Woodcraft Rangers

Financial Statements

June 30, 2017

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Woodcraft Rangers:

We have audited the accompanying financial statements of Woodcraft Rangers (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statement 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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.

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 Woodcraft Rangers as of June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Windes, Inc.

Long Beach, California
October 24, 2017

WOODCRAFT RANGERS

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

CURRENT ASSETS	
Cash and cash equivalents	$ 1,058,218
Investments	2,068,680
Contracts receivable	906,505
Grants and contributions receivable	189,602
Prepaid expenses and other current assets	58,239
	4,281,244
OTHER ASSETS	
Property and equipment, net	37,661
Deposits	23,851
	61,512
TOTAL ASSETS	$ 4,342,756

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES	
Accounts payable	$ 22,912
Accrued salaries and benefits	143,394
Accrued expenses	117,107
	283,413
COMMITMENTS AND CONTINGENCIES (Note 8)	
NET ASSETS	
Unrestricted	3,454,530
Temporarily restricted	534,813
Permanently restricted	70,000
	4,059,343
TOTAL LIABILITIES AND NET ASSETS	$ 4,342,756

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

WOODCRAFT RANGERS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
REVENUE				
Government contracts	$ 6,743,540	$ -	$ -	$ 6,743,540
Program service fees	606,921	-	-	606,921
Grants and contributions	401,877	163,400	-	565,277
Contributed goods and services	2,158,820	-	-	2,158,820
Interest and dividends, net of expenses	6,053	9,664	-	15,717
Realized and unrealized gains on investments, net	82,330	8,627	-	90,957
Other income	191,373	-	-	191,373
Net assets released from restrictions	86,210	(86,210)	-	-
Total Revenue	10,277,124	95,481	-	10,372,605
FUNCTIONAL EXPENSES				
Program services	9,276,140	-	-	9,276,140
Management and general	831,006	-	-	831,006
Fundraising	116,645	-	-	116,645
Total Functional Expenses	10,223,791	-	-	10,223,791
CHANGE IN NET ASSETS	53,333	95,481	-	148,814
NET ASSETS, BEGINNING OF YEAR	3,401,197	439,332	70,000	3,910,529
NET ASSETS, END OF YEAR	$ 3,454,530	$ 534,813	$ 70,000	$ 4,059,343

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

WOODCRAFT RANGERS

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services	Management and General	Fundraising	Total
PERSONNEL EXPENSES				
Salaries	$ 5,119,977	$ 442,554	$ 87,468	$ 5,649,999
Payroll taxes	404,007	34,076	6,694	444,777
Employee benefits	360,574	84,503	1,472	446,549
Total Personnel Expenses	5,884,558	561,133	95,634	6,541,325
OTHER EXPENSES				
Auto	30,654	782	417	31,853
Bank charges and fees	743	4,602	-	5,345
Conferences and meetings	20,830	22,605	1,507	44,942
Depreciation and amortization	18,789	1,992	-	20,781
Food	945,538	-	-	945,538
Insurance	24,491	34,686	-	59,177
Membership dues	1,502	10,507	722	12,731
Postage	7,246	180	-	7,426
Printing	48,530	1,753	85	50,368
Professional fees	621,616	140,801	16,504	778,921
Program events	19,047	-	-	19,047
Rent	1,221,241	49,819	-	1,271,060
Repairs and maintenance	1,580	-	-	1,580
Service transportation	47,006	85	1,085	48,176
Supplies	331,223	2,061	691	333,975
Taxes and licenses	2,347	-	-	2,347
Telephone	49,199	-	-	49,199
	$ 9,276,140	$ 831,006	$ 116,645	$ 10,223,791

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

WOODCRAFT RANGERS

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in net assets	$ 148,814
Adjustments to reconcile change in net assets to net cash from operating activities:	
Realized and unrealized gains on investments	(90,957)
Depreciation and amortization	20,781
Changes in operating assets	
Contracts receivable	47,124
Grants and contributions receivable	(103,392)
Prepaid expenses and other current assets	45,772
Accounts payable	(54,028)
Accrued salaries and benefits	5,403
Accrued expenses	(59,910)
Net Cash Used In Operating Activities	(40,393)
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of investments	8,942
Purchases of property and equipment	(22,186)
Net Cash Used In Investing Activities	(13,244)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(53,637)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	1,111,855
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 1,058,218

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

WOODCRAFT RANGERS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 – Nature of Operations

Woodcraft Rangers (the Organization) was organized pursuant to the Nonprofit Corporation Laws of the state of California. The mission of the Organization is to guide young people as they explore pathways to purposeful lives. Customized camping and afterschool programs enhance children's learning, social skills and physical fitness. Programs also strengthen children's bonds with their natural support systems (family, peers, school and community), thereby reducing their risks for academic failure, crime/gang involvement, substance abuse and teenage parenting. Clients reside throughout high-need and under-served areas of Los Angeles County, including Granada Hills, Pacoima, Canoga Park, Whittier, Rosemead, Central and South Los Angeles, Huntington Park and Carson. The Organization receives a substantial amount of its revenue from contracts with various federal, state and local government agencies and from grants awarded by various foundations and corporations.

The Organization's Nvision Afterschool Program (Nvision) has provided hundreds of thousands of students (ages 6-18) with a wide variety of activities that improve academic performance, attitudes toward school, and critical thinking abilities. The program served over 14,500 students at 62 program sites throughout high-need areas of Los Angeles County last year. The program includes a homework clinic as well as project-based learning activities. Students can participate in clubs in various content areas such as visual and performing arts, technology, science and engineering, fitness and nutrition, individual and team sports, and graphic design and marketing.

The majority of the Organization's summer campers are Nvision participants, which facilitates continuity between afterschool and camping. Almost all of the Organization's Summer Camp staff also work for the Organization's Nvision Afterschool Program during the school year. The familiarity between campers and staff provides continuity and a sense of security to children and their parents, the majority of whom also participate in Nvision. The camp program provides its campers with traditional camp activities and also includes a trained naturalist that leads campers in map and compass adventures, bird watching, geology and botany studies, critter hunts and explorations of pond life. Group activities are further designed to increase self-confidence, independent living skills and tolerance for others.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

Unrestricted Net Assets - Net assets that are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets – Net assets that are temporarily restricted by the donor or funding source. When the restrictions have been satisfied, the net assets of this classification are reclassified to unrestricted net assets. Restricted grants and contributions received are reported as unrestricted revenue if the restrictions are met in the same reporting period.

Permanently Restricted Net Assets – Net assets that have been restricted by the donor in perpetuity and cannot be expended by the Organization. Generally, the donors of these assets permit the Organization to use the income earned on these assets for general or specific purposes.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from these estimates.

Revenue Recognition

Revenue from contracts is generally recorded to the extent of expenses incurred applicable to the underlying contract or as services are rendered and when the earnings process is complete and collectability is assured. Any difference between expenses incurred and the total funds received (not to exceed the contract maximum) is recorded as a receivable or an advance, whichever is applicable.

Grants and contributions are recorded in unrestricted net assets and are considered to be available for use unless specifically restricted by the donor. Conditional contributions are recognized as revenue and recorded in unrestricted net assets when the conditions on which they depend have been substantially met.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Cash and Cash Equivalents

The Organization considers all short-term financial instruments purchased with original maturities of three months or less to be cash equivalents.

Investments

Investments are recorded at fair value at quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the investment. In addition to gains and losses on investment sale transactions, investment income includes dividends and interest and is recognized as revenue in the period in which it is earned. Changes in fair value are recorded as unrealized gains (losses). Investment income amounts are reported as an increase in unrestricted net assets unless otherwise restricted by the donor. Contributions of securities from donors are recorded at fair value at the time the gift is made.

Contracts Receivable

Contract revenue is earned and billed as services are performed. The Organization believes all receivables to be collectible and, accordingly, has provided no allowance for doubtful accounts.

Grants and Contributions Receivable

Grants and contributions consist primarily of donations from foundations, businesses and the general public. The Organization recognizes contributions, including unconditional promises to give, as revenue in the period received. Management anticipates receivables will be collected within one year. The Organization believes all receivables to be collectible, and, accordingly, has provided no allowance for doubtful accounts.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment are recorded at cost. Contributed items are recorded at estimated fair value when received. Depreciation and amortization are determined using the straight-line method over the following estimated useful lives:

Computer hardware and software	3 - 5 years
Furniture and equipment	3 - 5 years
Vehicles	3 - 5 years

Leasehold improvements are amortized over the lesser of the life of the improvement or term of the lease. Normal repairs and maintenance are expensed as incurred, whereas significant charges that materially increase values or extend useful lives are capitalized and depreciated over the estimated useful lives of the related assets.

Impairment of Long-Lived Assets

Management reviews each asset or asset group for impairment annually or whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable. No impairment provision was recorded by the Organization during the year.

Concentrations of Risk

The Organization maintains its cash in financial institutions which, at times, may exceed federally insured limits. Historically, the Organization has not experienced any losses in such accounts. Management believes the Organization is not exposed to any significant credit risk on cash and cash equivalents.

The Organization has two major funding sources that comprise approximately 78% of its revenue (excluding contributed goods and services) for the year ended June 30, 2017 and 80% of its receivables at June 30, 2017.

Endowments

Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Donor-restricted endowments are described in Note 7.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Contributed Goods and Services

Contributed services are recognized if the services (a) create or enhance long-lived assets, or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

The Organization has recognized the following contributed goods and services at the estimated fair value as of the contribution date:

Food	$ 945,538
Professional fees	445,500
Supplies	10,335
Rent	757,447
	$ 2,158,820

Functional Expenses

The Organization allocates its expenses on a functional basis among its various programs and support services. Expenses that can be identified with a specific program or support service are allocated directly according to their natural expenditure classification. Other expenses that are common to several functions are allocated accordingly. Contributed goods and services totaling $2,158,820 have been allocated 100% to program services within the statement of functional expenses.

Income Tax Status

The Organization is a nonprofit public benefit corporation organized under the laws of California and, as such, is exempt from federal and state income taxes under Internal Revenue Code (IRC) Section 501(c)(3) and corresponding state provisions.

The Organization recognizes the financial statement benefit of tax positions, such as filing status of tax-exempt, only after determining that the relevant tax authority would more likely than not sustain the position following an audit. The Organization is subject to potential income tax audits 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.

NOTE 2 – Summary of Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)* (ASU 2014-09), requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* (ASU 2016-02). The guidance in this ASU supersedes the leasing guidance in Topic 840, Leases. Under the new guidance, lessees are required to recognize lease assets and lease liabilities on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

In August 2016, the FASB released ASU 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The update amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes relate to: (a) presentation of classes of net assets, (b) the presentation of underwater endowment funds and related disclosures, (c) recognition of the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) statement of functional expense, (e) disclosure of quantitative and qualitative information regarding liquidity and availability of resources; and a few smaller items. The ASU is effective for fiscal years beginning after December 15, 2017. The Organization is currently evaluating the impact of the adoption of the new standard on the financial statements.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through October 24, 2017, the date the financial statements were available to be issued.

NOTE 3 – Investments

The Organization follows the guidance required for fair value measurements of financial and nonfinancial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in certain instances, there are no quoted market prices for the Organization's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques.

The Organization groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The following tables present assets that are measured at fair value on a recurring basis at June 30, 2017:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 449,222	$ -	$ -	$ 449,222
Common stock	252,829	-	-	252,829
Corporate bonds	746,234	-	-	746,234
Certificates of deposit	606,248	-	-	606,248
Oil well leasehold interest	-	-	14,147	14,147
	$ 2,054,533	$ -	$ 14,147	$ 2,068,680

The fair value of the investment in the oil well leasehold interest was estimated to be the same as that established by the oil well management in 2011.

NOTE 4 – Property and Equipment

Property and equipment consist of the following at June 30, 2017:

Computer hardware and software	$ 787,365
Furniture and equipment	112,701
Vehicles	76,426
	976,492
Less accumulated depreciation and amortization	(938,831)
	$ 37,661

Depreciation expense for property and equipment totaled $20,781 for the year ended June 30, 2017.

NOTE 5 – Lines of Credit

The Organization has two separate lines of credit totaling $1,300,000, expiring in July 2017. One is secured by a certificate of deposit, with interest at the bank's savings rate plus the applicable margin. The other is secured by the general assets of the Organization, including investments at the same bank, with interest at the bank's prime rate. There was no outstanding balance on either line of credit at June 30, 2017. The lines of credit were renewed subsequent to year-end through July 2018.

NOTE 6 – Temporarily Restricted Net Assets

The activity for temporarily restricted net assets restricted for the following purposes were follows:

Purpose	June 30, 2016	Additions	Release	June 30, 2017
College scholarships	$ 175,710	$ 6,300	$ -	$ 182,010
Camperships	177,412	11,992	-	189,403
Arts programs	11,400	13,400	(11,400)	13,400
Sports programs	64,810	-	(64,810)	-
Other time-restricted	10,000	150,000	(10,000)	150,000
	$ 439,332	$ 181,692	$ (86,210)	$ 534,813

NOTE 7 – Permanently Restricted Net Assets

The Board of Directors of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of donor-restricted endowment funds, absent further instructions. Any portion of the donor-restricted endowment fund not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Permanently restricted net assets consist entirely of the Denise Korman endowment, established to ensure long-term funding of camperships for young people. The principal of the endowment is to remain restricted in perpetuity and earnings are available to be used for camperships. The principal of the Denise Korman endowment must be above $70,000 before the earnings may be paid out for camperships. The Organization has an investment policy specific to the endowment fund, which is monitored by the Finance Committee of its Board of Directors. The Chief Executive Officer and the Finance Committee can determine the availability of accumulated earnings to fund camperships during the year. Accumulated earnings on the endowment are included in temporarily restricted funds for camperships.

NOTE 8 – Commitments and Contingencies

Operating Leases

The Organization is committed under a noncancelable operating lease agreement for office space through June 2021. The Organization is also committed under noncancelable operating leases for office equipment expiring at various dates through June 2021. The scheduled minimum lease payments under the lease terms are as follows:

Year Ending June 30,	
2018	$ 292,208
2019	297,423
2020	304,275
2021	312,070
Total	$ 1,205,976

NOTE 8 – Commitments and Contingencies (Continued)

Operating Leases (Continued)

Rent expense paid under the noncancelable operating leases totaled $327,071 during the year. The Organization receives donated rental space at the various schools where the programs are held. The Organization received donated rent totaling $757,447 (see Note 2), which has not been included above as the agreements for use of space are renewed annually.

Government Grants

The Organization receives federal, state and local funds for specific purposes that are subject to review and audit by the contracting parties. Although such audits could generate expense disallowances under the terms of the contracts, management believes any potential disallowances will not be material.

Unemployment Insurance

The Organization has elected the reimbursable method of financing unemployment insurance. Under this method, the Organization is not required to make contributions to the State Unemployment Insurance Fund. It currently uses the Unemployment Services Trust ("UST") agency to handle its reimbursement payment to the state for unemployment benefits paid to eligible ex-employees of the Organization. Under this election, the Organization's maximum potential liability per employee separated from employment is approximately $11,700 per year. The Organization makes quarterly deposits to UST based on the estimated expected value of future unemployment benefits payable by UST. The Organization incurred approximately $26,700 of expenses payable to UST during the year.

Pension Plan

The Organization sponsors an IRC Section 403(b) retirement plan for all eligible employees. Eligible employees may elect to make salary deferral contributions of up to 6% of the employee's annual compensation with the Organization, making a matching contribution of up to 4% of the employee's annual compensation. The Organization made contributions to the plan totaling $53,334 for the year ended June 30, 2017.