DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN

FINANCIAL STATEMENTS

JUNE 30, 2014

C O N T E N T S

POYSTI & ADAMS LLC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

The Board of Directors
Delta Gamma Anchor Center for
Blind Children
Denver, Colorado

We have audited the accompanying financial statements of Delta Gamma Anchor Center for Blind Children, (a nonprofit organization) which comprise the statements of financial position as of June 30, 2014 and 2013, 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.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Delta Gamma Anchor Center for Blind Children, as of June 30, 2014 and 2013, 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.

Paysti & Adams, LLC

October 7, 2014
Denver, Colorado

DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN
STATEMENTS OF FINANCIAL POSITION

June 30,	2014	2013
Assets		
Cash and cash equivalents	$ 537,881	$ 1,021,360
Investments	5,387,154	3,922,988
Prepaid expenses	54,611	46,487
Promises to give	694,588	1,055,268
Property and equipment, net of accumulated depreciation	5,661,940	5,920,257
Cash held for long-term purposes	147,704	7,097
Total Assets	$ 12,483,878	$ 11,973,457
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	$ 57,216	$ 79,579
Deferred revenue	82,680	51,440
Total liabilities	139,896	131,019
Net assets		
Unrestricted		
Undesignated	6,488,378	7,563,828
Board designated	2,797,272	1,678,995
Total unrestricted	9,285,650	9,242,823
Temporarily restricted	227,748	52,390
Permanently restricted	2,830,584	2,547,225
Total net assets	12,343,982	11,842,438
Total Liabilities and Net Assets	$ 12,483,878	$ 11,973,457

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

DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN
STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, and Other Gains				
Contributions	$ 1,037,452	$ 231,341	$ 2,500	$ 1,271,293
Program fees	108,332	0	0	108,332
Federal awards	0	9,000	0	9,000
Special events (net)	334,716	0	0	334,716
Investment income	441,294	0	348,906	790,200
Other	3,633	0	0	3,633
Net assets released from restrictions	133,030	(64,983)	(68,047)	0
Total support, revenue, and other gains	2,058,457	175,358	283,359	2,517,174
Expenses				
Program services				
School	1,558,810			1,558,810
Supporting services				
Management and general	205,614			205,614
Fundraising	251,206			251,206
Total supporting services	456,820			456,820
Total expenses	2,015,630			2,015,630
Changes in net assets	42,827	175,358	283,359	501,544
Net assets, beginning of year	9,242,823	52,390	2,547,225	11,842,438
Net assets, end of year	$ 9,285,650	$ 227,748	$ 2,830,584	$ 12,343,982

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

DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN
STATEMENT OF ACTIVITIES

For the Year Ended June 30,				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Support, Revenue, and Other Gains				
Contributions	$ 2,180,482	$ 40,473	$ 2,500	$ 2,223,455
Program fees	112,942	0	0	112,942
Federal awards	0	10,000	0	10,000
Special events (net)	212,138	0	0	212,138
Investment income	157,541	0	299,970	457,511
Other	3,147	0	0	3,147
Net assets released from restrictions	217,119	(78,988)	(138,131)	0
Total support, revenue, and other gains	2,883,369	(28,515)	164,339	3,019,193
Expenses				
Program services				
School	1,510,677			1,510,677
Supporting services				
Management and general	192,262			192,262
Fundraising	208,831			208,831
Total supporting services	401,093			401,093
Total expenses	1,911,770			1,911,770
Changes in net assets	971,599	(28,515)	164,339	1,107,423
Net assets, beginning of year	8,271,224	80,905	2,382,886	10,735,015
Net assets, end of year	$ 9,242,823	$ 52,390	$ 2,547,225	$ 11,842,438

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

DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN
STATEMENTS OF FUNCTIONAL EXPENSES

	School	Management And General	Fundraising	Totals
For the Year Ended June 30, 2014				
Salaries and wages	$ 865,016	$ 74,017	$ 163,965	$ 1,102,998
Employee benefits	83,368	6,033	13,371	102,772
Payroll taxes	70,767	5,121	11,350	87,238
Total compensation	1,019,151	85,171	188,686	1,293,008
Professional fees	41,576	16,586	8,665	66,827
Supplies	49,017	803	1,780	51,600
Telephone	6,963	705	1,146	8,814
Postage	5,224	457	849	6,530
Occupancy	123,269	30,184	7,806	161,259
Equipment rental and maintenance	27,154	1,965	4,355	33,474
Printing	11,176	0	2,794	13,970
Dues and subscriptions	8,238	0	0	8,238
Travel and conventions	32,071	0	0	32,071
Miscellaneous	14,017	24,993	21,141	60,151
Depreciation and amortization	220,954	44,750	13,984	279,688
Total functional expenses	$ 1,558,810	$ 205,614	$ 251,206	$ 2,015,630
For the Year Ended June 30, 2013				
Salaries and wages	$ 818,371	$ 67,029	$ 130,986	$ 1,016,386
Employee benefits	96,127	6,631	12,960	115,718
Payroll taxes	67,356	4,646	9,081	81,083
Total compensation	981,854	78,306	153,027	1,213,187
Professional fees	38,632	13,591	2,147	54,370
Supplies	30,429	698	1,365	32,492
Telephone	7,015	710	1,154	8,879
Postage	3,122	273	507	3,902
Occupancy	129,982	29,953	9,526	169,461
Equipment rental and maintenance	20,369	1,405	2,746	24,520
Printing	15,736	0	3,934	19,670
Dues and subscriptions	3,559	0	0	3,559
Travel and conventions	49,549	0	0	49,549
Miscellaneous	13,678	23,427	20,706	57,811
Depreciation and amortization	216,752	43,899	13,719	274,370
Total functional expenses	$ 1,510,677	$ 192,262	$ 208,831	$ 1,911,770

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

DELTA GAMMA ANCHOR CENTER FOR BLIND CHILDREN
STATEMENTS OF CASH FLOWS

For the Years Ended June 30,	2014	2013
Cash flows from operating activities		
Cash received from contributions	$ 1,229,704	$ 1,364,784
Cash received from federal awards	9,000	10,000
Other cash received	897,704	523,673
Interest and dividends received	101,639	81,634
Cash paid to employees and suppliers	(1,922,050)	(1,827,489)
Net cash provided by operating activities	315,997	152,602
Cash flows from investing activities		
Proceeds from the sale of investments	325,761	677,314
Purchase of investments	(1,101,366)	(791,939)
Purchase of property and equipment	(27,371)	(65,852)
Net increase in assets held for long-term purposes	(140,607)	(500)
Net cash used for investing activities	(943,583)	(180,977)
Cash flows from financing activities		
Contributions restricted for endowment	2,500	2,500
Contributions restricted for capital expenditures	141,607	0
Net cash provided by financing activities	144,107	2,500
Net decrease in cash and cash equivalents	(483,479)	(25,875)
Cash and cash equivalents, beginning of year	1,021,360	1,047,235
Cash and cash equivalents, end of year	$ 537,881	$ 1,021,360

Reconciliation of changes in net assets to net cash provided by operating activities:

	2014	2013
Changes in net assets	$ 501,544	$ 1,107,423
Adjustments		
Depreciation and amortization	279,688	274,370
Unrealized gain on investments	(641,601)	(298,046)
Realized gain on investments	(46,960)	(77,831)
Contributions restricted for endowment	(2,500)	(2,500)
Contributions restricted for capital expenditures	(141,607)	0
(Increase) decrease in assets		
Promises to give	360,680	(880,425)
Prepaid expenses	(8,124)	9,812
Increase (decrease) in liabilities		
Accounts payable and accrued expenses	(16,363)	(1,855)
Deferred revenue	31,240	21,654
Net cash provided by operating activities	$ 315,997	$ 152,602

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

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Delta Gamma Anchor Center for Blind Children (Center) is a nonprofit corporation whose mission is to teach visually impaired infants, young children and their families, providing hope and a nurturing environment where children reach their highest potential.

The Center is exempt from income tax under section 501(c)(3) of the United States Internal Revenue Code and comparable state law, and contributions to it are deductible within the limitations prescribed by the Code. The Center has been classified as a publicly supported organization which is not a private foundation under section 509(a) of the Code. The Center did not have any material unrelated business income tax liability or significant uncertain income tax positions for the years ended June 30, 2014 and 2013. The Center's open Internal Revenue Service audit periods are June 30, 2011 through 2014.

Use of Estimates

The preparation of 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 could differ from those estimates.

Classes of Net Assets

The financial statements report amounts separately by classes of net assets:

Unrestricted amounts are those currently available at the discretion of the Board for use in the Center's activities, and those resources invested in property and equipment.

Temporarily restricted amounts are those which are restricted by donors for specific operating purposes, for the acquisition of land, buildings, and equipment, or with a stipulated time restriction. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are those restricted by donors requiring in perpetuity that the principal be invested and the income only be used for the Center's exempt purpose. Income from these funds is recognized as unrestricted, temporarily restricted, and permanently restricted income.

Property, Equipment and Depreciation

Assets over $1,000 are recorded at cost if purchased, or if donated at their fair value at the time of the donation. Depreciation of property and equipment is provided over the estimated useful life of the respective asset on a straight line basis.

The Center reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated asset must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

NOTE 1 – DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributed Services
Many individuals volunteer their time and perform a variety of tasks to assist the Center including services in the Center's programs and special events. No amounts have been reflected in the financial statements for such services.

Functional Allocation of Expenses
The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the program and supporting services benefited.

Investments
Investments are carried at fair value. Donated investments are initially recorded at fair value on the date of donation. Realized and unrealized gains and losses are reflected in the statement of activities.

Federal Awards
Revenue is recognized when expenses are incurred on the projects.

Advertising Costs
The costs of promotion and advertising are expensed as incurred.

Other Matters
For the purposes of the statement of cash flows, the Center considers all highly liquid debt instruments with a maturity of six months or less to be cash and cash equivalents. The Center periodically has cash accounts that exceed the federally insured limit. They are selective with regard to the choice of financial institutions with which they deposit funds.

Reclassifications
Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform with the presentation in the current years fiscal statements.

Subsequent Events
Management is required to evaluate, through the date the financial statements are issued or available to be issued, events or transactions that may require recognition or disclosure in the financial statements, and to disclose the date through which subsequent events were evaluated. The Center's financial statements were available to be issued on October 7, 2014, and this is the date through which subsequent events were evaluated. The Center did not identify any subsequent events requiring disclosure.

NOTE 2 – INVESTMENTS

Carried at fair value (based on quoted market prices):

	2014	2013
Equity securities	$ 3,899,304	$ 2,858,746
Fixed income	1,328,277	978,607
Real estate	78,915	48,051
Commodities	80,658	37,584
	$ 5,387,154	$ 3,922,988

Composition of investment return:

	2014	2013
Dividends and interest	$ 101,639	$ 81,634
Unrealized gains (losses) on investments	641,601	298,046
Realized gains (losses) on investments	46,960	77,831
Investment return	790,200	457,511
Interest earned from operations	0	0
Total investment income	$ 790,200	$ 457,511

In accordance with FASB ASC 820, *Fair Value Measurements and Disclosures*, all of the Center's investments are valued using Level 1, Quoted Prices in Active Markets for Identical Assets inputs. The Center reviews its holdings on a regular basis to determine if any investment has experienced an other-than-temporary decline in fair value. At June 30, 2014 and 2013 three mutual fund investments accounted for 60% and 57% of the entire portfolio, respectively.

NOTE 3 – PROMISES TO GIVE

Promises to give are recorded at the net present value, determined using a discount rate commensurate with the IRS Applicable Federal Rate on the date of the promise, as receivables in the year made. Donor restricted promises to give are reported as additions to the appropriate temporarily restricted net assets. Eighty-four percent of promises to give at June 30, 2014 were from two trusts. Eighty-five percent of promises to give at June 30, 2013 were from one trust. The promises to give from various trusts and individuals were as follows:

	2014	2013
In less than one year	$ 672,588	$ 1,021,768
In one to five years	22,000	33,500
Total promises to give	$ 694,588	$ 1,055,268

Management believes all promises to give will be received.

NOTE 4 – PROPERTY AND EQUIPMENT

	2014	2013
Building	$ 6,259,792	$ 6,253,991
Furniture	157,195	155,910
Equipment	313,123	299,561
Auto	23,000	23,000
Logo	6,826	6,826
Artwork	18,855	18,855
	6,778,791	6,758,143
Accumulated depreciation	(1,800,733)	(1,521,768)
	4,978,058	5,236,375
Land	683,882	683,882
	$ 5,661,940	$ 5,920,257

NOTE 5 – DEFERRED REVENUE

The Center received sponsorships and ticket revenue as well as prepaid tuition totaling $82,680 and $51,440, which was recorded as deferred revenue as of June 30, 2014 and 2013 primarily for Sunset in the Country (2014 and 2013), the Book of Mormon Event (2013 only) and a third party event (2014 only). The revenue and associated expense will be recorded as a special event when the event and school takes place in the subsequent period.

NOTE 6 – NET ASSETS

Net assets are available for the following purposes:

	2014	2013
Unrestricted Net Assets:		
Undesignated	$ 6,488,378	$ 7,563,828
Designated for quasi-endowment	2,797,272	1,678,995
	$ 9,285,650	$ 9,242,823
Temporarily Restricted Net Assets:		
ASQ	$ 2,636	$ 2,636
Building	6,597	6,597
Capital	141,107	500
Family support	15,896	4,139
Internship	0	1,955
Outreach	299	299
Parent compass	6,150	6,619
Research	18,553	23,553
Staff development and literacy	30,474	0
Therapy/classroom	6,036	6,092
	$ 227,748	$ 52,390

NOTE 7 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes as follows:

	2014	2013
ASQ	$ 0	$ 9,197
Building maintenance/Austin Glen	30,713	74,756
Capital	1,000	0
Family support	3,743	4,565
Internship	1,955	5,838
Operations/Greenleaf Trust	37,334	63,375
Outreach	9,800	10,939
Parent Compass	6,957	4,515
Research	5,000	6,345
Staff development and literacy	0	3,079
Supplies	1,155	3,058
Therapy	35,373	26,452
Transportation	0	5,000
	$ 133,030	$ 217,119

NOTE 8 – SPECIAL EVENTS

	2014	2013
Revenues		
Dancing with the Anchors	$ 29,073	$ 0
30th Anniversary	0	15,675
Sunset in the Country 2013	675,672	0
Sunset in the Country 2012	0	335,941
Foresight Golf Classic 2014	109,649	0
Foresight Golf Classic 2013	0	126,900
Theater Events	26,089	5,457
Visions of Love	22,349	14,899
Total revenues	862,832	498,872
Expenses		
Dancing with the Anchors	$ 13,313	$ 0
30th Anniversary	0	29,171
Sunset in the Country 2013	419,232	0
Sunset in the Country 2012	0	174,875
Foresight Golf Classic 2014	70,383	0
Foresight Golf Classic 2013	0	73,123
Theater Events	16,531	3,553
Visions of Love	8,657	6,012
Total expenses	528,116	286,734
Net Special Event Revenue	$ 334,716	$ 212,138

NOTE 9 – ENDOWMENTS

The Center's endowments consist of approximately three individual funds established for a variety of purposes. Two endowments are considered donor-restricted endowment funds and one is considered a board-designated endowment fund. As required by the generally accepted accounting principles, net assets associated with endowment funds,

NOTE 9 – ENDOWMENTS (CONTINUED)

including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The Board of the Center has interpreted the Colorado Prudent Management of Institutional Funds Act (CPMIFA) 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, the Center classifies as permanently restricted and board designated 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 or board designated net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of prudence prescribed by CPMIFA. In accordance with CPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor restricted and board designated 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.
8. One of the Center's permanently restricted endowments has a restriction that requires an affirmative vote of at least two-thirds of the entire Board in order to withdraw amounts greater that the amount calculated under the endowment's Spending Policy. The Center held $2,830,584 and $2,547,225 in permanently restricted endowment net asset for the years ended June 30, 2014 and 2013 and $2,797,272 and $1,678,995 in board designated endowment net asset for the years ended June 30, 2014 and 2013.

Changes in endowment net assets for the year ended June 30, 2014:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 1,678,995	$ 52,390	$ 2,547,225	$ 4,278,610
Contributions	810,452	231,341	2,500	1,044,293
Federal awards	0	9,000	0	9,000
Investment gains	363,595	0	348,906	712,501
Net assets released from restrictions	(55,770)	(64,983)	(68,047)	(188,800)
Endowment net assets, end of year	$ 2,797,272	$ 227,748	$ 2,830,584	$ 5,855,604

NOTE 9 – ENDOWMENTS (CONTINUED)

Changes in endowment net assets for the year ended June 30, 2013:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of the year	$ 1,277,171	$ 80,905	$ 2,382,886	$ 3,740,962
Contributions	1,488,041	40,473	2,500	1,531,014
Federal awards	0	10,000	0	10,000
Investment gains	157,470	0	299,970	457,440
Net assets released from restrictions	(1,243,687)	(78,988)	(138,131)	(1,460,806)
Endowment net assets, end of year	$ 1,678,995	$ 52,390	$ 2,547,225	$ 4,278,610

NOTE 10 – COMMITMENTS

Operating Leases

The Center entered into operating leases for copiers in December 2012 and September 2009 for $210 and $255 per month that expire in March 2016 and September 2014. Lease expense for the years ended June 30, 2014 and 2013 was $7,977 and $6,401.

Future minimum lease payments for the succeeding years ending June 30:

2015	$ 3,285
2016	1,680

Commitment

The Center has an annual Sunset in the Country special event. The Center has signed a contract with a caterer to provide services for the event and with a production company for a video for the event. The contracts contain penalties for failure to hold the event.

NOTE 11 – PENSION PLAN

The Center offers a tax deferred annuity 403(b) retirement plan to all eligible employees. The Center provides matching funds of 4% to full time employees with one year of service and 5.6% to full time employees with two or more years of service. Pension expense was $42,095 and $46,302 for the years ended June 30, 2014 and 2013.

NOTE 12 – CONCENTRATION IN DONATIONS

Fourteen percent of the 2014 total support, revenue, and other gains were received from one donor. Forty-nine percent of 2013 total support, revenue, and other gains were received from one donor. The Center monitors its cash flow so that it does not rely on these large donations to perform its exempt purpose.