 25,885,616

Investment income for the years ended June 30, 2019 and 2018 consisted of:

	June 30,	
	2019	2018
Dividends and interest	\$ 729,740	\$ 549,362
Unrealized gains/losses	713,770	997,433
Realized gain (net)	314,858	209,544
Oil rights income, net of depletion	28,817	35,442
Management and broker expenses	(117,679)	(117,335)
Investment income, net	\$ 1,669,506	\$ 1,674,686

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NOTE 6: BOARD DESIGNATED ENDOWMENT

The Organization’s Investment Policy Statement (“IPS”) establishes an endowment from unrestricted funds to ensure a strong future for the Organization by planning for a continuous stream of income to help finance operations. These funds are without donor restrictions but designated by the Board as an endowment. The Organization’s return objective for this endowment is to earn an average return over the holding period of 6%. The IPS’s risk parameters limits investments to selected asset allocations of open-ended mutual funds for equity and fixed income funds, along with Exchange Traded Funds and certificates of deposit. From time to time these allocations may change due to market conditions.

The following table presents the activity of the Endowment for the years ended June 30, 2019 and 2018:

	June 30,	
	2019	2018
Endowment net assets, beginning of year	\$ 7,355,181	\$ 6,854,573
Appropriation from general unrestricted funds to Board-designated endowment	700,000	-
Investment return, net	489,270	500,608
Endowment net assets, end of year	\$ 8,544,451	\$ 7,355,181

The moving average methodology is used for the Endowment Fund’s spending policy with the goal to dampen volatility in spending. Dollars available for spending is determined by applying a 4% annual spending rate to the beginning-period market values over a rolling of 12 quarters. The Board at its discretion may use the Endowment to fund operating expenses if the General Fund falls below \$5,000,000. To date, no such funding has been required. The Board, at its discretion may also transfer assets from the General Fund and deposit them into the Endowment Fund. This action may occur only if the General Fund exceeds \$20,000,000.

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NOTE 7: SPECIAL EVENTS

The Organization engaged in various fund-raising activities. The following is a summary of these events' revenues and expenses:

Year Ended June 30, 2019			
	Revenue	Expenses	Net revenue
Annual fundraiser	\$ 1,377,356	\$ 296,890	\$ 1,080,466
Other fundraising activities	705,424	167,255	538,169
Total special event income, net	\$ 2,082,780	\$ 464,145	\$ 1,618,635

Year Ended June 30, 2018			
	Revenue	Expenses	Net revenue
Annual fundraiser	\$ 1,108,088	\$ 448,559	\$ 659,529
Other fundraising activities	928,512	109,898	818,614
Total special event income, net	\$ 2,036,600	\$ 558,457	\$ 1,478,143

NOTE 8: PENSION

The Organization is a contributing employer to the IAM National Pension Fund. This is a multiemployer, defined benefit pension plan covering substantially all the Organization's employees. Pension benefits are based on years of past and expected future service.

IAM is solely responsible for any obligation or unfunded pension obligation. The pension plan is on a calendar year reporting basis. The current contribution rate to pension is \$3.60 per hour for each employee in a job classification covered by the collective bargaining agreement. The employees are accepted for participation with no past service credit. Plan contributions for the years ended June 30, 2019 and 2018 were \$272,712 and \$303,388, respectively.

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NOTE 9: CONCENTRATIONS

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

Major Contributors: During the year ended June 30, 2019, contributions from bequests included contributions from donor 1 for \$2,773,937 and donor 2 for \$800,000 which accounts for 23% and 7% of the Organization's total public support and revenue.

During the year ended June 30, 2018, contributions from bequests included one \$800,000 contribution which accounts for 10% of the Organization's total public support and revenue.

NOTE 10: SUBSEQUENT EVENTS

In preparing these financial statements, management has evaluated events and transactions for potential recognition or disclosure in the financial statements through November 15, 2019, the date the financial statements were available to be issued.

In July 2019, the Organization entered into a letter of intent for a possible collaboration whereby another nonprofit entity would merge with the Organization. The Organization would continue to operate the programs of the merging entity as a program of the Organization. The Organization believes this merger will complement the Organization's organizational mission and programming. As of November 15, 2019, the merger negotiations and planning are ongoing.