

**ISRAEL GUIDE DOG CENTER FOR THE BLIND**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2015**

(See Independent Auditors' Report)



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## Independent Auditors' Report

The Board of Directors  
Israel Guide Dog Center for the Blind  
Warrington, Pennsylvania

We have audited the accompanying financial statements of Israel Guide Dog Center for the Blind (a non-profit organization), which comprise the statement of financial position as of December 31, 2015, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

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

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

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Israel Guide Dog Center for the Blind as of December 31, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Report on Summarized Comparative Information***

We have previously audited the Israel Guide Dog Center for the Blind's 2014 financial Statements, and we expressed an unmodified audit opinion on those audited financial statements in our reported dated April 13, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.



Bee, Bergvall & Co., P.C.  
Certified Public Accountants

April 5, 2016

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Statements of Financial Position

December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b><u>ASSETS</u></b>		
Current Assets		
Cash and Cash Equivalents	\$ 507,101	\$ 840,299
Investments	5,151,876	5,116,197
Pledges Receivable, Net	535,193	560,920
Interest Receivable	33,730	36,575
Total Current Assets	<u>6,227,900</u>	<u>6,553,991</u>
Restricted Current Assets		
Cash and Cash Equivalents	87,200	241,727
Investments	5,255,336	5,101,857
Succession Insurance Investment	500,000	-
Total Restricted Current Assets	<u>5,842,536</u>	<u>5,343,584</u>
 TOTAL ASSETS	 <u>\$ 12,070,436</u>	 <u>\$ 11,897,575</u>

**LIABILITIES AND NET ASSETS**

Current Liabilities		
Unearned Revenue	\$ -	\$ 20,500
Total Current Liabilities	<u>-</u>	<u>20,500</u>
Net Assets		
Unrestricted		
Board Designated	4,125,854	3,911,444
Undesignated	4,401,174	4,235,199
Total Unrestricted	8,527,028	8,146,643
Temporarily Restricted	695,803	660,803
Permanently Restricted	2,847,605	3,069,629
Total Net Assets	<u>12,070,436</u>	<u>11,877,075</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 12,070,436</u>	 <u>\$ 11,897,575</u>

See independent auditors' report and  
accompanying notes to the financial statements

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Statements of Activities

For the Year Ended December 31, 2015

(With Summarized Comparative Totals for the Year Ended December 31, 2014)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2015 Total</u>	<u>2014 Total</u>
Public Support and Revenue					
Contributions and Grants	\$ 1,803,757	\$ 35,000	\$ -	\$ 1,838,757	\$ 1,992,264
Investment Income	101,102	-	126,727	227,829	253,371
Realized Gain (Loss) on Investments	171,281	-	155,035	326,316	628,470
Unrealized Gain (Loss) on Investments	(390,476)	-	(289,376)	(679,852)	32,168
Special Events Net Income	51,148	-	-	51,148	25,087
Net Assets Released From Restrictions	214,410	-	(214,410)	-	-
Total Public Support and Revenue	<u>1,951,222</u>	<u>35,000</u>	<u>(222,024)</u>	<u>1,764,198</u>	<u>2,931,360</u>
Expenses					
Program Services					
Advertising/Printing	111,295	-	-	111,295	69,636
Insurance	21,630	-	-	21,630	19,768
Miscellaneous	11,007	-	-	11,007	12,184
Office	7,534	-	-	7,534	5,056
Outreach	131,451	-	-	131,451	135,296
Payroll Expenses	82,633	-	-	82,633	82,625
Postage	10,024	-	-	10,024	8,394
Rent	4,519	-	-	4,519	4,500
Management and General					
Continuing Education	359	-	-	359	2,024
Insurance	2,100	-	-	2,100	2,100
Miscellaneous	13,297	-	-	13,297	12,184
Office	7,535	-	-	7,535	5,056
Payroll Expenses	9,150	-	-	9,150	9,150
Postage	10,023	-	-	10,023	8,395
Professional Fees	6,480	-	-	6,480	6,230
Rent	1,506	-	-	1,506	1,500
Travel	1,238	-	-	1,238	1,040
Fundraising					
General Fundraising	79,295	-	-	79,295	79,278
Public Relations	-	-	-	-	-
Total Expenses for the United States Operations	<u>511,076</u>	<u>-</u>	<u>-</u>	<u>511,076</u>	<u>464,416</u>
Expenses Paid on Behalf of Guide Dog Center in Israel	59,093	-	-	59,093	40,972
Transfers to Guide Dog Center in Israel	1,000,668	-	-	1,000,668	1,600,000
	<u>1,059,761</u>	<u>-</u>	<u>-</u>	<u>1,059,761</u>	<u>1,640,972</u>
Total Expenses	<u>1,570,837</u>	<u>-</u>	<u>-</u>	<u>1,570,837</u>	<u>2,105,388</u>
Change in Net Assets	380,385	35,000	(222,024)	193,361	825,972
Net Assets, Beginning of Year	<u>8,146,643</u>	<u>660,803</u>	<u>3,069,629</u>	<u>11,877,075</u>	<u>11,051,103</u>
Net Assets, End of Year	<u>\$ 8,527,028</u>	<u>\$ 695,803</u>	<u>\$ 2,847,605</u>	<u>\$ 12,070,436</u>	<u>\$ 11,877,075</u>

See independent auditors' report and  
accompanying notes to financial statements

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Statements of Cash Flows

For the Year Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 193,361	\$ 825,972
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Realized (gains) losses from investments	(326,316)	(628,470)
Unrealized (gains) losses from investments	679,852	(32,168)
(Increase) decrease in:		
Pledges receivable	25,727	(1,255)
Interest receivable	2,845	(29,630)
Succession insurance investment	(500,000)	-
Increase (decrease) in:		
Unearned revenue	<u>(20,500)</u>	<u>20,500</u>
Net cash provided by (used in) operating activities	<u>54,969</u>	<u>154,949</u>
Cash flows from investing activities		
Purchase of investments	(4,337,247)	(3,841,786)
Proceeds from sale/maturity of investments	<u>3,794,553</u>	<u>4,186,993</u>
Net cash provided by (used in) investing activities	<u>(542,694)</u>	<u>345,207</u>
Net increase (decrease) in cash and cash equivalents	(487,725)	500,156
Cash and cash equivalents, beginning of year	<u>1,082,026</u>	<u>581,870</u>
Cash and cash equivalents, end of year	<u>\$ 594,301</u>	<u>\$ 1,082,026</u>

See independent auditors' report and  
accompanying notes to financial statements

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 1. Summary of Significant Accounting Policies**

*Organization:* The Israel Guide Dog Center for the Blind (the Center), a nonprofit organization, located in Pennsylvania, is organized for the purpose of raising funds that are contributed to a facility in Israel to train guide dogs and to teach blind individuals to use guide dogs. The mission of the Center is to continue raising funds to provide for the program's perpetuity. The Israeli facility is owned and operated as an independent entity.

*Accounting Basis:* The Center uses the accrual basis of accounting. Under this basis, revenues are recognized when earned and expenses are recognized when incurred.

*Basis of Presentation:* The Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

*Unrestricted net assets* - Net assets that are not subject to donor-imposed stipulations. However, they may be designated for specific purposes by the Center. The Center's unrestricted net assets represent resources over which the Board of Directors has discretionary control and are used to carry out operations in accordance with the Center's bylaws.

*Temporarily restricted net assets* - Net assets subject to donor-imposed stipulations that may or will be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of activities as net assets released from restrictions. At December 31, 2015, there were temporarily restricted net assets from contributions received for the capital campaign.

*Permanently restricted net assets* - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes. Permanently restricted net assets represent the Harry and Jeanette Weinberg and Lady Elizabeth Kaye Endowment Funds. Seventy-five percent of the earnings of the endowment may be used, at the discretion of the board, for operating purposes.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*Comparative 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 policies generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Center's financial statements for the year ended December 31, 2014, from which the summarized information was derived.

*Cash and Cash Equivalents:* The Center considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

*Concentrations of Credit Risk:* Financial instruments that potentially expose the Center to concentrations of credit risk consist principally of cash and cash equivalents, and investments. The Center principally utilizes a regional bank and investment companies to maintain its operating cash accounts and investments. At certain times, such instruments are in excess of FDIC or SIPC insurance limits on interest bearing accounts thus exposing the Center to a loss in the amount of the excess. As of December 31, 2015 the amount in excess of these insurance limits totaled \$9,745,193.

One pledge consisted of 77% of the pledges receivable balance.

*Restricted Assets:* Restricted assets comprise cash, investments, and receivables of the permanently restricted endowment fund.

*Investments:* Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their quoted fair values in the Statements of financial position. Unrealized gains and losses are included in the change in net assets. Donated investments are reflected as contributions at their market values at the date of receipt. Interest earnings, realized gains and losses, and unrealized gains and losses are reported as investment income, net of investment broker fees. See Note 3.

*Fair Value of Financial Instruments:* The Center follows Fair Value Measurements as required by the FASB Standards Codification, which applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Codification emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumption that market participants would use in pricing the asset or liability and establishes a fair value hierarchy.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*Fair Value of Financial Instruments* (continued)

The fair value hierarchy consists of three levels of inputs that may be used to measure fair value as follows:

Level 1 - Inputs that utilized quoted prices (unadjusted) in active markets for identical assets or liabilities that the Center has the ability to access.

Level 2 - Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

Level 3 - Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The primary uses of fair value measures in the Center's financial statements are: recurring measurement of short term investments and pledges receivable. The following table represents the Center's fair value hierarchy for those investments measured at fair value on a recurring basis as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments				
Private Placements	\$ -	\$ 35,826	\$ -	\$ 35,826
Corporate Bonds	-	2,410,434	-	2,410,434
Common Stocks	6,998,233	-	-	6,998,233
Mutual Funds, ETF's	559,820	-	-	559,820
Other Investments	402,899	-	-	402,899
Total Investments	<u>\$ 7,960,952</u>	<u>\$ 2,446,260</u>	<u>\$ -</u>	<u>\$ 10,407,212</u>

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*Pledges Receivable:* Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Promises to give are recorded at fair value, which is estimated as net realizable value if expected to be collected in one year and discounted future cash flows if expected to be collected in more than one year. Contributions to be received after one year have been discounted at 3%. No allowance for uncollectible amounts was deemed necessary. Unconditional promises to give at December 31, 2015 were as follows:

Receivable in less than one year	\$ 106,375
Receivable in one to five years	241,000
Receivable in more than five years	<u>248,750</u>
Total unconditional promises to give	596,125
Less: discount to net present value	<u>(60,932)</u>
Net unconditional promises to give	<u>\$ 535,193</u>

*Contributions:* Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence of nature of any donor restriction. Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statements of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions expire within the same year as received are reflected as unrestricted contributions in the accompanying financial statements.

*Donated Services:* Volunteers periodically donate their time to the Center's program services and fundraising activities. An amount has not been recognized in the accompanying Statements of activities for these volunteer efforts because they did not meet the requirements for recognition.

*Related-Party Transactions:* Fundraising activities are transacted in the United States for the purpose of funding operations of the Israel Guide Dog Center for the Blind in Israel. Public support and revenue received in excess of expenses are distributed to the Center in Israel on an as-needed basis. See Note 4.

*Advertising:* Advertising costs are expensed as incurred.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 1. Summary of Significant Accounting Policies (Continued)**

*Income Tax Status:* The Center qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for federal or state income taxes is included in the accompanying financial statements. The Center is not classified as a private foundation.

As required by the FASB Accounting Standards Codification, entities are required to determine whether it is more likely than not that a tax position will be sustained upon examination by the appropriate taxing authorities before any part of the benefit can be recorded in the financial statements. It also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. This standard had no impact on the Center's financial statements. The Center's federal tax return is subject to audit by taxing authorities. The Center's returns open audit periods are for the fiscal years ending December 31, 2012 - 2014.

*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 and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Allocation of Functional Expense:* Allocation of expenses to program, fundraising, and management and general expense is done by the direct assignment to programs using these costs under the supervision of the Executive Director. Expenses that are incurred for more than one function, such as a program service, is allocated based on content of the program by function.

*Unearned Revenue:* This balance consists of donations received for a special event that will occur after year end. The donations will be recognized as revenue at that time.

**NOTE 2. Net Assets Released from Restriction**

In accordance with Pennsylvania law, the Board of Directors has elected to transfer 7% of the fair value of permanently restricted net assets to unrestricted net assets at the end of each year. The amount transferred for the year ending December 31, 2015 amounted to \$214,410.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 3. Investments**

The Center, has taken a very mature approach to assure that it has an adequate income stream for future operations. The Center has a goal of 40 million dollars for its endowment fund. The requirements of the fund are that only 75% of the income derived from the fund may be used for future operating expenses and not used for capital purposes.

Investments in marketable securities are reported at fair market value on the statement of financial position. Donated investments are recorded at their market values as contributions at the date of receipt. At December 31, 2015, the Board of Directors has designated investments in the amount of \$4,125,854 toward the endowment fund.

Investment income includes interest and dividends. Broker fees have been netted against investment income as follows: Unrestricted broker fees of \$24,700 and Permanently Restricted broker fees of \$27,029 for 2015.

**NOTE 4. Israel Operations**

At various times, the Center aids in funding the daily expenses that arise from the activities of the Israel operations to train guide dogs and instruct blind people. For the year ended December 31, 2015, transfers of \$1,000,668 were made to the guide dog center in Israel and \$59,093 in expenses was paid directly by the Center on behalf of the guide dog center in Israel. The Center provides for any shortfall that may occur in Israel. The amount transferred to Israel from the Center varies due to the fact that the Israel operations may also receive bequests of funds from donors in countries other than the United States.

The funds raised by the Center that are not required for operations in Israel are, by covenant, required to be invested for future needs. The remaining increase in net assets as shown on the Statement of Activities is held in an operating reserve fund or in the Center's Board designated endowment fund to produce income, meet future contingencies and provide for the program's perpetuity in Israel.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 5. Endowments**

The Center's endowments consist of individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. The Center follows Fair Value Measurements as required by the FASB Standards Codification, which applies to reported balances that are required or permitted to be measured at fair value under an existing accounting pronouncement. The Codification emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumption that market participants would use in pricing the asset or liability and established a fair value hierarchy.

*Interpretation of Relevant Law:* The Board of Directors of the Center have interpreted the law as requiring any donor-restricted contributions as being classified as unrestricted, temporarily restricted, or permanently restricted depending on the nature of the restriction. The Center 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 purpose of the Center 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 Center
- (7) The investment policies of the Center

Endowment Net Asset Composition consisted of the following as of December 31, 2015:

<u>Endowment Fund Type</u>	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-Designated Endowments	\$ -	\$ 2,847,605	\$ 2,847,605
Board-Designated Endowment	<u>4,125,854</u>	<u>-</u>	<u>4,125,854</u>
	<u>\$ 4,125,854</u>	<u>\$ 2,847,605</u>	<u>\$ 6,973,459</u>

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 5. Endowments (Continued)**

Changes in endowment net assets for the fiscal year ended December 31, 2015:

	<u>Unrestricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment Net Assets, Beginning of Year	\$ 3,911,444	\$ 3,069,629	\$ 6,981,073
Investment Return			
Investment income	-	126,727	126,727
Net appreciation (realized and unrealized)	<u>-</u>	<u>(134,341)</u>	<u>(134,341)</u>
Total Investment Return	<u>-</u>	<u>(7,614)</u>	<u>(7,614)</u>
Transfers In	214,410	-	214,410
Amounts Appropriated for Expenditure	<u>-</u>	<u>(214,410)</u>	<u>(214,410)</u>
Endowment Net Assets, End of Year	<u>\$ 4,125,854</u>	<u>\$ 2,847,605</u>	<u>\$ 6,973,459</u>

*Return Objectives and Risk Parameters:* The Center's investment and spending practices for endowment assets attempt to provide maximum growth without high risk and is at the discretion of the Board of Directors. The Center's practice is to preserve the integrity of the principal from designated donations.

*Strategies Employed for Achieving Objectives:* To satisfy its long-term rate-of-return objectives, the Center 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). The Center 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:* The Center has a policy of appropriating each year 7 percent of its permanently restricted endowment funds to the board designated endowment funds. The organization's goal is for the board designated endowment funds to produce income, meet future contingencies and provide for the program's perpetuity in Israel. However, at times, the Center will expend funds for daily expenses or capital projects that arise from the activities of the Israel operations to train guide dogs and instruct blind people.

ISRAEL GUIDE DOG CENTER FOR THE BLIND

Notes to Financial Statements

December 31, 2015

**NOTE 6. Subsequent Events**

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through the date of this report, which is the date the financial statements were available for release. No subsequent events have been recognized or disclosed.