

Audited Financial Statements



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

August 31, 2023

Audited Financial Statements



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

As of and for the Year Ended August 31, 2023
(With summarized comparative information
as of and for the year ended August 31, 2022)

**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)

Opinion

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, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

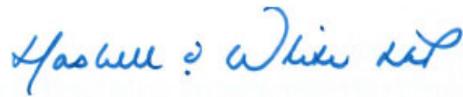
- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Report on Summarized Comparative Information

We have previously audited the Organization's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 2, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended August 31, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.



HASKELL & WHITE LLP

Irvine, California
February 1, 2024

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

**Statement of Financial Position
As of August 31, 2023**

(With summarized comparative information as of August 31, 2022)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 227,908	\$ 457,627
Investments (Note 5)	10,649,232	10,432,652
Contributions receivable, net (Note 6)	2,022,359	832,637
Promised use of facility, net (Note 7)	162,951	198,504
Prepaid expenses	274,594	167,842
Property and equipment, net (Note 8)	3,168,637	2,705,567
Total assets	\$ 16,505,681	\$ 14,794,829
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	\$ 268,253	\$ 90,933
Accrued expenses	111,766	118,330
Capital lease obligation	-	9,333
Finance lease liability	39,171	-
Total liabilities	419,190	218,596
Commitments and contingencies (Note 10)		
Net assets (Notes 3 and 4)		
Without donor restrictions	4,460,243	4,457,022
With donor restrictions	11,626,248	10,119,211
Total net assets	16,086,491	14,576,233
Total liabilities and net assets	\$ 16,505,681	\$ 14,794,829

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, 2023

(With summarized comparative information for the year ended August 31, 2022)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total 2023</u>	<u>Total 2022</u>
Revenues and support				
Gifts and grants (Note 9)	\$ 2,416,490	\$ 2,374,742	\$ 4,791,232	\$ 2,559,232
Donated materials and services	86,585	-	86,585	12,447
Performances	11,052	-	11,052	16,378
Interest and dividend income	108,761	180,401	289,162	216,520
Realized (loss) gain on investments	(53,499)	68,699	15,200	143,309
Unrealized gain (loss) on investments	67,523	370,464	437,987	(1,200,756)
Other income	23,724	-	23,724	6,617
	<u>2,660,636</u>	<u>2,994,306</u>	<u>5,654,942</u>	<u>1,753,747</u>
Net assets released from restriction	<u>1,487,269</u>	<u>(1,487,269)</u>	<u>-</u>	<u>-</u>
	<u>4,147,905</u>	<u>1,507,037</u>	<u>5,654,942</u>	<u>1,753,747</u>
Expenses				
Program services	2,801,851	-	2,801,851	2,636,898
Supporting activities	1,342,833	-	1,342,833	1,014,924
	<u>4,144,684</u>	<u>-</u>	<u>4,144,684</u>	<u>3,651,822</u>
Change in net assets	3,221	1,507,037	1,510,258	(1,898,075)
Net assets, beginning of year	<u>4,457,022</u>	<u>10,119,211</u>	<u>14,576,233</u>	<u>16,474,308</u>
Net assets, end of year	<u>\$ 4,460,243</u>	<u>\$ 11,626,248</u>	<u>\$ 16,086,491</u>	<u>\$ 14,576,233</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, 2023**

(With summarized comparative information for the year ended August 31, 2022)

	Program Services					Supporting Activities				Total 2023	Total 2022
	Year-Round Programs	Performances	Academics and CCR	Family Services	Sub-total	Management and General	Community Relations	Fundraising	Sub-total		
Academic tutoring	\$ -	\$ -	\$ 13,484	\$ -	\$ 13,484	\$ -	\$ -	\$ -	\$ -	\$ 13,484	\$ 9,891
Administration	49,212	16,398	14,199	5,044	84,853	7,716	4,531	48,764	61,011	145,864	114,864
Auto and travel	17,740	34,928	886	315	53,869	481	283	1,079	1,843	55,712	57,615
Bad debt expense	-	-	-	-	-	5,000	-	-	5,000	5,000	10,000
Community relations	1,445	-	-	-	1,445	-	22,200	-	22,200	23,645	17,294
Costumes and t-shirts	192	32,680	-	-	32,872	-	-	-	-	32,872	31,379
Dancewear	21,941	-	-	-	21,941	-	-	-	-	21,941	19,204
Depreciation	143,974	-	-	-	143,974	10,837	-	-	10,837	154,811	160,012
Employee benefits	97,242	9,399	28,056	9,968	144,665	15,246	8,953	34,167	58,366	203,031	195,959
Instructors	1,245	18,000	-	-	19,245	-	-	-	-	19,245	16,799
Insurance - other	53,193	-	-	-	53,193	4,004	-	-	4,004	57,197	36,639
Interest expense	686	66	198	70	1,020	107	63	241	411	1,431	996
Miscellaneous	17,979	14,587	-	-	32,566	-	-	-	-	32,566	23,569
Payroll taxes	70,290	6,251	20,280	7,205	104,026	11,020	6,471	24,697	42,188	146,214	144,535
Printing	48,585	33,784	8,403	2,986	93,758	4,567	11,214	18,766	34,547	128,305	112,848
Production - annual concert	-	95,828	-	-	95,828	-	-	-	-	95,828	99,702
Professional fees	10,868	132	395	140	11,535	24,364	126	108,350	132,840	144,375	147,413
Rent/lease expense	48,000	-	-	-	48,000	-	-	-	-	48,000	48,000
Repairs and maintenance	216,114	5,300	15,820	5,621	242,855	18,624	5,048	19,266	42,938	285,793	282,330
Salaries and wages	897,724	87,292	259,125	93,393	1,337,534	139,126	82,214	319,245	540,585	1,878,119	1,817,644
Special events	-	-	-	-	-	-	-	372,440	372,440	372,440	66,886
Student services	5,800	1,719	140,022	16,894	164,435	-	-	-	-	164,435	111,375
Utilities	94,720	1,196	3,569	1,268	100,753	8,138	1,139	4,346	13,623	114,376	108,271
Volunteer development	-	-	-	-	-	-	-	-	-	-	18,597
Total expenses	\$ 1,796,950	\$ 357,560	\$ 504,437	\$ 142,904	\$ 2,801,851	\$ 249,230	\$ 142,242	\$ 951,361	\$ 1,342,833	\$ 4,144,684	\$ 3,651,822

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, 2023**

(With summarized comparative information for the year ended August 31, 2022)

	2023	2022
Cash flows from operating activities		
Change in net assets	\$ 1,510,258	\$ (1,898,075)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation expense	154,811	160,012
Realized gain on investments	(15,200)	(143,309)
Unrealized (gain) loss on investments	(437,987)	1,200,756
Change in discounts on contributions receivable	306,033	(35,275)
Change in promised use of facility, net of discount	35,553	35,553
Loss on disposals of property and equipment	3,243	293
(Increase) decrease in:		
Contributions receivable	(1,495,755)	527,238
Prepaid expenses	(106,752)	(120,875)
Increase (decrease) in:		
Accounts payable	(30,680)	17,598
Accrued expenses	(6,564)	(16,764)
Net cash used in operating activities	(83,040)	(272,848)
Cash flows from investing activities		
Acquisition of property and equipment	(413,124)	(24,312)
Purchases of investments	(6,495,762)	(6,424,918)
Proceeds from sales of investments	6,732,369	6,864,099
Net cash (used in) provided by investing activities	(176,517)	414,869
Cash flows from financing activities		
Payments on finance/capital lease liability	(15,129)	(13,331)
Borrowings on finance lease liability	44,967	-
Net cash provided by (used in) financing activities	29,838	(13,331)
Net change in cash and cash equivalents	(229,719)	128,690
Cash and cash equivalents, beginning of year	457,627	328,937
Cash and cash equivalents, end of year	\$ 227,908	\$ 457,627
Supplemental disclosures of cash flow information:		
Disposals of fully-depreciated property and equipment	\$ 2,095	\$ 10,777
Interest paid on finance/capital lease obligation	\$ 886	\$ 995
Non-cash investing activities:		
Capital expenditures in accounts payable	\$ 208,000	\$ -

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, 2023**

1. Organization

Mission

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 inspires and transforms the lives of young people 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 the 6 Cs: Creativity, Collaboration, Critical-Thinking, Communication, Character, and Courage. Rehearsals, dance-making, and performances teach discipline, goal setting, commitment, and achievement through hard work. Academic Tutoring and 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 2,500 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, 2023**

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 requires 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.
- 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.

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. This exemption is for all income taxes except for those assessed on unrelated business income, if any. The Internal Revenue Service has classified the Organization as other than a private foundation.

The Organization evaluates uncertain tax positions whereby the effect of the uncertainty would be recorded if the tax positions will more than likely than not to be sustained upon examination. As of August 31, 2023, management does not believe the Organization has any uncertain tax positions requiring accrual or disclosure.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

2. Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

The Organization is subject to potential tax examinations on open tax years by any taxing jurisdiction in which it operates. The statute of limitations for federal and California state purposes is generally three and four years, respectively.

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 for amounts in excess of \$500,000.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

2. Summary of Significant Accounting Policies (continued)

Investments (continued)

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, 2023 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, 2023, management determined that no such events or changes in circumstances occurred.

Contributions

Contributions are recorded at their estimated fair value and recognized as revenue by net asset class when they are received. Conditional contributions are recognized as revenues when all conditions on which they depend are substantially met.

Promises to give in future years are recognized when received and 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. 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, 2023.

Donated Materials and Services

Donated non-cash assets and materials 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, 2023, donated materials and services aggregated \$86,585.

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

Notes to Financial Statements (continued)
Year Ended August 31, 2023

2. Summary of Significant Accounting Policies (continued)

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 and depreciation, are based on estimates of time and effort or actual usage that rely on estimates made by management.

The basis on which costs are allocated is evaluated by management annually. There were no significant changes to management's allocation methodology during the year ended August 31, 2023.

Recently Adopted Accounting Pronouncements

The Organization adopted the requirements of Accounting Standards Codification ("ASC") 842 effective September 1, 2022 and elected the modified retrospective method for all lease arrangements with a cumulative-effect adjustment as of September 1, 2022. For leases that commenced before the effective date of ASC 842, the Organization elected the transition package of three practical expedients permitted within ASC 842, which eliminates the requirements to reassess prior conclusions about lease identification, lease classification, and initial direct costs. The Organization also elected the hindsight practical expedient, which permits the use of hindsight when determining lease term and impairment of right-of-use assets. Further, the Organization elected a short-term lease exception policy, permitting the Organization to not apply the recognition requirements of this standard to short-term leases (i.e., leases with terms of 12 months or less) and an accounting policy to account for lease and non-lease components as a single component for certain classes of assets.

The Organization determines if an arrangement is a lease at inception. As a lessee, right-of-use assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent an obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. The Organization estimates the incremental borrowing rate based on the rates that would be charged by their financial institution on borrowings for similar terms. Operating lease right-of-use assets also include any lease payments made at or before lease commencement and exclude any lease incentives received. The lease terms used to calculate the right-of-use asset and related lease liability include options to extend or terminate the lease when it is reasonably certain that the Organization will exercise that option. Lease expense for operating leases is recognized on a straight-line basis over the lease term as an operating expense.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

2. Summary of Significant Accounting Policies (continued)

Recently Adopted Accounting Policies (continued)

As a result of adopting ASC 842 as of September 1, 2022, the Organization recorded an operating lease right-of-use asset of \$9,033 and related operating lease liability of \$9,033, based on the present value of the future lease payments on the date of adoption. There was no cumulative-effect adjustment recorded to retained earnings upon adoption. Adopting ASC 842 did not have a material impact on the Organization's statements of activities and changes in net assets or cash flows. See Note 8 for further discussion of the Organization's adoption of ASC 842 and related disclosures.

Subsequent Events

The Organization has evaluated subsequent events that occurred through February 1, 2024, the date the financial statements were available to be issued, noting no events that required accrual or disclosure.

3. Endowments

As of August 31, 2023, the Organization's endowment consists primarily 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, 2023**

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 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.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

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, 2023, 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, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Donor restricted endowment	\$ -	\$ 8,102,213	\$ 8,102,213

Included in net assets with donor restrictions are permanently restricted contribution receivables of \$430,786 (net of discounts of \$55,610) as of August 31, 2023. Also included in net assets with donor restrictions are unappropriated earnings on permanently restricted funds of \$405,329 as of August 31, 2023.

Changes in Endowment Net Assets for the year ended August 31, 2023:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of the year	\$ -	\$ 7,547,870	\$ 7,547,870
Investment returns:			
Interest and dividend income	-	180,401	180,401
Net realized and unrealized investment gain	-	539,035	539,035
Investment fees	-	(99,872)	(99,872)
Total investment return	-	619,564	619,564
Contributions	-	364,779	364,779
Appropriations	-	(430,000)	(430,000)
Net change in endowment assets	-	554,343	554,343
Endowment net assets, end of the year	\$ -	\$ 8,102,213	\$ 8,102,213

Celebrating 40 Years of Impact

In 2022-2023, the Organization's Board of Directors approved the launch of an Endowment Fund Campaign called Step Forward to coincide with the Organization's 40th Anniversary. During the year ended August 31, 2023, \$261,000 in contributions and pledges were received to provide support for general operating (greatest need) and endowed merit-based scholarships. The campaign was formally announced, publicly, in June 2023 at the 40th Annual Concert and Dinner.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

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, 2023:

For use in subsequent periods	\$ 1,768,993
Building maintenance	360,371
	2,129,364
Undesignated unrestricted net assets	2,330,879
	\$ 4,460,243

5. Investments

Investments at August 31, 2023 consist of the following:

Equity securities	\$ 5,894,360
Certificates of deposit	1,937,846
U.S. Department of Treasury obligations	1,183,271
Corporate debt securities	841,502
Debt and equity mutual funds	495,562
Savings and time deposits	296,691
	\$ 10,649,232

Based on the nature of the Organization’s investments, the fair value of investments as of August 31, 2023 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 security or a security 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, 2023**

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 security or a security 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, 2023, the Organization had gross contributions receivables totaling \$2,326,179 and a related present value discount of \$386,939. 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 as of the year end in which the contribution was pledged.

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
2024	\$ 264,633	\$ 138,896	\$ 403,529
2025	279,750	258,500	538,250
2026	325,500	83,500	409,000
2027	354,250	3,500	357,750
2028	258,000	2,000	260,000
Thereafter	357,650	-	357,650
	1,839,783	486,396	2,326,179
Less discount	(331,329)	(55,610)	(386,939)
	<u>\$ 1,508,454</u>	<u>\$ 430,786</u>	1,939,240
Receivables without restriction			83,119
			<u><u>\$ 2,022,359</u></u>

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

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, 2023, 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:

2024	\$	48,000
2025		48,000
2026		48,000
2027		48,000
2028		28,000
		220,000
Less discount		(57,049)
		\$ 162,951

8. Property and Equipment

Property and equipment as of August 31, 2023 consist of the following:

Land	\$	800,229
Land improvements		28,902
Buildings		3,292,498
Building improvements		723,470
Construction in progress		527,031
Property and equipment		585,919
		5,958,049
Less accumulated depreciation		(2,789,412)
		\$ 3,168,637

THE WOODEN FLOOR FOR YOUTH MOVEMENT
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Notes to Financial Statements (continued)
Year Ended August 31, 2023

8. Property and Equipment (continued)

In 2023, the Organization was required to replace its entire roof and HVAC system at its Main Street Location, due to the age of the original construction and HVAC system, in place since 1999. Those building improvement costs incurred through the year ended August 31, 2023 are recorded as construction in progress. Upon completion of the project, which is expected in fall 2023, those costs will be transferred to building improvements in the year ending August 31, 2024, with correlated depreciation. As of August 31, 2023, the Organization has recorded a payable of \$208,000 related to work performed and not yet invoiced.

The Organization applied for and received an Employee Retention Credit of \$384,368 (Note 9) which was used for the roof and HVAC construction project, as of August 31, 2023. The remainder of the funds used for the construction project were from the Organization's unrestricted assets.

The Organization leases certain office equipment under a finance lease arrangement, which requires monthly payments of \$828 for a period of 60 months through 2028. An incremental borrowing rate of 4.18% was used to measure the lease liability, which was the effective rate on the date the lease commenced. A right-of-use asset of \$40,020 is included with property and equipment on the statement of financial position in connection with this arrangement. Expected future payments under this agreement are as follows:

For years ending August 31,		
2024	\$	9,939
2025		9,939
2026		9,939
2027		9,939
2028		4,141
Total lease payments		<u>43,897</u>
Less: imputed interest		<u>(4,726)</u>
Total finance lease liability	\$	<u><u>39,171</u></u>

9. Employee Retention Credits

Management believes the Organization is eligible for Employee Retention Credits ("ERC") under the CARES Act. During the year ended August 31, 2023, the Organization applied for and received credits totaling \$384,368 that relate to quarterly periods in 2020 and 2021. This amount is included in gifts and grants in the statement of activities for the year ended August 31, 2023.

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

**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

10. 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.

In 2023 the Organization launched a new Merit-based scholarship program called *Uplift Scholarship Awards* to provide additional financial aid support to the most academically competitive students. Under the same criteria for Merit-based Scholarship Program, if students meet the requirements, they may receive up to four years of scholarship awards to fulfill their unmet need portion of their college's financial aid requirement to attend their first-choice universities.

Under the same criteria as the existing scholarship program, if students meet the requirements, they may receive up to four years of scholarship awards to fulfill the unmet financial need required to attend their first-choice universities. As of August 31, 2023, the maximum amount of scholarship awards that may be required to be provided by the Organization over the next four years totaled \$951,885, inclusive of \$509,813 *Merit-Based* and \$442,072 *Uplift Scholarship Awards*.

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 estimated contribution to the Plan for the year ended August 31, 2023 is \$42,000.

**THE WOODEN FLOOR FOR YOUTH MOVEMENT
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**Notes to Financial Statements (continued)
Year Ended August 31, 2023**

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, 2023 are as follows:

Cash and cash equivalents	\$	227,908
Investments		10,649,232
Contributions receivable, net		<u>2,022,359</u>
Total financial assets		<u>12,899,499</u>
Less: amounts with permanent donor restrictions		(7,266,098)
Less: amounts with purpose-related donor restrictions		(1,724,283)
Less: amounts board-designated for building maintenance		(360,371)
Less: time or purpose restricted contribution receivables due after August 31, 2023		<u>(1,939,240)</u>
Available for general expenditures within one year	\$	<u><u>1,609,507</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.