

*Audited Financial Statements*

from here you can step anywhere  
***the wooden floor***<sup>®</sup>

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

*August 31, 2020*

*Audited Financial Statements*

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

*As of and for the Year Ended August 31, 2020*  
*(With summarized comparative information*  
*as of and for the year ended August 31, 2019)*

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

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## 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, 2020, 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)

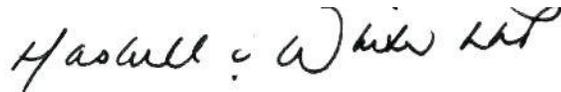
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *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, 2020, 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 2019 financial statements, and our report dated February 12, 2020, 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, 2019 is consistent, in all material respects, with the audited financial statements from which has been derived.

A handwritten signature in cursive script that reads "Haskell & White LLP".

HASKELL & WHITE LLP

Irvine, California  
February 3, 2021

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

**Statement of Financial Position**  
**As of August 31, 2020**

*(With summarized comparative information as of August 31, 2019)*

	2020	2019
<b>ASSETS</b>		
Cash and cash equivalents	\$ 489,887	\$ 304,817
Investments (Note 5)	10,186,717	8,252,462
Contributions receivable, net (Note 6)	1,690,638	2,743,575
Promised use of facility, net (Note 7)	269,610	305,162
Prepaid expenses	13,394	5,243
Property and equipment, net (Note 8)	2,902,563	3,052,550
Total assets	\$ 15,552,809	\$ 14,663,809
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ 45,475	\$ 56,707
Accrued expenses	127,818	101,950
Capital lease obligation	35,224	47,055
Total liabilities	208,517	205,712
<b>Commitments and contingencies (Note 9)</b>		
<b>Net assets (Notes 3 and 4)</b>		
Without donor restrictions	\$ 4,730,600	\$ 4,249,984
With donor restrictions	10,613,692	10,208,113
Total net assets	15,344,292	14,458,097
Total liabilities and net assets	\$ 15,552,809	\$ 14,663,809

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, 2020**

*(With summarized comparative information for the year ended August 31, 2019)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2020</u>	<u>Total 2019</u>
<b>Revenues and support</b>				
Gifts and grants (Note 10)	\$ 2,043,449	\$ 1,688,119	\$ 3,731,568	\$ 4,148,297
Donated materials and services	75,893	-	75,893	98,280
Performances	1,341	-	1,341	18,983
Interest and dividend income	84,554	138,069	222,623	204,493
Realized (loss) gain on investments	(466)	10,369	9,903	97,009
Unrealized gain on investments	25,491	205,703	231,194	230,501
Other income	17,208	-	17,208	29,340
	<u>2,247,470</u>	<u>2,042,260</u>	<u>4,289,730</u>	<u>4,826,903</u>
<b>Net assets released from restriction</b>	<u>1,636,681</u>	<u>(1,636,681)</u>	<u>-</u>	<u>-</u>
	<u>3,884,151</u>	<u>405,579</u>	<u>4,289,730</u>	<u>4,826,903</u>
<b>Expenses</b>				
Program services	2,381,397	-	2,381,397	2,599,794
Supporting activities	1,022,138	-	1,022,138	1,050,515
	<u>3,403,535</u>	<u>-</u>	<u>3,403,535</u>	<u>3,650,309</u>
<b>Change in net assets</b>	480,616	405,579	886,195	1,176,594
<b>Net assets, beginning of year</b>	<u>4,249,984</u>	<u>10,208,113</u>	<u>14,458,097</u>	<u>13,281,503</u>
<b>Net assets, end of year</b>	<u>\$ 4,730,600</u>	<u>\$ 10,613,692</u>	<u>\$ 15,344,292</u>	<u>\$ 14,458,097</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, 2020**

*(With summarized comparative information for the year ended August 31, 2019)*

	Program Services					Supporting Activities				Total 2020	Total 2019	
	Year-Round Programs	Performances	Academics & CCR	Family Services	Sub-total	Management and General	Community Relations	Fund- raising	Sub-total			
Academic tutoring	\$ -	\$ -	\$ 21,905	\$ -	\$ 21,905	\$ -	\$ -	\$ -	\$ -	\$ -	<b>21,905</b>	\$ 26,643
Administration	33,371	11,996	10,408	5,874	61,649	4,227	5,524	35,786	45,537		<b>107,186</b>	163,856
Auto and travel	6,444	10,676	546	309	17,975	221	290	494	1,005		<b>18,980</b>	55,496
Bad debt expense	-	-	-	-	-	57,537	-	-	57,537		<b>57,537</b>	5,446
Community relations	693	-	-	-	693	-	10,656	-	10,656		<b>11,349</b>	12,428
Costumes and t-shirts	413	11,068	-	-	11,481	-	-	-	-		<b>11,481</b>	30,956
Dancewear	18,112	-	-	-	18,112	-	-	-	-		<b>18,112</b>	20,733
Depreciation	142,827	-	-	-	142,827	9,216	-	-	9,216		<b>152,043</b>	143,413
Employee benefits	97,482	6,532	30,404	17,158	151,576	12,283	16,135	27,454	55,872		<b>207,448</b>	187,818
Instructors	204,009	21,162	-	-	225,171	-	-	-	-		<b>225,171</b>	269,778
Insurance - other	23,616	-	-	-	23,616	1,778	-	-	1,778		<b>25,394</b>	23,588
Interest expense	1,173	79	366	207	1,825	148	194	330	672		<b>2,497</b>	2,997
Miscellaneous	5,698	19	-	-	5,717	-	-	-	-		<b>5,717</b>	13,159
Payroll taxes	64,618	4,330	20,154	11,374	100,476	8,142	10,696	18,199	37,037		<b>137,513</b>	121,459
Printing	23,003	8,411	229	130	31,773	93	6,941	20,737	27,771		<b>59,544</b>	112,360
Production - annual concert	-	26,599	-	-	26,599	-	-	-	-		<b>26,599</b>	74,815
Professional fees	24,780	114	531	300	25,725	24,745	282	80,118	105,145		<b>130,870</b>	177,783
Rent/lease expense	49,117	75	348	197	49,737	141	185	314	640		<b>50,377</b>	52,455
Repairs and maintenance	133,519	3,252	15,135	8,542	160,448	11,412	8,032	13,667	33,111		<b>193,559</b>	203,007
Salaries and wages	600,270	49,731	247,406	140,372	1,037,779	101,971	134,017	228,672	464,660		<b>1,502,439</b>	1,490,494
Special events	-	-	-	-	-	-	-	132,389	132,389		<b>132,389</b>	204,489
Student services	3,770	-	105,618	96,983	206,371	-	-	-	-		<b>206,371</b>	138,078
Utilities	54,740	628	2,924	1,650	59,942	4,596	1,552	2,641	8,789		<b>68,731</b>	81,489
Volunteer development	-	-	-	-	-	-	30,323	-	30,323		<b>30,323</b>	37,569
<b>Total expenses</b>	<b>\$ 1,487,655</b>	<b>\$ 154,672</b>	<b>\$ 455,974</b>	<b>\$ 283,096</b>	<b>\$ 2,381,397</b>	<b>\$ 236,510</b>	<b>\$ 224,827</b>	<b>\$ 560,801</b>	<b>\$ 1,022,138</b>	<b>\$ 3,403,535</b>	<b>\$ 3,650,309</b>	

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, 2020**

*(With summarized comparative information for the year ended August 31, 2019)*

	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 886,195	\$ 1,176,594
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	152,043	143,413
Realized gain on investments	(9,903)	(97,009)
Unrealized gain on investments	(231,194)	(230,501)
Change in discounts on contributions receivable	(85,740)	(37,154)
Change in promised use of facility, net of discount	35,552	35,554
Decrease (increase) in:		
Contributions receivable	1,138,677	(897,187)
Prepaid expenses	(8,151)	(2,954)
(Decrease) increase in:		
Accounts payable	(11,232)	(3,383)
Accrued expenses	25,868	7,103
<b>Net cash provided by operating activities</b>	<b>1,892,115</b>	<b>94,476</b>
<b>Cash flows used in investing activities</b>		
Acquisition of property and equipment	(6,053)	(149,723)
Loss on disposal of property and equipment	3,997	-
Purchases of investments	(7,917,981)	(5,935,957)
Proceeds from sales of investments	6,224,823	5,691,236
<b>Net cash used in investing activities</b>	<b>(1,695,214)</b>	<b>(394,444)</b>
<b>Cash flows used in financing activities</b>		
Payments on capital lease obligations	(11,831)	(11,447)
<b>Net cash used in financing activities</b>	<b>(11,831)</b>	<b>(11,447)</b>
<b>Net change in cash and cash equivalents</b>	<b>185,070</b>	<b>(311,415)</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>304,817</b>	<b>616,232</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 489,887</b>	<b>\$ 304,817</b>
<b>Supplemental disclosures of cash flow information:</b>		
Disposals of fully-depreciated property and equipment	\$ 5,885	\$ 18,922
Interest paid on capital lease obligation	\$ 2,497	\$ 2,997

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, 2020**

**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.

*Programs*

The Organization’s holistic model serves 475 under-served students year-round, through after-school programming that strategically integrates dance education with academic, college and career readiness, and family services, free of charge. Dance education and performance are core transformational elements through which the students 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 teach discipline, goal-setting, commitment, and achievement through hard work. 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.

In addition through a community outreach program called Dance Free Weeks, the Organization serves approximately 3,000 low-income youth in elementary schools each fall through one-week dance education curriculum and a culminating performance for their peers.

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**1. Organization (continued)**

*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. Nearing the end of this ten-year period, and thriving, the Organization has arrived at a time when intentional growth and advancement are needed for three key reasons.

- **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
3. Sustainability and Excellence through Endowment Growth

The Organization’s statement of financial position reflects the success of the Comprehensive Campaign, referred to as *Lift: Inspiring Young People. Building Our Community*, which has raised \$20.2 million in contributions and pledges through August 31, 2020 towards a 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, that the Organization chooses to open.

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, 2020**

**1. Organization (continued)**

*Campus Expansion and Endowment Growth*

The increase to the Organization’s investments as of August 31, 2020, 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 original Main Street location and Depot at Santiago are operating as a “connected-campus model” with all 475 students being served at both locations – 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 needs whenever required. The second location is fully-funded at \$2.9 million, which will be used to serve 100 additional children over a period of ten years.

In March 2020, the Board of Directors of The Wooden Floor culminated the **Lift** Campaign, which reached \$20.2 million in gifts and pledges through support from individuals, foundations and corporate partners.

**2. Summary of Significant Accounting Policies**

*Basis of Presentation*

The Organization prepares its financial statements using the accrual basis of accounting 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 recognizes revenues when earned, and contributions, including unconditional promises to give, when received. Expenses are recognized when the related obligation is incurred.

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 “net assets without donor restriction,” and “net assets with donor restriction” as follows:

- Net Assets Without Donor Restriction - net assets that are not subject to donor-imposed restrictions and are available to support general operations.

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**2. Summary of Significant Accounting Policies (continued)**

*Basis of Presentation (continued)*

- Net Assets With Donor Restriction - net assets that are subject to donor-imposed restrictions that require the passage of time or the occurrence of a specific event. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

*Tax Status*

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 up to \$500,000 and the Customer Asset Protection Company.

*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

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**2. Summary of Significant Accounting Policies (continued)**

*Investments (continued)*

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 all investments as of August 31, 2020 was based on quoted prices in active markets, which are considered Level 1 inputs.

*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, 2020, management determined that no such events or changes in circumstances occurred.

*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, 2020.

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, 2020**

**2. Summary of Significant Accounting Policies (continued)**

*Donated Goods 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, 2020, donated goods and services aggregated \$75,893.

*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. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions benefited using a consistently applied reasonable allocation method that rely on estimates made by management. The basis on which costs are allocated are evaluated by management annually.

*Recent Accounting Pronouncements*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued guidance regarding leases, which requires lessees to recognize on the balance sheet a right-of-use asset, representing their right to use the underlying asset for the lease term, and a lease liability for all leases with terms greater than 12 months. The guidance also requires qualitative and quantitative disclosures designed to assess the amount, timing and uncertainty of cash flows arising from leases. The guidance requires the use of a modified retrospective transition approach, which includes a number of optional practical expedients that entities may elect to apply. The guidance is effective for the Organization in its fiscal year ending 2023. Given its limited leasing activities to date, management does not expect this guidance to significantly impact the accompanying financial statements.

In June 2018, the FASB issued the update *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This guidance is intended to clarify and improve accounting guidance for contributions received and contributions made and assist entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions subject to other guidance, and (2) determining whether a contribution is conditional. The guidance is effective for the

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**2. Summary of Significant Accounting Policies (continued)**

*Recent Accounting Pronouncements (continued)*

Organization's fiscal year ended August 31, 2020 for contributions received, and for the Organization's fiscal year ended August 31, 2021 for contributions made. The implementation of the contributions received provisions did not materially impact the accompanying fiscal year 2020 financial statements, and the remaining provisions are not expected to materially impact the Organization's financial statements.

*Subsequent Events*

The Organization has evaluated subsequent events that occurred through February 3, 2021, the date the financial statements were available to be issued.

**3. Endowments**

As of August 31, 2020, the Organization's endowment consists of funds permanently-restricted by donors that are intended to provide a perpetual source of support for the Organization's activities. The State of California adopted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") effective January 1, 2009. UPMIFA establishes law for the management and investment of donor-restricted endowment funds. Donor-restricted endowment funds are subject to a time restriction imposed by UPMIFA until amounts are appropriated for expenditure by an organization. As a result, donor-restricted endowment funds are classified as net assets with donor restrictions.

UPMIFA permits the Organization to appropriate for expenditure or accumulate so much of a donor-restricted endowment fund as it determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. In making its determination to appropriate or accumulate, the Organization must act in good faith, with the care that an ordinarily prudent person in a like position would exercise under similar circumstances, and it must consider, if relevant, the following factors:

- The duration and preservation of the endowment fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policy of the organization

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**3. Endowments (continued)**

*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 the Organization's investment policy.

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.

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**3. Endowments (continued)**

*Composition of Endowment Investment Assets*

The following tables show the composition of the Organization's endowment investment funds as of August 31, 2020, and the related activity of endowment investment funds for the year then ended.

Endowment Net Asset Composition by net asset class as of August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 7,358,912	\$ 7,358,912

Included in net assets with donor restrictions are permanently-restricted contribution receivables of \$483,964 (net of discounts of \$73,236) as of August 31, 2020. Also included in net assets with donor restrictions are unappropriated earnings on permanently-restricted funds of \$510,977 as of August 31, 2020.

Changes in Endowment Net Assets for the year ended August 31, 2020:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning	\$ -	\$ 6,329,887	\$ 6,329,887
Investment return:			
Interest and dividend income	-	138,069	138,069
Net realized and unrealized investment gains	-	256,647	256,647
Investment fees	-	(40,575)	(40,575)
Total investment return	-	354,141	354,141
Net assets released from restriction	-	-	-
Contributions	-	1,046,134	1,046,134
Appropriations	-	(371,250)	(371,250)
Net change in endowment assets	-	1,029,025	1,029,025
Endowment net assets, end of the year	\$ -	\$ 7,358,912	\$ 7,358,912

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**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, 2020:

For use in subsequent periods	\$ 2,720,544
Building maintenance	<u>364,740</u>
	3,085,284
Undesignated unrestricted net assets	<u>1,645,316</u>
Total unrestricted net assets	<u><u>\$ 4,730,600</u></u>

**5. Investments**

Investments at August 31, 2020 consist of the following:

Equity securities	\$ 4,519,381
Certificates of deposit	2,887,976
U.S. Department of Treasury obligations	779,520
Corporate debt securities	863,898
Savings and time deposits	604,972
Mutual funds	<u>530,970</u>
	<u><u>\$ 10,186,717</u></u>

Based on the nature of the Organization's investments, the fair value of investments as of August 31, 2020 was based on quoted prices in active markets, which are considered Level 1 inputs in the fair value hierarchy. The Organization uses the following methods to determine the fair value of its investments:

Equity securities traded on national securities exchanges: Determined by the closing price on the last business day of the fiscal year.

Certificates of deposit: Determined by the principal amount of the certificate, plus accrued interest, as of the last business day of the fiscal year.

U.S. Department of Treasury obligations: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT  
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**Notes to Financial Statements (continued)  
Year Ended August 31, 2020**

**5. Investments (continued)**

Corporate debt securities: Determined using contractual cash flows and the interest rate determined by the closing bid price on the last business day of the fiscal year if the same or an obligation with a similar maturity is actively traded.

Open-ended mutual funds: Determined by the published net asset value (NAV) per unit at the end of the last trading day of the fiscal year, which is the basis for transactions at that date.

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, 2020, the Organization had gross contributions receivables totaling \$1,870,279 and a related present value discount of \$179,641. The Organization has presented these receivables in the accompanying financial statements at their net present value of future cash flows using the prime rate as the discount rate at the time of the contribution. As of August 31, 2020, all contributions receivable have a donor restriction.

Contributions receivables, detailed by the type of donor restriction, are expected to be received by the Organization during the following fiscal years ending August 31:

	Time or Purpose Restriction	Permanent Corpus Restriction	Total
2021	\$ 829,079	\$ 307,200	\$ 1,136,279
2022	218,000	125,000	343,000
2023	163,000	125,000	288,000
2024	78,000	-	78,000
2025	25,000	-	25,000
	<u>1,313,079</u>	<u>557,200</u>	<u>1,870,279</u>
Less discount	<u>(106,405)</u>	<u>(73,236)</u>	<u>(179,641)</u>
	<u>\$ 1,206,674</u>	<u>\$ 483,964</u>	<u>\$ 1,690,638</u>

**THE WOODEN FLOOR FOR YOUTH MOVEMENT  
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**Notes to Financial Statements (continued)  
Year Ended August 31, 2020**

**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 a 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, 2020, the Organization recognized related rental expense of \$48,000 and amortization of the present value discount as contribution support of \$12,447. Expected future realization of this asset is as follows during the fiscal years ending August 31:

2021	\$ 48,000
2022	48,000
2023	48,000
2024	48,000
2025	48,000
Thereafter	124,000
	364,000
Less discount	(94,390)
	\$ 269,610

**8. Property and Equipment**

Property and equipment as of August 31, 2020 consist of the following:

Land	\$ 800,229
Land improvements	28,902
Buildings	3,292,498
Building improvements	610,612
Leased office equipment	61,775
Property and equipment	516,559
	5,310,575
Less accumulated depreciation	(2,408,012)
	\$ 2,902,563

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**8. Property and Equipment (continued)**

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, 2020 are \$38,604 and the principal component of this amount is \$35,224.

At August 31, 2020, the related asset and accumulated depreciation under this capital lease obligation were \$61,775 and \$27,801, respectively.

**9. Commitments and Contingencies**

*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, 2020, the maximum amount of awards that may be required to be provided by the Organization over the next four years totaled \$418,500.

*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, 2020 was \$51,000.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**9. Commitments and Contingencies (continued)**

*COVID-19*

On March 11, 2020, the World Health Organization declared the novel coronavirus (“COVID-19”) outbreak a public health emergency. The outbreak of COVID-19 continues to cause domestic and global disruption in operations for many businesses, art organizations and educational institutions. The Organization has implemented a robust response plan in an effort to protect the health of the community and promote the continuity of our mission. Management has also instituted cost-saving measures due to the uncertainties regarding the ultimate financial impact of COVID-19 and will continue to closely monitor the situation to ensure resources are focused and effectively managed to meet the needs of the community while protecting the financial foundation for the future. The duration and intensity of the impact of COVID-19 and resulting disruption to the Organization’s operations are uncertain and could adversely affect future financial results.

**10. Paycheck Protection Program Loans**

The Organization received a Paycheck Protection Program (“PPP”) loan totaling \$342,372 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are considered conditional contributions, with a right-of return in the form of an obligation to be repaid if a barrier to entitlement is not met. The barrier is that PPP loan funds must be used to maintain compensation costs and employee headcount, and other qualifying expenses (rent and utilities) incurred following receipt of the funds. The Organization recognized the amount received as grant revenue as qualified expenses were incurred and barriers to entitlement were met.

The Organization utilized the guidance under FASB ASC 958-605, *Conditional Promises to Give*, in evaluating the accounting for the proceeds from loans received under PPP. Utilizing this guidance, management has determined the Organization has substantially met the requirements for the PPP loans to be forgiven and, therefore has recorded the PPP loan proceeds as grant revenue in the year ended August 31, 2020.

On January 13, 2021, the Organization submitted an application for forgiveness of the PPP loan; however, formal forgiveness has not yet been received by the Organization. Should the actual amount forgiven on the PPP loans differ from 100% of the proceeds, an adjustment to the Organization’s financial statements may be required in the future.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2020**

**11. Liquidity and Availability of Resources**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of August 31, 2020 are as follows:

Cash and cash equivalents	\$ 489,887
Investments	10,186,717
Contributions receivable, net	1,690,638
Promised use of facility, net	<u>269,610</u>
Total financial assets	<u>12,636,852</u>
Less: amounts with permanent donor restrictions	(6,363,971)
Less: amounts with purpose-related donor restrictions	(1,919,161)
Less: amounts board-designated for building maintenance	(364,740)
Less: time or purpose restricted contribution receivables due after August 31, 2021	(1,690,638)
Less: promised use of facility past one year	<u>(221,610)</u>
Available for general expenditures within one year	<u><u>\$ 2,076,732</u></u>

The above table reflects board-designated building maintenance funds as unavailable because it is the Organization's intention to invest those resources for that specific designation. However, in the case of need, the Board of Directors could appropriate such resources for general expenditure.