

*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, 2021*

*Audited Financial Statements*

from here you can step anywhere  
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**The Wooden Floor for Youth Movement**  
*(dba The Wooden Floor)*

*As of and for the Year Ended August 31, 2021*  
*(With summarized comparative information*  
*as of and for the year ended August 31, 2020)*

**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, 2021, 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, 2021, 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 2020 financial statements, and our report dated February 3, 2021, 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, 2020 is consistent, in all material respects, with the audited financial statements from which has been derived.

A handwritten signature in blue ink that reads "Haskell & White LLP".

HASKELL & WHITE LLP

Irvine, California  
February 15, 2022

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

**Statement of Financial Position**

**As of August 31, 2021**

*(With summarized comparative information as of August 31, 2020)*

	<b>2021</b>	<b>2020</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ <b>328,937</b>	\$ 489,887
Investments (Note 5)	<b>11,929,280</b>	10,186,717
Contributions receivable, net (Note 6)	<b>1,324,600</b>	1,690,638
Promised use of facility, net (Note 7)	<b>234,057</b>	269,610
Prepaid expenses	<b>46,967</b>	13,394
Property and equipment, net (Note 8)	<b>2,841,560</b>	2,902,563
	<b>16,705,401</b>	15,552,809
Total assets	<b>\$ 16,705,401</b>	\$ 15,552,809
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities</b>		
Accounts payable	\$ <b>73,335</b>	\$ 45,475
Accrued expenses	<b>135,094</b>	127,818
Capital lease obligation	<b>22,664</b>	35,224
	<b>231,093</b>	208,517
Total liabilities	<b>231,093</b>	208,517
<b>Commitments and contingencies (Note 9)</b>		
<b>Net assets (Notes 3 and 4)</b>		
Without donor restrictions	<b>5,027,880</b>	4,730,600
With donor restrictions	<b>11,446,428</b>	10,613,692
	<b>16,474,308</b>	15,344,292
Total net assets	<b>16,474,308</b>	15,344,292
Total liabilities and net assets	<b>\$ 16,705,401</b>	\$ 15,552,809

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, 2021**

*(With summarized comparative information for the year ended August 31, 2020)*

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2021</u>	<u>Total 2020</u>
<b>Revenues and support</b>				
Gifts and grants (Note 10)	\$ 2,053,029	\$ 825,303	\$ <b>2,878,332</b>	\$ 3,731,568
Donated materials and services	12,447	-	<b>12,447</b>	75,893
Performances	8,073	-	<b>8,073</b>	1,341
Interest and dividend income	75,211	141,567	<b>216,778</b>	222,623
Realized gain on investments	10,042	174,942	<b>184,984</b>	9,903
Unrealized gain on investments	122,750	941,190	<b>1,063,940</b>	231,194
Other income	7,863	-	<b>7,863</b>	17,208
	<u>2,289,415</u>	<u>2,083,002</u>	<u><b>4,372,417</b></u>	<u>4,289,730</u>
<b>Net assets released from restriction</b>	<u>1,250,266</u>	<u>(1,250,266)</u>	<u>-</u>	<u>-</u>
	<u>3,539,681</u>	<u>832,736</u>	<u><b>4,372,417</b></u>	<u>4,289,730</u>
<b>Expenses</b>				
Program services	2,328,773	-	<b>2,328,773</b>	2,381,397
Supporting activities	913,628	-	<b>913,628</b>	1,022,138
	<u>3,242,401</u>	<u>-</u>	<u><b>3,242,401</b></u>	<u>3,403,535</u>
<b>Change in net assets</b>	297,280	832,736	<b>1,130,016</b>	886,195
<b>Net assets, beginning of year</b>	<u>4,730,600</u>	<u>10,613,692</u>	<u><b>15,344,292</b></u>	<u>14,458,097</u>
<b>Net assets, end of year</b>	<u><u>\$ 5,027,880</u></u>	<u><u>\$ 11,446,428</u></u>	<u><u><b>\$ 16,474,308</b></u></u>	<u><u>\$ 15,344,292</u></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, 2021**

*(With summarized comparative information for the year ended August 31, 2020)*

	Program Services					Supporting Activities				Total 2021	Total 2020
	Year-Round Programs	Performances	Academics & CCR	Family Services	Sub-total	Management and General	Community Relations	Fundraising	Sub-total		
Academic tutoring	\$ -	\$ -	\$ 6,614	\$ -	\$ 6,614	\$ -	\$ -	\$ -	\$ -	\$ 6,614	\$ 21,905
Administration	29,637	6,089	5,645	5,404	46,775	4,643	3,685	18,916	27,244	74,019	107,186
Auto and travel	1,877	5,919	15	14	7,825	12	10	29	51	7,876	18,980
Bad debt expense	-	-	-	-	-	1,150	-	-	1,150	1,150	57,537
Community relations	777	-	-	-	777	-	11,942	-	11,942	12,719	11,349
Costumes and t-shirts	-	27,199	-	-	27,199	-	-	-	-	27,199	11,481
Dancewear	-	-	-	-	-	-	-	-	-	-	18,112
Depreciation	147,384	-	-	-	147,384	11,093	-	-	11,093	158,477	152,043
Employee benefits	100,640	10,962	19,167	18,349	149,118	15,765	12,513	37,969	66,247	215,365	207,448
Instructors	5,525	25,080	-	-	30,605	-	-	-	-	30,605	225,171
Insurance - other	25,081	-	-	-	25,081	1,888	-	-	1,888	26,969	25,394
Interest expense	807	88	154	147	1,196	126	100	304	530	1,726	2,497
Miscellaneous	8,242	4,861	-	-	13,103	-	-	-	-	13,103	5,717
Payroll taxes	58,453	6,367	11,133	10,657	86,610	9,156	7,268	22,053	38,477	125,087	137,513
Printing	15,575	15,990	1,721	1,648	34,934	1,416	5,411	23,565	30,392	65,326	59,544
Production - annual concert	-	77,819	-	-	77,819	-	-	-	-	77,819	26,599
Professional fees	19,673	509	890	852	21,924	24,192	581	88,828	113,601	135,525	130,870
Rent/lease expense	48,000	-	-	-	48,000	-	-	-	-	48,000	50,377
Repairs and maintenance	189,665	4,342	7,593	7,268	208,868	15,518	4,957	15,040	35,515	244,383	193,559
Salaries and wages	813,237	87,925	153,956	148,837	1,203,955	128,204	100,494	306,759	535,457	1,739,412	1,502,439
Special events	-	-	-	-	-	-	-	24,357	24,357	24,357	132,389
Student services	4,813	4,728	103,125	11,363	124,029	-	-	-	-	124,029	206,371
Utilities	60,846	738	3,435	1,938	66,957	5,139	1,823	3,102	10,064	77,021	68,731
Volunteer development	-	-	-	-	-	-	5,620	-	5,620	5,620	30,323
<b>Total expenses</b>	<b>\$ 1,530,232</b>	<b>\$ 278,616</b>	<b>\$ 313,448</b>	<b>\$ 206,477</b>	<b>\$ 2,328,773</b>	<b>\$ 218,302</b>	<b>\$ 154,404</b>	<b>\$ 540,922</b>	<b>\$ 913,628</b>	<b>\$ 3,242,401</b>	<b>\$ 3,403,535</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, 2021**

*(With summarized comparative information for the year ended August 31, 2020)*

	2021	2020
<b>Cash flows from operating activities</b>		
Change in net assets	\$ 1,130,016	\$ 886,195
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	158,477	152,043
Realized gain on investments	(184,984)	(9,903)
Unrealized gain on investments	(1,063,940)	(231,194)
Change in discounts on contributions receivable	(63,459)	(85,740)
Change in promised use of facility, net of discount	35,553	35,552
Loss on disposal of property and equipment	2,137	3,997
Decrease (increase) in:		
Contributions receivable	429,497	1,138,677
Prepaid expenses	(33,573)	(8,151)
Increase (decrease) in:		
Accounts payable	27,860	(11,232)
Accrued expenses	7,276	25,868
<b>Net cash provided by operating activities</b>	<b>444,860</b>	<b>1,896,112</b>
<b>Cash flows from investing activities</b>		
Acquisition of property and equipment	(99,611)	(6,053)
Purchases of investments	(5,782,494)	(7,917,981)
Proceeds from sales of investments	5,288,855	6,224,823
<b>Net cash used in investing activities</b>	<b>(593,250)</b>	<b>(1,699,211)</b>
<b>Cash flows from financing activities</b>		
Payments on capital lease obligations	(12,560)	(11,831)
<b>Net cash used in financing activities</b>	<b>(12,560)</b>	<b>(11,831)</b>
<b>Net change in cash and cash equivalents</b>	<b>(160,950)</b>	<b>185,070</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>489,887</b>	<b>304,817</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 328,937</b>	<b>\$ 489,887</b>
<b>Supplemental disclosures of cash flow information:</b>		
Disposals of fully-depreciated property and equipment	\$ 2,962	\$ 5,885
Interest paid on capital lease obligation	\$ 1,727	\$ 2,497

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, 2021**

**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, 2021**

**1. Organization (continued)**

*Campus Expansion and Endowment Growth*

The increase to the Organization’s investments as of August 31, 2021, 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, 2021**

**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 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, 2021**

**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, 2021 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 buildings, 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, 2021, 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, 2021.

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, 2021**

**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, 2021, donated goods and services aggregated \$12,447 (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. 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, including applicable payroll costs, 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.

During the year ended August 31, 2021, certain amounts on the Statement of Functional Expenses were reclassified from instructors to salaries and wages due to independent contractors becoming employees as a result of California's *Assembly Bill No. 5: Worker Status*.

*Recently Adopted Accounting Pronouncements*

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 was effective for the 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 these provisions did not materially impact the Organization's financial statements.

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

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

*Recently Issued Accounting Pronouncements (continued)*

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 September 2020, the FASB issued ASU 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires a not-for-profit entity to present contributed nonfinancial assets in the statement of activities as a line item that is separate from contributions of cash or other financial assets. ASU 2020-07 also requires additional qualitative and quantitative disclosures about contributed nonfinancial assets received, disaggregated by category. This guidance is effective for fiscal years beginning after June 15, 2021. Management is currently evaluating the impact ASU 2020-07 will have on the financial statements and related disclosures.

*Subsequent Events*

The Organization has evaluated subsequent events that occurred through February 15, 2022, the date the financial statements were available to be issued, noting no events that required accrual or disclosure.

**3. Endowments**

As of August 31, 2021, 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.

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

**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

**3. Endowments (continued)**

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

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

**Notes to Financial Statements (continued)  
Year Ended August 31, 2021**

**3. Endowments (continued)**

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

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.

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 as of August 31, 2021, 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, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor restricted endowment	\$ -	\$ 8,519,277	\$ 8,519,277

Included in net assets with donor restrictions are permanently restricted contribution receivables of \$325,430 (net of discounts of \$50,770) as of August 31, 2021. Also included in net assets with donor restrictions are unappropriated earnings on permanently restricted funds of \$1,343,676 as of August 31, 2021.

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

**Notes to Financial Statements (continued)  
Year Ended August 31, 2021**

**3. Endowments (continued)**

*Composition of Endowment Investment Assets (continued)*

Changes in Endowment Net Assets for the year ended August 31, 2021:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of the year	\$ -	\$ 7,358,912	\$ 7,358,912
Investment returns:			
Interest and dividend income	-	141,567	141,567
Net realized and unrealized investment gains	-	1,173,012	1,173,012
Investment fees	-	(56,880)	(56,880)
Total investment return	-	1,257,699	1,257,699
Net assets released from restriction	-	-	-
Contributions	-	327,666	327,666
Appropriations	-	(425,000)	(425,000)
Net change in endowment assets	-	1,160,365	1,160,365
Endowment net assets, end of the year	\$ -	\$ 8,519,277	\$ 8,519,277

**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, 2021:

For use in subsequent periods	\$ 3,002,479
Building maintenance	401,460
	3,403,939
Undesignated unrestricted net assets	1,623,941
Total unrestricted net assets	\$ 5,027,880

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

**5. Investments**

Investments at August 31, 2021 consist of the following:

Equity securities	\$ 6,306,059
Certificates of deposit	1,495,432
Corporate debt securities	1,493,960
U.S. Department of Treasury obligations	1,460,709
Savings and time deposits	623,364
Debt and equity mutual funds	549,756
	<hr/>
	\$ 11,929,280
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Based on the nature of the Organization's investments, the fair value of investments as of August 31, 2021 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.

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.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT  
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**Notes to Financial Statements (continued)  
Year Ended August 31, 2021**

**6. Contributions Receivable**

At August 31, 2021, the Organization had gross contributions receivables totaling \$1,440,781 and a related present value discount of \$116,181. 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.

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
2022	\$ 701,233	\$ 251,200	\$ 952,433
2023	195,500	125,000	320,500
2024	75,500	-	75,500
2025	25,000	-	25,000
	997,233	376,200	1,373,433
Less discount	(65,411)	(50,770)	(116,181)
	\$ 931,822	\$ 325,430	1,257,252
Receivables without restriction			67,348
			\$ 1,324,600

**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.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

**7. Promised Use of Facility (continued)**

During the year ended August 31, 2021, 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:

2022	\$	48,000
2023		48,000
2024		48,000
2025		48,000
2026		48,000
Thereafter		76,000
		316,000
Less discount		(81,943)
		\$ 234,057

**8. Property and Equipment**

Property and equipment as of August 31, 2021 consist of the following:

Land	\$	800,229
Land improvements		28,902
Buildings		3,292,498
Building improvements		688,811
Leased office equipment		61,775
Property and equipment		515,045
		5,387,260
Less accumulated depreciation		(2,545,700)
		\$ 2,841,560

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, 2021 are \$24,276 and the principal component of this amount is \$22,664.

At August 31, 2021, the related asset and accumulated depreciation under this capital lease obligation were \$61,775 and \$40,156, respectively.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

**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, 2021, the maximum amount of awards that may be required to be provided by the Organization over the next four years totaled \$403,250.

*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, 2021 was \$51,556.

*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.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT**  
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**Notes to Financial Statements (continued)**  
**Year Ended August 31, 2021**

**10. Paycheck Protection Program**

The Organization received Paycheck Protection Program (“PPP”) funds totaling \$306,974 granted by the Small Business Administration under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP funds 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 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 received under PPP. Utilizing this guidance, management has determined the Organization has substantially met the use requirements of the PPP funds and, therefore has recorded the PPP proceeds as grant revenue in the year ended August 31, 2021.

During the year ended August 31, 2020, the Organization received PPP funds totaling \$342,372.

**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, 2021 are as follows:

Cash and cash equivalents	\$ 328,937
Investments	11,929,280
Contributions receivable, net	<u>1,324,600</u>
Total financial assets	<u>13,582,817</u>
Less: amounts with permanent donor restrictions	(6,850,171)
Less: amounts with purpose-related donor restrictions	(1,837,574)
Less: amounts board-designated for building maintenance	(401,460)
Less: time or purpose restricted contribution receivables due after August 31, 2022	<u>(1,257,252)</u>
Available for general expenditures within one year	<u><u>\$ 3,236,360</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.