WOODCRAFT RANGERS

FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

armanino

TABLE OF CONTENTS

armanino

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
WOODCRAFT RANGERS
Los Angeles, California

We have audited the accompanying financial statements of Woodcraft Rangers (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to 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 ("U.S. GAAP"); 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.

Auditor's 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 U.S. ("U.S. GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the U.S. 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 auditor considers 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, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. GAAP.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Armanino LLP

Armanino LLP
Los Angeles, California

October 27, 2016

WOODCRAFT RANGERS

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2016

ASSETS

Current Assets	
Cash and cash equivalents	$ 1,111,855
Investments	1,916,665
Contracts receivable	953,629
Grants and contributions receivable	86,210
Prepaid expenses and other current assets	104,011
	4,172,370
Property and Equipment, net	36,256
Deposits	23,851
Investments Held for Endowment	70,000
	130,107
	$ 4,302,477

LIABILITIES AND NET ASSETS

Current Liabilities	
Accounts payable	$ 76,940
Accrued expenses	298,377
Unearned revenue	16,631
Total Liabilities	391,948
Commitments and Contingencies (Note 8)	
Net Assets	
Unrestricted	3,401,197
Temporarily restricted	439,332
Permanently restricted	70,000
Total Net Assets	3,910,529
	$ 4,302,477

See accompanying notes to financial statements.

WOODCRAFT RANGERS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue				
Government contracts	$ 6,644,385	$ -	$ -	$ 6,644,385
Program service fees	307,840	-	-	307,840
Grants and contributions	256,287	191,210	-	447,497
Contributed goods and services	2,229,794	-	-	2,229,794
Interest and dividends	9,502	10,852	-	20,354
Realized losses on sales of investments	(11,737)	(2,995)	-	(14,732)
Unrealized gains and (losses) on investments	(20,564)	1,895	-	(18,669)
Insurance reimbursement	80,731	-	-	80,731
Net Assets Released from Restrictions	97,140	(97,140)	-	-
	9,593,378	103,822	-	9,697,200
Functional Expenses				
Program services	9,047,222	-	-	9,047,222
Management and general	817,306	-	-	817,306
Fundraising	111,556	-	-	111,556
	9,976,084	-	-	9,976,084
Changes in Net Assets	(382,706)	103,822	-	(278,884)
Net Assets, beginning of year	3,783,903	335,510	70,000	4,189,413
Net Assets, end of year	$ 3,401,197	$ 439,332	$ 70,000	$ 3,910,529

See accompanying notes to financial statements.

WOODCRAFT RANGERS

STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2016

	Program Services	Management and General	Fundraising	Total
Personnel Expenses				
Salaries	$ 4,882,440	$ 427,888	$ 83,201	$ 5,393,529
Payroll taxes	398,197	34,043	6,378	438,618
Employee benefits	431,983	37,977	4,747	474,707
	5,712,620	499,908	94,326	6,306,854
Other Expenses				
Auto	31,534	2,460	-	33,994
Bank charges	-	5,672	-	5,672
Conferences and meetings	35,901	20,587	-	56,488
Depreciation and amortization	6,500	3,534	-	10,034
Food	974,251	40	-	974,291
Insurance	45,700	19,962	1,340	67,002
Interest	-	134	-	134
Membership dues	-	12,330	-	12,330
Postage	10,238	244	214	10,696
Printing	65,265	1,355	8,671	75,291
Professional fees	620,633	196,590	-	817,223
Program events	16,216	-	-	16,216
Program supplies	360,244	833	20	361,097
Rent	1,081,832	49,819	6,985	1,138,636
Repairs and maintenance	2,521	-	-	2,521
Service transportation	36,795	-	-	36,795
Taxes and licenses	-	3,838	-	3,838
Telephone	46,972	-	-	46,972
	$ 9,047,222	$ 817,306	$ 111,556	$ 9,976,084

See accompanying notes to financial statements.

WOODCRAFT RANGERS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

Cash Flows from Operating Activities	
Changes in net assets	$ (278,884)
Adjustments to reconcile changes in net assets to net cash used in operating activities	
Reinvested interest and dividends	(712)
Realized losses on sales of investments	14,732
Unrealized losses on investments	18,669
Depreciation and amortization	10,034
(Increase) decrease in operating assets	
Contracts receivable	(286,276)
Grants and contributions receivable	(66,460)
Prepaid expenses and other current assets	63,795
Increase (decrease) in operating liabilities	
Accounts payable	(18,966)
Accrued expenses	75,762
Unearned revenue	16,631
Net Cash Used in Operating Activities	(451,675)
Cash Flows from Investing Activities	
Purchases of investments	(385,959)
Proceeds from sales of investments	277,022
Purchases of property and equipment	(39,149)
Net Cash Used in Investing Activities	(148,086)
Net Decrease in Cash and Cash Equivalents	(599,761)
Cash and Cash Equivalents, beginning of year	1,711,616
Cash and Cash Equivalents, end of year	$ 1,111,855

See accompanying notes to financial statements.

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 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 13,700 students at 60 public elementary, middle and high schools 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

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Tax Status (Continued)

The Organization's federal income tax and informational returns for tax years ending June 30, 2013, and subsequent remain open to examination by the Internal Revenue Service. The returns for California, the Organization's only state tax jurisdiction, for tax years ending June 30, 2012, and subsequent remain open to examination by the California Franchise Tax Board.

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 - Include government contracts, program service fees, grants and contributions, and other forms of unrestricted revenue and expenditures related to the general operations and fundraising efforts of the Organization.

Temporarily Restricted Net Assets - Include grants and contributions and investment income 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 - Include grants and contributions 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.

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.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

Investments are stated at fair value. Unrealized gains and losses are recognized in the aggregate. Realized gains and losses are recognized and are computed using the specific identification method.

Contracts Receivable

Contract revenue is earned and billed as services are performed. Management believes all receivable balances are collectible and, therefore, 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. Contributions are accrued when committed to the Organization by the donor. Management anticipates all grants and contributions receivable will be collected within one year and, accordingly, has provided no allowance for doubtful accounts.

Property and Equipment

Property and equipment are recorded at cost. Contributed items are recorded at estimated fair value when received. Leasehold improvements are amortized over the lesser of the life of the improvement or term of the lease. 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

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 whenever events or circumstances indicate the carrying value of an asset or asset group may not be recoverable, but at least annually. No impairment provision was recorded by the Organization during the year.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Concentration of Risk

Occasionally the Organization's bank balances exceed FDIC-insured limits. The Organization has not experienced and does not anticipate any losses related to these balances.

The Organization has two major funding sources that comprise approximately 70% and 13% of its revenue (excluding contributed goods and services) during the year and 73% and 11%, respectively, of its receivables at June 30, 2016. Management anticipates this funding will continue at the present levels.

Endowments

Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Endowments are described in Note 7.

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	$ 974,099
Professional fees	445,500
Program supplies	20,812
Rent	789,383
	$ 2,229,794

Insurance Reimbursement

Insurance reimbursement income consists of reimbursements for premiums paid for unemployment and health insurance totaling approximately $70,000 and miscellaneous income totaling approximately $10,000. These reimbursements are recorded as income when the Organization is notified by the provider of the reimbursement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 $2,229,794 have been allocated 100% to program services within the statement of functional expenses.

Subsequent Events

The Organization has evaluated events subsequent to June 30, 2016, to assess the need for potential recognition or disclosure in the financial statements. Such events were evaluated through October 27, 2016, the date the financial statements were available to be issued. Based upon this evaluation, it was determined no subsequent events occurred that require recognition or additional disclosure in the financial statements, except as disclosed in Note 8.

NOTE 3 - INVESTMENTS

The Organization reports its investments at fair value among three categories of price inputs available. These categories of inputs are quoted prices in active markets for identical assets (Level 1); significant other observable inputs (Level 2); and significant unobservable inputs (Level 3).

The following table sets forth by level, within the fair value hierarchy, the Organization's investments at fair value as of June 30, 2016:

	Level 1	Level 2	Level 3	Total
Equity funds	$ 386,877	$ -	$ -	$ 386,877
Common stock	224,879	-	-	224,879
Corporate bonds	755,170	-	-	755,170
Certificates of deposit	605,592	-	-	605,592
Oil well leasehold interest	-	-	14,147	14,147
	$ 1,972,518	$ -	$ 14,147	$ 1,986,665

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 3 - INVESTMENTS (Continued)

Investments are reported on the statement of financial position as follows:

Investments	$ 1,916,665
Investments held for endowment	70,000
	$ 1,986,665

Activity in the investments during the year was as follows:

Balance, beginning of year	$ 1,910,417
Purchases of investments	385,959
Proceeds from sales of investments	(277,022)
Reinvested interest and dividends	712
Realized losses on sales of investments	(14,732)
Unrealized losses on investments	(18,669)
Balance, end of year	$ 1,986,665

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

Computer hardware and software	$ 767,914
Furniture and equipment	112,701
Vehicles	73,691
	954,306
Accumulated depreciation and amortization	(918,050)
	$ 36,256

NOTE 5 - LINES OF CREDIT

The Organization has two separate lines of credit totaling $1,300,000, expiring in June 2017, one is secured by a certificate of deposit, with interest at the bank's savings rate (0.04% at June 30, 2016) plus the applicable margin of 2%, and 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 (3.5% at June 30, 2016). There was no outstanding balance on either line of credit at June 30, 2016.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets and activity during the year are as follows:

	Revenue and Investment Income	Released from Restrictions	Balance June 30, 2016
College scholarships	$ 3,218	$ (2,000)	$ 175,710
Camperships	81,534	(45,390)	177,412
Arts program (time-restricted)	11,400	-	11,400
Sports programs (time-restricted)	64,810	(10,000)	64,810
Time-restricted	40,000	(39,750)	10,000
	$ 200,962	$ (97,140)	$ 439,332

NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS

The Board of Directors of the Organization has interpreted the California Uniform Prudent Management of Institutional Funds Act ("Cal 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 Cal 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.

WOODCRAFT RANGERS

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization is committed under a seven-year noncancelable operating lease agreement for office space through June 2021. The Organization is also committed under four 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,	
2017	$ 327,072
2018	292,212
2019	300,055
2020	304,272
2021	312,072
	$ 1,535,683

Rent expense paid under the noncancelable operating leases totaled $412,823 during the year. In addition, the Organization received donated rent totaling $789,383 (see Note 2), which has not been included above.

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.

Litigation

The Organization was named as a defendant in a wrongful termination lawsuit that was settled in August 2016 for $70,000. The expense has been included in accrued expenses in the accompanying statement of financial position.

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

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 $41,000 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 $51,516 for the year.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
WOODCRAFT RANGERS
Los Angeles, California

We have audited, in accordance with U.S. GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the U.S., the financial statements of Woodcraft Rangers (the "Organization"), which comprise the statement of financial position as of June 30, 2016, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to financial statements, and have issued our report thereon dated October 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Armanino LLP

Armanino LLP
Los Angeles, California

October 27, 2016