

Audited Financial Statements

from here you can step anywhere
the wooden floor[®]

The Wooden Floor for Youth Movement
(dba The Wooden Floor)

August 31, 2018

Audited Financial Statements

from here you can step anywhere
the wooden floor[®]

The Wooden Floor for Youth Movement
(dba The Wooden Floor)

As of and for the Year Ended August 31, 2018
(With summarized comparative information
as of and for the year ended August 31, 2017)

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

Table of Contents

	<u>Page</u>
Independent Auditors' Report	
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7

INDEPENDENT AUDITORS' REPORT

The Board of Directors
The Wooden Floor for Youth Movement
(dba The Wooden Floor)

Report on Financial Statements

We have audited the accompanying financial statements of The Wooden Floor for Youth Movement (dba The Wooden Floor) (the "Organization"), which comprise the statement of financial position as of August 31, 2018, and the related statements of activities, functional expenses 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 from 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 auditors consider 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.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

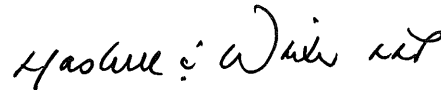
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of August 31, 2018, 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 Organization's 2017 financial statements, and our report dated January 5, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HASKELL & WHITE LLP

Irvine, California
February 14, 2019

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Statement of Financial Position
As of August 31, 2018

(With summarized comparative information as of August 31, 2017)

	2018	2017
ASSETS		
Cash and cash equivalents	\$ 616,232	\$ 1,316,589
Investments (Note 5)	7,680,231	5,587,600
Contributions receivable, net of discounts of \$183,250 and \$213,803, respectively (Note 6)	1,809,234	1,862,590
Promised use of facility, net of discount of \$119,284 (Note 7)	340,716	-
Prepaid expenses	2,289	15,668
Property and equipment, net (Note 8)	3,046,240	3,032,966
	\$ 13,494,942	\$ 11,815,413
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 60,090	\$ 85,331
Accrued expenses	94,847	95,116
Capital lease obligations	58,502	6,759
	213,439	187,206
Commitments (Note 9)		
Net assets (Notes 3 and 4)		
Unrestricted	\$ 4,283,664	\$ 4,236,964
Temporarily restricted	4,401,789	3,401,187
Permanently restricted	4,596,050	3,990,056
	13,281,503	11,628,207
Total net assets	\$ 13,494,942	\$ 11,815,413
Total liabilities and net assets	\$ 13,494,942	\$ 11,815,413

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

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Statement of Activities
For The Year Ended August 31, 2018

(With summarized comparative information for the year ended August 31, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues and support					
Gifts and grants	\$ 1,973,613	\$ 1,656,575	\$ 605,994	\$ 4,236,182	\$ 2,670,885
Donated materials and services	99,346	340,716	-	440,062	71,130
Annual concerts	20,846	-	-	20,846	18,420
Interest and dividend income	62,016	81,933	-	143,949	102,155
Realized (loss) gain on investments	(6,191)	180,624	-	174,433	116,429
Unrealized (loss) gain on investments	(28,964)	101,023	-	72,059	143,332
Other income	21,908	-	-	21,908	28,492
	<u>2,142,574</u>	<u>2,360,871</u>	<u>605,994</u>	<u>5,109,439</u>	<u>3,150,843</u>
Net assets released from restriction	<u>1,360,269</u>	<u>(1,360,269)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>3,502,843</u>	<u>1,000,602</u>	<u>605,994</u>	<u>5,109,439</u>	<u>3,150,843</u>
Expenses					
Program services	2,348,461	-	-	2,348,461	1,930,731
Supporting activities	1,107,682	-	-	1,107,682	931,794
	<u>3,456,143</u>	<u>-</u>	<u>-</u>	<u>3,456,143</u>	<u>2,862,525</u>
Change in net assets	46,700	1,000,602	605,994	1,653,296	288,318
Net assets, beginning of year	<u>4,236,964</u>	<u>3,401,187</u>	<u>3,990,056</u>	<u>11,628,207</u>	<u>11,339,889</u>
Net assets, end of year	<u>\$ 4,283,664</u>	<u>\$ 4,401,789</u>	<u>\$ 4,596,050</u>	<u>\$ 13,281,503</u>	<u>\$ 11,628,207</u>

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

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

**Statement of Functional Expenses
For The Year Ended August 31, 2018**

(With summarized comparative information for the year ended August 31, 2017)

	Program Services					Supporting Activities				Total 2018	Total 2017	
	Year-Round Programs	Spring Concert	Children & Families	Dance Free Weeks	Academic	Sub-total	Management and General	Community Outreach	Fund- raising			Sub-total
Academic tutoring	\$ -	\$ -	\$ -	\$ -	\$ 32,112	\$ 32,112	\$ -	\$ -	\$ -	\$ -	\$ 32,112	\$ 23,151
Administration	49,761	30,411	10,040	1,883	20,428	112,523	8,458	48,275	26,129	82,862	195,385	132,592
Auto and travel	3,352	38,787	574	108	5,918	48,739	338	284	1,494	2,116	50,855	57,796
Bad debt expense	-	-	-	-	-	-	-	-	-	-	-	4,000
Community relations	12,371	-	-	-	-	12,371	-	24,685	-	24,685	37,056	11,449
Costumes and t-shirts	-	31,310	-	448	-	31,758	-	-	-	-	31,758	36,320
Dancewear	33,941	-	-	-	-	33,941	-	-	-	-	33,941	10,194
Depreciation	116,381	-	-	-	-	116,381	8,760	-	-	8,760	125,141	122,710
Employee benefits	66,042	18,592	12,508	2,345	25,448	124,935	7,368	6,187	32,550	46,105	171,040	148,172
Instructors	201,058	42,397	-	9,310	-	252,765	-	-	-	-	252,765	229,597
Insurance - other	14,482	-	-	-	-	14,482	1,090	-	-	1,090	15,572	21,988
Interest expense	468	135	94	18	192	907	56	47	246	349	1,256	665
Miscellaneous	14,543	707	2,201	-	-	17,451	-	-	-	-	17,451	12,398
Payroll taxes	37,623	10,882	7,591	1,423	15,445	72,964	4,472	3,755	19,755	27,982	100,946	97,569
Printing	41,779	27,395	3,669	688	7,465	80,996	2,161	9,917	17,650	29,728	110,724	84,390
Production - annual concert	8,946	65,886	-	-	-	74,832	-	-	-	-	74,832	87,090
Professional fees	19,728	1,313	1,306	222	2,131	24,700	23,448	5,701	136,298	165,447	190,147	184,599
Rent/lease expense	19,400	-	600	-	-	20,000	-	-	-	-	20,000	-
Repairs and maintenance	115,066	9,376	6,541	1,226	13,307	145,516	10,074	3,235	17,021	30,330	175,846	142,921
Salaries and wages	485,521	139,714	96,655	18,398	194,866	935,154	58,164	46,774	249,267	354,205	1,289,359	1,106,573
Special events	5,776	-	-	-	-	5,776	-	-	315,957	315,957	321,733	162,800
Student services	-	-	28,001	-	88,243	116,244	-	-	-	-	116,244	90,383
Utilities	66,173	2,383	1,663	312	3,383	73,914	5,340	822	4,327	10,489	84,403	77,118
Volunteer gifts	-	-	-	-	-	-	-	7,577	-	7,577	7,577	18,050
Total expenses	\$ 1,312,411	\$ 419,288	\$ 171,443	\$ 36,381	\$ 408,938	\$ 2,348,461	\$ 129,729	\$ 157,259	\$ 820,694	\$ 1,107,682	\$ 3,456,143	\$ 2,862,525

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

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Statement of Cash Flows
For The Year Ended August 31, 2018

(With summarized comparative information for the year ended August 31, 2017)

	2018	2017
Cash flows from operating activities		
Change in net assets	\$ 1,653,296	\$ 288,318
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	125,141	122,710
Realized gain on investments	(174,433)	(116,429)
Unrealized gain on investments	(72,059)	(143,332)
Change in discounts on contributions receivable	88,731	(30,006)
(Increase) decrease in:		
Contributions receivable	(35,375)	1,401,407
Promised use of facility, net of discount	(340,716)	-
Prepaid expenses	13,379	(12,195)
Decrease in:		
Accounts payable	(25,241)	(89,554)
Accrued expenses	(269)	(2,854)
Net cash provided by operating activities	1,232,454	1,418,065
Cash flows used in investing activities		
Acquisition of property and equipment	(79,209)	(97,209)
Purchases of investments	(6,121,088)	(3,330,332)
Proceeds from sales of investments	4,277,491	2,850,812
Net cash used in investing activities	(1,922,806)	(576,729)
Cash flows used in financing activities		
Payments on capital lease obligations	(10,005)	(9,648)
Net cash used in financing activities	(10,005)	(9,648)
Net change in cash and cash equivalents	(700,357)	831,688
Cash and cash equivalents, beginning of year	1,316,589	484,901
Cash and cash equivalents, end of year	\$ 616,232	\$ 1,316,589
Supplemental disclosures of cash flow information:		
Disposals of fully-depreciated property and equipment	\$ 105,485	\$ 51,683
Interest paid on capital lease obligation	\$ 1,256	\$ 754
Acquisition of property and equipment via capital leases	\$ 61,775	\$ -

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

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

**Notes to Financial Statements
Year Ended August 31, 2018**

1. Organization

Overview

Founded in 1983, The Wooden Floor for Youth Movement (dba The Wooden Floor) (the “Organization”) is one of the foremost creative youth development nonprofit organizations in the country. The Organization transforms the lives of young people in low-income communities through the power of dance and access to higher education. In Orange County, California and through its national licensed partners, the Organization uses a long-term approach grounded in exploratory dance education to foster the confidence and gifts within each child to innovate, communicate, and collaborate – skills necessary for success in school and in life. 100% of students who graduate from The Wooden Floor immediately enroll in higher education. Its students become change agents and beacons of hope within their own families, their neighborhoods, the community, and the world.

The Organization’s holistic model serves at-risk students year-round, through after-school programs related to dance, academic, college and career readiness, and family programs, free of charge. Dance education and performance are core transformational elements through which the Organization youth change the way they think about themselves and develop the ability to reach their full potential. In the dance studio, a rigorous 10-level curriculum develops self-knowledge, which evolves into self-confidence, leadership, cooperative learning, creative problem solving, and joy. Rehearsals, dance-making, and performances – such as the Annual Concert – teach discipline, goal-setting, commitment, and achievement through hard work. The Organization serves 3,000 low-income youth in elementary schools each fall through dance education and a culminating performance for their peers. Academic Tutoring, College and Career Readiness programs ensure the Organization’s students have fundamental academic and life skills to succeed. Family Services take a case management approach to counseling, crisis intervention, and social service referrals to help families overcome socioeconomic hardships and navigate a path toward economic progress and self-sufficiency. These core programs comprise the Organization’s creative youth development model and copyrighted Theory of Change.

A Plan for Our Future

In 2009, The Wooden Floor’s Board of Directors and staff embarked on a significant strategic planning process, resulting in an ambitious ten-year Strategic Vision 2010-2020: to advance the Organization’s current model, grow local impact, and increase visibility and advocacy. Now eight years into its plan and thriving, the Organization has arrived at a time when intentional growth and advancement are needed for three key reasons.

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

1. Organization (continued)

Overview (continued)

- **The Organization must go deeper.** The record of student success has fueled internal growth in its student body through a high retention rate. It must expand current programming to sustain outcomes for larger numbers of middle and high school students in its college preparatory pipeline.
- **The Organization must start earlier.** The college access landscape is rapidly changing. Four-year college eligibility is increasingly competitive, and the bar is higher for students' persistence in college. The Organization must advance to help students overcome challenges to access higher education.
- **The Organization must serve more.** Across the past five years, the Organization has been forced to turn away nearly 80% of the children who audition due to its high retention rate and current space constraints. The Wooden Floor has been called to pursue collaborative growth opportunities to serve more children.

After an extensive feasibility study, the Board of Directors approved the launch of a four-year Comprehensive Campaign in January 2016 to pursue and fund the following three strategic focus areas by 2020:

1. Growth and Excellence with Existing Programs
2. Extension of The Wooden Floor Campus – In Depot at Santiago, a second location to serve 100 more students
3. Sustainability and Excellence through Endowment Growth

The Organization's balance sheet reflects the success of the comprehensive campaign, *Lift*, which has raised \$14.2 Million in contributions and pledges through August 31, 2018 towards the above-mentioned goal of \$27.2 Million. One of the financial goals of this strategic campaign is designed to pre-fund the 10-year journey of 100 additional children at each new location.

The Organization believes this will enable it to grow its impact while maintaining high quality, support its growing mission and impact, and most importantly ensure the sustainability of services for the current children it serves.

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

1. Organization (continued)

Campus Expansion and Endowment Growth

The increase to the Organization's investments as of August 31, 2018, reflects funds raised for Campus Expansion and Endowment growth.

In April 2018, the Organization opened *The Wooden Floor at Depot at Santiago*, its second location in Santa Ana. The current Main Street location and Depot at Santiago are operating as a "connected-campus model" with all 475 students being served at both location – representing a 20% growth in service. All wrap-around services are replicated at both locations, in order to meet the students' academic, social, and emotional support whenever it is required.

2. Summary of Significant Accounting Policies

Basis of Presentation

The Organization's financial statements have been prepared on the accrual basis of accounting. Accordingly, the Organization recognizes revenues when earned, and contributions, including unconditional promises to give, when received. Expenses are recognized when the related obligation is incurred.

The Organization prepares its financial statements in accordance with accounting principles generally accepted in the United States of America, which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Organization reflects net assets and revenues, gains, expenses, and losses based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as "unrestricted," "temporarily restricted," and "permanently restricted," as follows:

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

2. Summary of Significant Accounting Policies (continued)

Basis of Presentation (continued)

- Unrestricted net assets - net assets that are not subject to donor-imposed restrictions and are available to support general operations.
- Temporarily restricted net assets - net assets that are subject to donor-imposed restrictions that require the passage of time, or the occurrence of a specific event. Temporarily restricted contributions that are received and whose restrictions are satisfied in the same year as related funds are expended are reported as unrestricted contributions.
- Permanently restricted net assets - net assets that are subject to donor-imposed restrictions that the principal be maintained in perpetuity and invested for the purposes of producing present and future income for unrestricted use by the Organization.

Income Taxes

The Organization has qualified for tax-exempt status under Section 501(c)(3) of the United States Internal Revenue Code and Section 23701(d) of the California Code. Accordingly, no provision for income taxes has been made in the accompanying financial statements. The Organization's tax filings are subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Cash and Cash Equivalents

The Organization considers cash equivalents to be highly liquid investments with maturities of three months or less when acquired.

Concentration of Credit Risk

The Organization deposits its funds in financial institutions that are considered by management to be of high-credit quality. At times, balances in cash accounts may exceed the Federal Deposit Insurance Corporation ("FDIC") limit of \$250,000. Insurance safeguards on the Organization's investments are afforded through the Securities Investor Protection Corporation ("SIPC") up to \$500,000 and the Customer Asset Protection Company ("CAPCO").

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

2. Summary of Significant Accounting Policies (continued)

Investments

Investments are stated at fair value and consist of debt and equity securities, mutual funds and brokered certificates of deposit (Note 5). Fair value is defined as the price that the Organization would receive to sell an asset in an orderly transaction between market participants at the measurement date. Inputs to the valuation of an asset or liability may be observable or unobservable and refer broadly to the assumptions that market participants would use in pricing the asset. Observable inputs reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available under the circumstances. The Organization's investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The three-tier hierarchy of inputs is summarized below.

Level 1: inputs are quoted prices in active markets.

Level 2: inputs are observable, directly or indirectly.

Level 3: inputs are unobservable and reflect assumptions made by the reporting entity.

The Organization's investments are summarized in Note 5, and based on the nature of the Organization's investments, the fair value of investments as of August 31, 2018 was based on quoted prices in active markets, which are considered Level 1 inputs.

Contributions

Unrestricted contributions and unconditional pledges to give are recorded at their estimated fair value and recognized as revenue by net asset class when they are received. Conditional pledges to give are recognized as revenues when all conditions on which they depend are substantially met. An allowance for estimated uncollectible contributions receivable is recorded based on management's judgment and analysis of the donor's creditworthiness, past collection experience and other relevant factors. Management has determined that no allowance for uncollectible contributions receivable is necessary as of August 31, 2018.

Promises to give in future years are discounted to present value using risk-adjusted discount rates established in the years in which those promises are received. Amortization of such discounts is included in contributions.

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

2. Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are carried at cost. Depreciation is provided on the straight-line method over an estimated useful life of 40 years for the building, 15 years for land improvements, seven years for furniture, and three to five years for office equipment. Property and equipment are reviewed for impairment whenever management determines that events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. During the year ended August 31, 2018, management determined that no such events or changes in circumstances occurred.

Donated Materials and Services

Donated non-cash assets and goods are recorded at their estimated fair values in the period received. Donated services that create or enhance non-financial assets, or require specialized skills, which would typically need to be purchased, are recorded at their estimated fair values in the period received. For the year ended August 31, 2018, donated materials and services aggregated \$440,062 (Note 7).

Functional Allocation of Expenses

The cost of providing various programs and supporting activities has been summarized on a functional basis in the accompanying Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting activities based on actual usage and estimates made by management.

Recent Accounting Pronouncement

In August 2016, the Financial Accounting Standards Board issued Accounting Standard Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. This update simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. The new standard will be effective for the Organization for its fiscal year ending August 31, 2019. Management is currently evaluating the impact of the adoption of this standard.

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

2. Summary of Significant Accounting Policies (continued)

Comparative Financial Information

The accompanying statement of activities includes prior year summarized comparative information in total, but not by net asset class. Also, the accompanying statement of functional expenses includes prior year summarized comparative information in total, but not by function. 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 the Organization's August 31, 2017 financial statements, from which the summarized information was derived.

Subsequent Events

The Organization has evaluated subsequent events that occurred through February 14, 2019, the date the financial statements were available to be issued.

3. Endowments

Accounting Standards Codification 958-205 contains guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA"), as well as requires disclosures about an organization's endowment funds (both donor-restricted endowment funds and board-designated endowment funds) whether or not the organization is subject to UPMIFA. The State of California adopted UPMIFA effective January 1, 2009.

Endowment assets may include donor-restricted funds that the Organization must hold in perpetuity, donor-restricted funds that must be used for specified purposes, and funds designated by the Board of Directors to function as endowments. Under this interpretation, the Organization 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 in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

3. Endowments (continued)

- 1) The duration and preservation of the fund
- 2) The purpose 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 policy of the organization

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to preserve the real purchasing power of the endowment fund and to provide a relatively predictable and stable stream of current income for annual operational needs.

To satisfy its long-term rate-of-return objectives, the Organization 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 fair value of assets associated with endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration.

Spending Policy and How the Investment Objectives Relate to Spending Policy

Endowment assets are governed by a spending policy that may distribute up to seven percent (7%) (inclusive of broker fees) of the fair value of the investment portfolio as a whole on an annual basis. To protect the intrinsic value of the endowment assets against the unexpected impact of inflation, the Organization's Finance Committee sets a payout rate for the endowment assets' earnings and income that provides a preset rate of real growth of the portfolio while also providing a relatively constant and predictable funding stream. The main objective is to maintain or grow the real (inflation-adjusted) value of the portfolio after accounting for the overall spending. To achieve this objective, the long-term total return of the portfolio should meet or exceed the spending rate plus inflation as measured by an appropriate benchmark, such as the Consumer Price Index.

Earnings and income in excess of the payout rate shall be reinvested in the portfolio according to the Organization's investment policy.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

**Notes to Financial Statements (continued)
Year Ended August 31, 2018**

3. Endowments (continued)

*Spending Policy and How the Investment Objectives Relate to Spending Policy
(continued)*

If the payout rate exceeds the endowment yield, then previously reinvested income and accumulated realized gains shall be transferred to current funds to ensure the payout rate. In addition, the Organization’s Finance Committee is authorized to pay reasonable fees and expenses, primarily management fees, of the endowment portfolio.

The distribution of endowment spending must be incorporated into the Organization’s annual budget and, consequently, reviewed and approved by the Organization’s Board of Directors. The distribution may be timed to provide maximum benefit to overall cash flow needs. By special action and upon the recommendation of the Organization’s Finance Committee, the Board of Directors may temporarily suspend distributions. Distributions may trigger an evaluation of the portfolio’s asset allocation as established by the investment policy.

Composition of Endowment Investment Assets

The following tables show the composition of the Organization’s endowment investment funds – classified by restriction – as of August 31, 2018, and the related activity of endowment investment funds for the year then ended.

Endowment Net Asset Composition by Type as of August 31, 2018:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 491,205	\$ 4,596,050	\$ 5,087,255

Included in Permanently Restricted Net Assets are endowment contribution receivables of \$308,756 (net of discounts of \$44,644) as of August 31, 2018.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

**Notes to Financial Statements (continued)
Year Ended August 31, 2018**

3. Endowments (continued)

Changes in Endowment Net Assets for the year ended August 31, 2018:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning	\$ -	\$ 392,456	\$ 3,990,056	\$ 4,382,512
Investment return:				
Interest and dividend income	-	81,933	-	81,933
Net realized and unrealized investment gains	-	281,647	-	281,647
Investment fees	-	(36,553)	-	(36,553)
Total investment return	-	327,027	-	327,027
Net assets released from restriction	-	-	-	-
Contributions	-	29,722	605,994	635,716
Appropriations	-	(258,000)	-	(258,000)
Net change in endowment assets	-	98,749	605,994	704,743
Endowment net assets, end of the year	\$ -	\$ 491,205	\$ 4,596,050	\$ 5,087,255

4. Board Designated Net Assets

The Board of Directors of the Organization has designated certain unrestricted net assets for the following purposes as of August 31, 2018:

For use in subsequent periods	\$ 2,623,614
Building maintenance	330,587
	<u>2,954,201</u>
Undesignated unrestricted net assets	<u>1,329,463</u>
Total unrestricted net assets	<u>\$ 4,283,664</u>

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

5. Investments

Investments at August 31, 2018 consist of the following:

Equity securities	\$ 3,080,932
Certificates of deposit	2,825,517
Corporate debt securities	809,698
U.S. Government debt securities	560,525
Mutual funds	403,559
	<u>\$ 7,680,231</u>

Based on the nature of the Organization's investments, the fair value of investments as of August 31, 2018 was based on quoted prices in active markets, which are considered Level 1 inputs in the fair value hierarchy.

Investments are exposed to various risks, such as interest rate, market and credit risk. Risk is managed through frequent monitoring of macroeconomic conditions, investment valuations and communication with investment managers. It is at least reasonably possible that changes in the near term could materially affect the amounts reported in the financial statements.

6. Contributions Receivable

At August 31, 2018, the Organization had gross contributions receivables totaling \$1,992,484. The Organization has presented these receivables in the accompanying financial statements at their net present value of future cash flows using a discount rate of 4.25%.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)**

**Notes to Financial Statements (continued)
Year Ended August 31, 2018**

6. Contributions Receivable (continued)

Contributions receivables are expected to be received by the Organization as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
2019	\$ -	\$ 881,184	\$ 228,400	\$ 1,109,584
2020	-	544,200	112,500	656,700
2021	-	213,700	12,500	226,200
	-	1,639,084	353,400	1,992,484
Less discount	-	(138,606)	(44,644)	(183,250)
	<u>\$ -</u>	<u>\$ 1,500,478</u>	<u>\$ 308,756</u>	<u>\$ 1,809,234</u>

7. Promised Use of Facility

Effective April 1, 2018, the Organization entered into a 10 year lease agreement for additional operational space. The related lease agreement does not require the Organization to make lease payments, and as a result, the Organization has reported this transaction as contribution measured at the present value of the estimated fair value of the associated rental payments. This amount aggregated \$355,529, net of a present value discount of \$124,471 on the date of contribution. During the year ended August 31, 2018, the Organization also recognized related rental expense of \$20,000 and amortization of the present value discount into contribution support of \$5,186. Expected future realization of this asset is as follows as of August 31, 2018:

2019	\$ 48,000
2020	48,000
2021	48,000
2022	48,000
2023	48,000
Thereafter	<u>220,000</u>
	460,000
Less discount	<u>(119,284)</u>
	<u>\$ 340,716</u>

THE WOODEN FLOOR FOR YOUTH MOVEMENT
(dba THE WOODEN FLOOR)

Notes to Financial Statements (continued)
Year Ended August 31, 2018

8. Property and Equipment

Property and equipment as of August 31, 2018 consist of the following:

Land	\$ 800,229
Land improvements	16,874
Buildings	3,292,498
Building improvements	535,250
Property and equipment	<u>538,751</u>
	5,183,602
Less accumulated depreciation	<u>(2,137,362)</u>
	<u><u>\$ 3,046,240</u></u>

The Organization leases certain office equipment under a capital lease obligation, which requires monthly payments of \$1,194 for a period of 60 months through 2023 at an imputed interest rate of 5.99%. Future minimum lease payments during the term of the capital lease as of August 31, 2018 are \$67,260 and the principal component of this amount is \$58,502.

At August 31, 2018, the related asset and accumulated depreciation under this capital lease obligation were \$61,775 and \$3,091, respectively.

9. Commitments

Merit Based Scholarship Awards

The Organization provides financial assistance to selected graduates pursuing a two-year community college or four-year college or university degree. The awards may be up to four years in length and range between \$1,000 and \$2,500 per year. The Organization may temporarily or permanently revoke awards based on the academic standing of the recipient, adherence to defined guidelines and other factors. As of August 31, 2018, the maximum amount of awards that may be required to be provided by the Organization over the next four years totaled \$297,750.

Retirement Plan

The Organization implemented a 403(b) Retirement Plan (the "Plan") during October 2000. The Plan covers all eligible employees with over one year of service. The Plan provides for partial vesting of the employer's contributions after two years of service and full vesting after five years of service. The participants' contributions are automatically fully vested. The Organization's contribution to the Plan for the year ended August 31, 2018 was \$43,059.