

# **WOODCRAFT RANGERS (A NONPROFIT ORGANIZATION)**

## **FINANCIAL STATEMENTS**

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June 30, 2018

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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) (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Organization'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 Organization'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, 2018, 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.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2018, on our consideration of Woodcraft Rangers' 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 the effectiveness of Woodcraft Rangers' 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 Woodcraft Rangers' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Windes, Inc.".

Long Beach, California  
October 22, 2018

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

**CURRENT ASSETS**

Cash and cash equivalents	\$ 876,027
Investments	2,096,954
Contracts receivable	1,537,935
Grants and contributions receivable	58,200
Prepaid expenses and other current assets	<u>249,465</u>
	<u>4,818,581</u>

**OTHER ASSETS**

Property and equipment, net	77,590
Deposits	<u>23,851</u>
	<u>101,441</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 4,920,022</u></b>
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**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

Accounts payable	\$ 460,179
Accrued salaries and benefits	223,541
Accrued expenses	<u>67,973</u>
	<u>751,693</u>

**COMMITMENTS AND CONTINGENCIES (Note 8)**

**NET ASSETS**

Unrestricted	3,668,262
Temporarily restricted	430,067
Permanently restricted	<u>70,000</u>
	<u>4,168,329</u>

<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b><u>\$ 4,920,022</u></b>
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The accompanying notes are an integral part of these financial statements.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>REVENUE</b>				
Government contracts	\$ 8,640,048	\$ -	\$ -	\$ 8,640,048
Program service fees	533,598	-	-	533,598
Grants and contributions	218,397	50,894	-	269,291
Contributed goods and services	2,604,254	-	-	2,604,254
Interest and dividends	6,615	9,944	-	16,559
Realized and unrealized gains on investments, net of expenses	39,574	(2,184)	-	37,390
Other income	11,301	-	-	11,301
Net assets released from restrictions	163,400	(163,400)	-	-
<b>Total Revenue</b>	<u>12,217,187</u>	<u>(104,746)</u>	<u>-</u>	<u>12,112,441</u>
<b>FUNCTIONAL EXPENSES</b>				
Program services	10,891,633	-	-	10,891,633
Management and general	1,089,287	-	-	1,089,287
Fundraising	22,535	-	-	22,535
<b>Total Functional Expenses</b>	<u>12,003,455</u>	<u>-</u>	<u>-</u>	<u>12,003,455</u>
<b>CHANGE IN NET ASSETS</b>	213,732	(104,746)	-	108,986
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>3,454,530</u>	<u>534,813</u>	<u>70,000</u>	<u>4,059,343</u>
<b>NET ASSETS, END OF YEAR</b>	<u><u>\$ 3,668,262</u></u>	<u><u>\$ 430,067</u></u>	<u><u>\$ 70,000</u></u>	<u><u>\$ 4,168,329</u></u>

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

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
<b>PERSONNEL EXPENSES</b>				
Salaries	\$ 5,326,071	\$ 348,650	\$ 15,232	\$ 5,689,953
Payroll taxes	430,415	26,802	1,165	458,382
Employee benefits	<u>377,150</u>	<u>65,919</u>	<u>136</u>	<u>443,205</u>
Total Personnel Expenses	<u>6,133,636</u>	<u>441,371</u>	<u>16,533</u>	<u>6,591,540</u>
<b>OTHER EXPENSES</b>				
Auto	44,345	6,617	-	50,962
Bank charges and fees	-	12,378	-	12,378
Conferences and meetings	34,505	35,636	270	70,411
Food	1,036,844	-	-	1,036,844
Insurance	6,362	50,200	-	56,562
Membership dues	8,939	5,112	-	14,051
Miscellaneous	68	1	25	94
Postage	4,706	4	38	4,748
Printing	54,808	85	704	55,597
Professional fees	835,382	474,450	4,965	1,314,797
Program events	13,465	-	-	13,465
Program supplies	1,265,334	14,003	-	1,279,337
Property taxes	-	2,396	-	2,396
Rent	1,318,720	43,625	-	1,362,345
Service transportation	58,882	4	-	58,886
Telephone	54,250	3,405	-	57,655
Depreciation & amortization	<u>21,387</u>	<u>-</u>	<u>-</u>	<u>21,387</u>
	<u>\$ 10,891,633</u>	<u>\$ 1,089,287</u>	<u>\$ 22,535</u>	<u>\$ 12,003,455</u>

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

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

**CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets	\$ 108,986
Adjustments to reconcile change in net assets to net cash from operating activities:	
Realized and unrealized gains on investments	(37,390)
Depreciation and amortization	21,387
Changes in operating assets	
Contracts receivable	(631,430)
Grants and contributions receivable	131,402
Prepaid expenses and other current assets	(191,226)
Accounts payable	437,267
Accrued salaries and benefits	80,147
Accrued expenses	<u>(49,134)</u>
Net Cash Used In Operating Activities	<u>(129,991)</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Proceeds from sale of investments	9,116
Purchases of property and equipment	<u>(61,316)</u>
Net Cash Used In Investing Activities	<u>(52,200)</u>

**NET CHANGE IN CASH AND CASH EQUIVALENTS** (182,191)

**CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** 1,058,218

**CASH AND CASH EQUIVALENTS, END OF YEAR** \$ 876,027

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



**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 – Nature of Operations**

Woodcraft Rangers (the Organization) was organized pursuant to the Nonprofit Corporation Laws of the state of California. Woodcraft Rangers is a youth development organization whose mission is guiding young people as they explore pathways to purposeful lives. Through the Fourfold Woodcraft Way, a precursor to the modern whole child educational model, a young person develops an authentic and holistic sense of self through the cultivation of body, mind, spirit and service. Believing that maturity, not scholarship, is the first aim of education, the Woodcraft Way builds character and equips youth with new skills (mind), strength and resiliency (body), deeper understanding of their place in the world (spirit), and a greater commitment to their community (service).

Operating programs in Los Angeles since 1922, Woodcraft Rangers has served five generations of Angeleno youth through scouting, summer camps and afterschool enrichment with programs that have always been co-educational, inclusive and low-cost to ensure access to all children. Currently, the organization serves youth ages 6-18 at nearly 75 school locations and numerous summer learning venues throughout many of Los Angeles County's most vulnerable neighborhoods including Inglewood, South Gate, Pacoima and Rosemead. Over 15,000 students participate daily and are guided by qualified and committed staff who are intentionally recruited from the communities we serve, resulting in over 4 million hours of collective mentorship each year. Woodcrafters experience positive impacts on academic performance, graduation rates, and cognitive, physical, social and emotional well-being while reducing negative behaviors such as gang participation, crime and drug use.

Committed to a youth-led philosophy, afterschool and summer learning programs feature over 100 enrichment clubs that have been curated over decades of service allowing students to participate in a broad array of visual and performing arts, health and wellness, sports and play, science technology engineering and math and youth leadership activities in a safe and supportive environment. Furthermore, the program provides academic support to low-income schools that are often of the lowest-performing, elevating the quality of education to be more equitable when compared to peers in better-resourced communities.

Woodcraft Rangers also hosts hundreds of children annually at residential camps, a tradition of providing immersive nature experiences that has been a part of the program for nearly 100 years.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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.

***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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition (Continued)***

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.

***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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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

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 and investments 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 and investments.

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, 2018 and 81% of its receivables at June 30, 2018.

***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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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	\$ 1,036,844
Professional fees	500,854
Rent	<u>1,066,556</u>
	<u><u>\$ 2,604,254</u></u>

***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 \$2,604,254 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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 is currently evaluating the impact of the adoption of the new standard 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. In July 2018, the FASB issues ASU 2018-11, *Leases (Topic 842)*, which allows entities to initially apply the new lease standard as of the adoption date instead of at the beginning of the earliest period presented in the financial statements. The new lease standard requires a modified retrospective approach for all leases existing at, or entered into after the date of initial adoption, with an option to elect to use certain transition relief. 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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 – Summary of Significant Accounting Policies (Continued)**

***Recently Issued Accounting Pronouncements (Continued)***

In June 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides additional guidance on characterizing grants and similar contracts with resource providers as either exchange transactions or contributions, as well as distinguishing between conditional contributions and unconditional contributions. The updated standard will be effective for annual reporting periods beginning after December 15, 2018. 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 22, 2018, the date the financial statements were available to be issued, and except as disclosed in Note 5, determined that there were no other items to disclose.

**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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – Investments (Continued)**

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, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity funds	\$ 421,797	\$ -	\$ -	\$ 421,797
Common stock	333,288	-	-	333,288
Corporate bonds	720,746	-	-	720,746
Certificates of deposit	606,976	-	-	606,976
Oil well leasehold interest	-	-	14,147	14,147
	<u>\$ 2,082,807</u>	<u>\$ -</u>	<u>\$ 14,147</u>	<u>\$ 2,096,954</u>

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 consists of the following at June 30, 2018:

Computer hardware and software	\$ 823,311
Furniture and equipment	138,071
Vehicles	76,426
	<u>1,037,808</u>
Less accumulated depreciation and amortization	<u>(960,218)</u>
	<u>\$ 77,590</u>



**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – Lines of Credit**

The Organization has two separate lines of credit totaling \$1,300,000, which expired in July 2018. 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, 2018. Subsequent to year-end, the lines of credit were renewed through July 2019.

**NOTE 6 – Temporarily Restricted Net Assets**

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

<u>Purpose</u>	<u>June 30, 2017</u>	<u>Additions</u>	<u>Release</u>	<u>June 30, 2018</u>
College scholarships	\$ 182,010	\$ 4,731	\$ -	\$ 186,741
Camperships	189,403	5,723	-	195,126
Arts programs	13,400	13,200	(13,400)	13,200
Summer Camp Programs	-	10,000		10,000
Sports programs	-	25,000	-	25,000
Other time-restricted	<u>150,000</u>	<u>-</u>	<u>(150,000)</u>	<u>-</u>
	<u>\$ 534,813</u>	<u>\$ 58,654</u>	<u>\$ (163,400)</u>	<u>\$ 430,067</u>

**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.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 – Permanently Restricted Net Assets (Continued)**

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 at least \$70,000 before the accumulated 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:

<b>Year Ending June 30,</b>	
2019	\$ 297,423
2020	304,275
2021	<u>312,070</u>
Total	<u>\$ 913,768</u>

Rent expense paid under the noncancelable operating leases totaled \$295,789 during the year. The Organization receives donated rental space at the various schools where the programs are held. The Organization received donated rent totaling \$1,066,556 (see Note 2), which has not been included above as the agreements for use of space are renewed annually.

**WOODCRAFT RANGERS**  
**(A Nonprofit Organization)**

**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 – Commitments and Contingencies (Continued)**

*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 \$26,100 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 \$44,418 for the year ended June 30, 2018.