

**Junior Blind
has a new name!**

Serving children and families since 1953.



5300 Angeles Vista Boulevard, Los Angeles, CA 90043

T (323) 295-4555 | **F** (323) 296-0424 | WayfinderFamily.org

We are pleased to present our fiscal 2018 audit. We would like to draw your attention to two items that will help in the review of the statement of activities and should be considered when assessing our agency's true operating results:

1. Passive items unrelated to operations

The statement of activities in the audit shows a change in net assets for fiscal 2017-18 of \$2,353,805. However, this is not a true representation of our operating results because the statement of activities includes two passive items unrelated to Wayfinder's operations that also cannot be forecasted with any accuracy: 1) non-recurring wills and bequests and 2) profit or loss from investments. These capricious items create significant fluctuations year to year. When assessing the financial viability of the agency, looking at any one year can be misleading. However, a four-year average smooths out the fluctuations in planned gifts and investments, producing a more accurate assessment of the agency's financial results. Wayfinder's four-year average change in net assets from 2014-15 to 2017-18 was \$250,077.

2. Board-approved draw in operating budget

Annually, Wayfinder undergoes a rigorous budgeting process and presents to the board a breakeven budget. The operating budget excludes the above-mentioned, unpredictable items, as well as noncash items, such as depreciation and in-kind donations. In addition, the breakeven budget includes a board preapproved draw of up to 10% of the investment portfolio for operations. Management has challenged itself to decrease the percentage draw—only 9% was drawn in 2016-17, 8% in 2017-18 and the 2018-19 operating budget includes an 8% draw.

In 2017-18, Wayfinder's operating result was a very modest surplus of \$4,095, which demonstrates that the \$2.35 million change in net assets in the 2017-18 audit did not accurately reflect our operating results.

When reviewing the statement of financial position, we would like to point out the following:

Cash on hand and investments

Wayfinder's board requires 180 days of cash on hand. The largest portion of this is our investment portfolio, listed as "Investments" in the audit. While our cash and investments (cash equivalents) may appear to exceed 180 days, the board treats the investment portfolio as a quasi-endowment. We have been fortunate over the decades to have received estate gifts that enabled us to create and build our investment portfolio. As mentioned, the board preapproves a small percentage draw from the investment portfolio annually. The investments are conservatively invested and closely monitored, but they do experience variances year to year in line with the dynamics of the stock market.

**Together,
we'll reach
new heights.**



WAYFINDER FAMILY SERVICES

FINANCIAL STATEMENTS

JUNE 30, 2018

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

OAKLAND
1901 Harrison Street
Suite 1150
Oakland, CA 94612
p: 510.379.1182

CONTENTS

Independent Auditors' Report	1-2
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5-6
Statement of Cash Flows	7
Notes to Financial Statements	8-20

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Wayfinder Family Services

Report on the Financial Statements

We have audited the accompanying financial statements of Wayfinder Family Services (a nonprofit organization), which comprise of 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 audits. 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 of 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 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 Wayfinder Family Services 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.

INDEPENDENT AUDITORS' REPORT

continued

Other Matters

Other Information

As discussed in Note 1, the financial statements of Wayfinder Family Services have been prepared without consolidating the financial statements of a related entity under common control. Consolidated financial statements will be issued and those statements are the general purpose financial statements of the primary reporting entity.

Report on Summarized Comparative Information

We have previously audited Junior Blind of America's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2018, on our consideration of Wayfinder Family Services' 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 solely 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 Wayfinder Family Services' 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 Wayfinder Family Services' internal control over financial reporting and compliance.

Harrington Group

Pasadena, California

October 29, 2018

WAYFINDER FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2018

With comparative totals at June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	2018	2017
ASSETS					
Cash	\$ 392,403	\$ -	\$ -	\$ 392,403	\$ 677,122
Accounts and grants receivable	3,816,826			3,816,826	3,685,686
Pledges receivable (Note 3)	122,500	430,850		553,350	1,811,311
Prepaid expenses and other assets	2,203,304			2,203,304	2,154,165
Investments (Note 4)	28,152,759	150,610	205,880	28,509,249	23,981,515
Property held for investment	2,989,000			2,989,000	2,987,000
Property and equipment (Note 6)	13,795,567			13,795,567	14,467,464
TOTAL ASSETS	\$ 51,472,359	\$ 581,460	\$ 205,880	\$ 52,259,699	\$ 49,764,263
LIABILITIES AND NET ASSETS					
LIABILITIES					
Accounts payable	\$ 633,948	\$ -	\$ -	\$ 633,948	\$ 478,085
Accrued liabilities (Note 7)	3,260,208			3,260,208	3,309,401
Accrued unemployment liability (Note 8)	31,770			31,770	88,475
Line of credit (Note 9)	425,000			425,000	-
Loan (Note 10)	333,333			333,333	666,667
TOTAL LIABILITIES	4,684,259	-	-	4,684,259	4,542,628
NET ASSETS					
Unrestricted	4,839,774			4,839,774	6,331,806
Unrestricted - property, plant, and equipment (Note 2)	13,795,567			13,795,567	14,465,464
Unrestricted - board designated (Note 2)	28,152,759			28,152,759	23,426,182
Temporarily restricted (Note 12)		581,460		581,460	578,303
Permanently restricted (Note 13)			205,880	205,880	419,880
TOTAL NET ASSETS	46,788,100	581,460	205,880	47,575,440	45,221,635
TOTAL LIABILITIES AND NET ASSETS	\$ 51,472,359	\$ 581,460	\$ 205,880	\$ 52,259,699	\$ 49,764,263

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

WAYFINDER FAMILY SERVICES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>2018</u>	<u>2017</u>
REVENUE					
Private support					
Wills and bequests	\$ 4,564,982	\$ -	\$ -	\$ 4,564,982	\$ 4,364,369
Other contributions	1,991,575			1,991,575	2,426,045
Trust income	978,359			978,359	1,003,059
Contributed property, goods, and services (Note 5)	827,321			827,321	601,675
	<u>8,362,237</u>	<u>-</u>	<u>-</u>	<u>8,362,237</u>	<u>8,395,148</u>
Government fees and other revenue					
Government contracts, fees for service, and grants (Note 14)	20,293,275			20,293,275	19,594,734
Other revenue	652,460			652,460	465,001
Net assets released for purpose restrictions				-	-
	<u>20,945,735</u>	<u>-</u>	<u>-</u>	<u>20,945,735</u>	<u>20,059,735</u>
Other changes					
Investment income, net of fees	339,213	3,157		342,370	401,695
Gain on investments	1,311,290			1,311,290	2,468,659
	<u>1,650,503</u>	<u>3,157</u>	<u>-</u>	<u>1,653,660</u>	<u>2,870,354</u>
TOTAL REVENUE	<u>30,958,475</u>	<u>3,157</u>	<u>-</u>	<u>30,961,632</u>	<u>31,325,237</u>
EXPENSES					
Program services					
Group homes	4,252,188			4,252,188	4,069,525
Transitional shelter care program	3,850,276			3,850,276	3,660,262
Youth residential treatment program	3,627,811			3,627,811	3,561,369
Special education school	2,178,257			2,178,257	2,225,203
Davidson program for independence	1,591,933			1,591,933	1,789,162
Camp and recreation	1,505,075			1,505,075	1,329,369
Mental health services	1,461,838			1,461,838	1,349,849
Early intervention program	1,431,309			1,431,309	1,551,437
Blind babies foundation	1,015,140			1,015,140	972,618
Strategic initiatives	979,581			979,581	1,109,299
Transition services	835,939			835,939	711,927
Hatlen Center	749,637			749,637	872,124
Public education program	449,386			449,386	452,670
Total program services	<u>23,928,370</u>	<u>-</u>	<u>-</u>	<u>23,928,370</u>	<u>23,654,814</u>
Supporting services					
Management and administrative	3,160,637			3,160,637	2,392,004
Fundraising and public relations	1,518,820			1,518,820	1,472,301
Total supporting services	<u>4,679,457</u>	<u>-</u>	<u>-</u>	<u>4,679,457</u>	<u>3,864,305</u>
TOTAL EXPENSES	<u>28,607,827</u>	<u>-</u>	<u>-</u>	<u>28,607,827</u>	<u>27,519,119</u>
CHANGE IN NET ASSETS	<u>2,350,648</u>	<u>3,157</u>	<u>-</u>	<u>2,353,805</u>	<u>3,806,118</u>
NET ASSETS, BEGINNING OF YEAR	44,223,452	578,303	419,880	45,221,635	41,415,517
NET ASSETS RECLASSIFICATION (Note 17)	214,000		(214,000)	-	-
ADJUSTED NET ASSETS, BEGINNING OF YEAR	<u>44,437,452</u>	<u>578,303</u>	<u>205,880</u>	<u>45,221,635</u>	<u>41,415,517</u>
NET ASSETS, END OF YEAR	<u>\$ 46,788,100</u>	<u>\$ 581,460</u>	<u>\$ 205,880</u>	<u>\$ 47,575,440</u>	<u>\$ 45,221,635</u>

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

WAYFINDER FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2018
 With comparative totals for the year ended June 30, 2017

	Children's Services					Youth and Adult Services					Camp and Recreation	Strategic Initiatives	Public Education Program	Total Program Services
	Early Intervention Program	Blind Babies Foundation	Special Education School	Youth Residential Treatment Program	Mental Health Services	Transitional Shelter Care Program	Transition Services	Davidson Program for Independence	Hatlen Center	Group Homes				
Salaries	\$ 936,124	\$ 676,121	\$ 1,220,255	\$ 2,024,314	\$ 970,192	\$ 2,460,030	\$ 419,475	\$ 874,561	\$ 459,832	\$ 2,626,642	\$ 262,642	\$ 377,692	\$ 315,279	\$ 13,623,159
Payroll taxes	68,592	49,987	82,637	142,695	71,319	175,776	31,237	64,567	35,172	134,530	18,501	27,601	20,579	923,193
Employee benefit	134,224	84,945	237,828	327,593	119,860	463,028	51,137	167,657	90,210	360,225	63,396	66,883	62,152	2,229,138
Total personnel costs	1,138,940	811,053	1,540,720	2,494,602	1,161,371	3,098,834	501,849	1,106,785	585,214	3,121,397	344,539	472,176	398,010	16,775,490
Professional fees	22,443	53,475	85,916	176,411	125,487	223,399	11,276	31,622	15,611	354,095	323,926	289,593	10,376	1,723,630
Contract food services	17,533	2,064	101,208	194,022	209	107,667	36,029	76,912	421	180,909	205,096	135	3	922,208
Maintenance	3,097	2,695	86,625	206,168	21,547	104,868	1,860	104,356	4,219	111,179	90,184	3,880	3,643	744,321
Supplies	44,441	19,890	28,487	193,996	24,194	119,610	15,882	83,552	6,054	151,214	39,430	27,904	3,966	758,620
Travel and transportation	122,220	56,849	59,204	92,029	13,911	6,983	37,113	12,683	9,606	54,032	24,812	946	182	490,570
Utilities	4,562	996	33,486	56,364	25,332	69,329	2,809	24,857	2,809	43,152	53,058	8,445	6,889	332,088
Training, dues, and subscriptions	18,020	3,361	12,802	22,377	20,131	21,399	11,205	9,969	6,595	28,641	5,024	40,570	5,552	205,646
Insurance	16,953	12,157	21,915	35,970	16,449	44,225	6,354	15,845	8,195	45,554	4,307	5,358	4,460	237,742
Program transportation and lodging	383	39	63,829	335	35	98	191,726	245	80	100	4,256	187	3	261,316
Direct mail marketing							50				25	10,328		10,403
Rent		20,435					2,100		80,127	47,748		61,289		211,699
Telephone	13,037	11,735	16,433	16,294	13,633	21,137	5,935	21,522	10,828	27,426	11,960	1,856	1,630	173,426
Event expenses	19,926	12,730	218	236	35	299	831	232	4,659	530	60,381	3	358	100,438
Publication and media	140	70	585	365	399	155		400		155	2,506	49,578	3,308	57,661
Taxes and licenses	529	148	8,765	10,989	2,841	7,376	561	2,751	235	7,326	9,790	1,326	830	53,467
Interest														-
Postage	928	1,471	1,716	2,194	979	2,711	682	891	842	2,594	391	1,142	242	16,783
Other expenses		4,987												4,987
Total expenses before depreciation	1,423,152	1,014,155	2,061,909	3,502,352	1,426,553	3,828,090	826,262	1,492,622	735,495	4,176,052	1,179,685	974,716	439,452	23,080,495
Depreciation	8,157	985	116,348	125,459	35,285	22,186	9,677	99,311	14,142	76,136	325,390	4,865	9,934	847,875
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 1,431,309	\$ 1,015,140	\$ 2,178,257	\$ 3,627,811	\$ 1,461,838	\$ 3,850,276	\$ 835,939	\$ 1,591,933	\$ 749,637	\$ 4,252,188	\$ 1,505,075	\$ 979,581	\$ 449,386	\$ 23,928,370
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 1,551,437	\$ 972,618	\$ 2,225,203	\$ 3,561,369	\$ 1,349,849	\$ 3,660,262	\$ 711,927	\$ 1,789,162	\$ 872,124	\$ 4,069,525	\$ 1,329,369	\$ 924,689	\$ 452,670	\$ 23,470,204

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

WAYFINDER FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

continued

	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
		Management and Administrative	Fundraising and Public Relations		2018	2017
Salaries	\$ 13,623,159	\$ 1,558,469	\$ 784,081	\$ 2,342,550	\$ 15,965,709	\$ 15,581,538
Payroll taxes	923,193	84,877	53,405	138,282	1,061,475	1,060,705
Employee benefit	2,229,138	260,221	138,633	398,854	2,627,992	2,724,225
Total personnel costs	16,775,490	1,903,567	976,119	2,879,686	19,655,176	19,366,468
Professional fees	1,723,630	662,826	142,490	805,316	2,528,946	2,353,349
Contract food services	922,208	27,977	14	27,991	950,199	893,519
Maintenance	744,321	85,758	23,021	108,779	853,100	551,081
Supplies	758,620	41,731	19,221	60,952	819,572	566,152
Travel and transportation	490,570	13,940	3,139	17,079	507,649	704,694
Utilities	332,088	35,243	20,703	55,946	388,034	328,906
Training, dues, and subscriptions	205,646	157,389	8,028	165,417	371,063	-
Insurance	237,742	22,203	12,924	35,127	272,869	269,443
Program transportation and lodging	261,316	1,223	296	1,519	262,835	-
Direct mail marketing	10,403	-	236,777	236,777	247,180	-
Rent	211,699	-	17,435	17,435	229,134	164,060
Telephone	173,426	16,971	6,539	23,510	196,936	151,567
Event expenses	100,438	25,514	711	26,225	126,663	106,146
Publication and media	57,661	-	23,549	23,549	81,210	30,725
Taxes and licenses	53,467	8,759	2,386	11,145	64,612	63,251
Interest	-	44,952	-	44,952	44,952	30,891
Postage	16,783	4,068	2,244	6,312	23,095	89,860
Other expenses	4,987	-	-	-	4,987	326,319
Contract labor	-	-	-	-	-	308,502
Contract services	-	-	-	-	-	172,132
Recreation	-	-	-	-	-	15,932
Total expenses before depreciation	23,080,495	3,052,121	1,495,596	4,547,717	27,628,212	26,492,997
Depreciation	847,875	108,516	23,224	131,740	979,615	1,026,122
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 23,928,370	\$ 3,160,637	\$ 1,518,820	\$ 4,679,457	\$ 28,607,827	
TOTAL 2017 FUNCTIONAL EXPENSES	\$ 23,654,814	\$ 2,392,004	\$ 1,472,301	\$ 3,864,305		\$ 27,519,119

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

WAYFINDER FAMILY SERVICES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2018

With comparative totals for the year ended June 30, 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 2,353,805	\$ 3,806,118
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	979,615	1,026,122
(Gain) on investments	(1,311,290)	(2,468,659)
Investment income, net of fees	(342,370)	(401,695)
(Increase) decrease in operating assets:		
Accounts and grants receivable	(131,140)	(564,823)
Pledges receivable	1,257,961	(775,798)
Prepaid expenses	(49,139)	(331,695)
Increase (decrease) in operating liabilities:		
Accounts payable	155,863	109,471
Accrued liabilities	(49,193)	(182,352)
Accrued unemployment liability	(56,705)	355
	2,807,407	217,044
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,908,234	1,226,013
Purchase of property and equipment	(309,718)	(511,529)
Purchase of investments	(6,782,308)	(1,263,565)
	(3,183,792)	(549,081)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payments	(333,334)	(1,133,333)
Proceeds from line of credit	425,000	-
Loan borrowings	-	800,000
	91,666	(333,333)
NET (DECREASE) IN CASH	(284,719)	(665,370)
CASH, BEGINNING OF YEAR	677,122	1,342,492
CASH, END OF YEAR	\$ 392,403	\$ 677,122
NON-CASH INVESTING TRANSACTION:		
Reclassification of property from pledges receivable to property and equipment	\$ -	\$ 1,250,000

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

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Founded in 1953 as the *Foundation for the Junior Blind*, then renamed Junior Blind of America, and now called Wayfinder Family Services (“Wayfinder”), the organization ensures that children, youth and adults facing the greatest challenges always have a place to turn. Wayfinder operates two service divisions: 1) Children and adults with visual impairment and multiple disabilities. 2) Child welfare, with a special focus on foster youth with developmental, medical, physical or behavioral challenges. Across both divisions, Wayfinder offers mental health services and summer camp with activities for disabled and nondisabled children, adults and families. Thanks to generous philanthropic support, Wayfinder offers all services at no cost to children, adults and their families—92 percent of whom are low income.

Junior Blind of America changed its name to “Wayfinder Family Services” on April 19, 2017. The new brand was launched in January 2018.

Children’s Services

- Wayfinder’s *Early Intervention Program* provides in-home early intervention services for young children with vision loss and other disabilities. The two-part program provides intensive stimulation services for children up to age 3 to help prevent and correct developmental delays. For children ages 3 to 6, the program assists with the transition to the public special-education system, while empowering parents with greater knowledge and the skills to become their child’s advocate.
- Founded in 1949, *Blind Babies Foundation* became a program of Wayfinder on July 1, 2014. Blind Babies provides in-home early intervention services to Central and Northern California children from birth to age 6 with vision loss—many of whom have additional disabilities. Wayfinder’s vision impairment specialists also help families through parent education and advocacy training, referrals to resources, accompaniment to medical appointments, and invitations to social events with other families who share their circumstances.
- Wayfinder’s *Special Education School* offers children and youth, ages 5 to 21, who are visually impaired or have multiple disabilities a safe, positive environment for learning and growth. Teachers work with students to develop their communication, mobility and independent living skills.
- The *Youth Residential Treatment Program* offers foster youth—many of whom have serious or life-threatening medical conditions and mental health challenges—a nurturing, highly structured, round-the-clock, therapeutic setting where they can thrive. Youth receive individualized nursing and mental health support that addresses the barriers impeding their return home or to less restrictive foster care.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- Wayfinder opened its *Transitional Shelter Care program*, aka *The Cottage*, in March 2016 in collaboration with the Los Angeles County Department of Children and Family Services. The Cottage is a 72-hour, short-term residential treatment program for children, ages 0 through 17, who have been removed from their homes due to abuse or neglect and need temporary refuge until they can be placed with family members or foster families.

Youth and Adult Services

- Wayfinder provides *Mental Health Services* through a contract from Los Angeles County's Department of Mental Health. The program provides therapy to young people who have been impacted by the foster care system, including children with special healthcare needs, multiple disabilities or chronic illness, as well as individuals and families who need assistance coping with the effects of sudden or gradual vision loss.
- *Transition Services* help teens and young adults with vision loss, ages 16 to 25, explore career options and successfully transition to independent living, college or the workforce. In addition to teaching independent living, orientation and mobility, assistive technology and self-advocacy skills, the program provides participants with college-access activities and experience in the workplace via internships or job shadowing.
- *Davidson Program for Independence* is a comprehensive residential program for adults ages 18 and older who are newly blind or visually impaired. Through training in four core areas—Braille, computer skills, orientation and mobility, and independent-living skills (such as cooking, cleaning, and money management)—graduates of the program attain the skills to find employment and enjoy productive, fulfilling lives in their homes and communities. The Davidson Program for Independence also includes:
 - *Assistive Technology Training* provides instruction on the latest assistive technology devices and software for success in today's job market. Each client works with staff to develop an individual plan to reach employment goals. Wayfinder also provides assessments of accessibility at worksites within a 10-mile radius of the South Los Angeles campus.
 - The *Employment Services* program teaches skills needed to join or rejoin the workforce. Participants receive assessments, training and job placement, as well as coaching and orientation and mobility instruction to find and keep jobs. Also, Wayfinder assists employers in adapting workplaces or accessing federal tax credits available for hiring people with disabilities.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- Wayfinder's *Hatlen Center* in San Pablo, California, is a comprehensive residential program for adults ages 18 and older who are blind or visually impaired. In the program's unique residential model, participants accept all of the responsibilities of apartment living, including maintaining their household, paying rent, shopping for groceries, and travel to school, work or recreation. With the assistance of on-site instructors, participants acquire living skills that lead to a confident transition to an independent life.

Group Homes

- Wayfinder operates five *Group Homes* in single-family homes, each housing up to six children or six young adults with multiple disabilities. Residents receive round-the-clock care. All group homes are conveniently located in the South Los Angeles neighborhood near the Wayfinder campus so that young residents can attend the Special Education School, and all residents can use Wayfinder's recreational facilities or receive care from the 24-hour medical center in an emergency.

Camp and Recreation Programs

- Wayfinder's *Camp Bloomfield* provides children and youth who are blind, visually impaired, multi-disabled or in foster care and their families with memorable experiences in the great outdoors that develop self-esteem and build independence. The 45-acre campground, nestled in the Santa Monica Mountains in Malibu, offers activities adapted for children of all ages and abilities.
- Wayfinder's *Visions: Adventures in Learning* provides empowering recreational experiences to teens who are blind or visually impaired. Through exciting, challenging three-day adventures, teenagers learn the power of teamwork and gain confidence, trust and leadership skills. Past trips have included surfing, kayaking, whitewater rafting, deep sea fishing and more.

Public Education Program

Through public education, Wayfinder informs and educates students, families and professionals about important issues surrounding disabilities and child welfare.

In February 2017, Wayfinder entered into a merger agreement with Concept 7, a California nonprofit public benefit corporation.

In July 2017, Wayfinder executed the merger agreement by assuming control of Concept 7, which continues to operate as separate entity.

The presented financial statements have been prepared without consolidating the activities of Concept 7. Consolidated financial statements will be issued for Wayfinder and Concept 7.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting.

Accounting

To ensure observance of certain constraints and restrictions placed on the use of resources, the accounts of Wayfinder are maintained in accordance with the principles of net asset accounting. This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into net asset classes that are in accordance with specified activities or objectives. Accordingly, all financial transactions have been recorded and reported by net asset class as follows:

Unrestricted. These generally result from revenue generated by receiving unrestricted contributions, providing services, and receiving interest from investments less expenses incurred in providing program-related services, raising contributions, and performing administrative functions.

Unrestricted – Property, Plant, and Equipment. These are funds that have been set aside for property and equipment replacement and/or program expansion. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2018, with a balance of \$13,795,567.

Unrestricted – Board designated. These are comprised of resources that the Board of Directors has established as being designated for particular purposes. For purposes of complying with net asset accounting, this fund is included in unrestricted net assets at June 30, 2018, with a balance of \$28,152,759.

Temporarily Restricted. Wayfinder reports gifts of cash and other assets as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released for purpose restrictions. At June 30, 2018, Wayfinder has \$581,460 in temporarily restricted net assets.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Permanently Restricted. These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit Wayfinder to expend all of the income (or other economic benefits) derived from the donated assets. At June 30, 2018, Wayfinder has \$205,880 in permanently restricted net assets.

Accounts Receivable

Accounts receivable are primarily receivables from governmental agencies. Therefore, no allowance for doubtful accounts has been provided.

Contributions and Pledges Receivable

Unconditional promises to give that are expected to be collected within one year are recorded as net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value, which is measured as the present value of their future cash flows. The discounts on those amounts are computed using risk-adjusted interest rates applicable to the years in which the promises are received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Investments

Wayfinder values its investments at fair value. Gains or losses (including investments bought, sold, and held during the year) are reflected in the Statement of Activities as gain on investments. Investment gain of \$1,653,660 is reflected in the Statement of Activities and is shown as net of investment fees of \$83,984 for the year ended June 30, 2018. Cash and/or money market funds not used for operations are included in investments.

Fair Value Measurements

Generally accepted accounting principles provide guidance on how fair value should be determined when financial statement elements are required to be measured at fair value. Valuation techniques are ranked in three levels depending on the degree of objectivity of the inputs used with each level:

Level 1 inputs - quoted prices in active markets for identical assets

Level 2 inputs - quoted prices in active or inactive markets for the same or similar assets

Level 3 inputs - estimates using the best information available when there is little or no market

Wayfinder is required to measure current year pledges, certain investments, and in-kind contributions at fair value. The specific techniques used to measure fair value for these financial statement elements are described in the notes below that relate to each element.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Concentration of Credit Risks

Wayfinder places its temporary cash investments with high-credit, quality financial institutions. At times, such investments may be in excess of the Federal Deposit Insurance Corporation insurance limit. Wayfinder has not incurred losses related to these investments.

The primary receivable balance outstanding at June 30, 2018 consists of government contract receivables due from county, state, and federal granting agencies. Concentration of credit risk with respect to trade receivables are limited, as the majority of Wayfinder's receivables consist of earned fees from contract programs granted by governmental agencies.

Wayfinder holds investments in the form of equities, fixed income securities, mutual funds, and money market funds. The Board of Directors routinely reviews market values of such investments.

Property and Equipment

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred.

Property and equipment are capitalized if the cost of an asset is greater than or equal to five thousand dollars and the useful life is greater than one year.

Wayfinder reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value of the property and equipment may not be recoverable.

Revenue Recognition

Revenue from government contracts or grants is recorded to the extent of expenses incurred under the grant, unless the contract is fee for service.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Donated Materials and Services

Contributions of donated non-cash assets are measured on a non-recurring basis and recorded at fair value in the period received. Contributions of donated services or goods that create or enhance non-financial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at fair value in the period received. The value of in-kind contributions received for the year ended June 30, 2018 was \$827,321. Of this amount, \$673,724 is related to legal services and is included in professional fees on the Statement of Functional Expenses.

Income Taxes

Wayfinder is exempt from taxation under Internal Revenue Code Section 501(c)(3) and California Revenue and Taxation Code Section 23701d.

Generally accepted accounting principles provide accounting and disclosure guidance about positions taken by an organization in its tax returns that might be uncertain. Management has considered its tax positions and believes that all of the positions taken by Wayfinder in its federal and state exempt organization tax returns are more likely than not to be sustained upon examination. Wayfinder's returns are subject to examination by federal and state taxing authorities, generally for three and four years, respectively, after they are filed.

Functional Allocation of Expenses

Costs of providing Wayfinder's programs and other activities have been presented in the Statement of Functional Expenses. During the year, such costs are accumulated into separate groupings as either direct or shared. Shared costs are allocated among program and support services by a method that best measures the relative degree of benefit. Wayfinder uses percentage of use, salaries, number of employees, number of meals served, mileage and direct costs to allocate indirect costs.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, liabilities, revenues, and expenses as of the date and for the period presented. Actual results could differ from those estimates.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Comparative Totals

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Wayfinder's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

Reclassification

Certain amounts from the June 30, 2017 financial statements have been reclassified to conform to the June 30, 2018 presentation.

Subsequent Events

Management has evaluated subsequent events through October 29, 2018, the date which the financial statements were made available for issue. No events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

3. Pledges Receivable

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. Additionally, all pledges are valued at their estimated fair value and are deemed fully collectible. Accordingly, no allowance for uncollectible pledges has been recorded as of June 30, 2018. The discounts on those amounts are computed using IRS life expectancy index applicable to the years in which the promises are received. Total amount of pledges receivable at June 30, 2018 is \$553,350, which represents as follows:

Pledges receivable, gross	\$500,000
Less: unamortized discount on pledges receivable	<u>(69,150)</u>
	430,850
Other	<u>122,500</u>
	<u>\$553,350</u>
Gross pledge amounts due in:	
Three to five years	<u>\$553,350</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

4. Investments

Investments as of June 30, 2018 consists of the following:

U.S. domestic composite	\$12,067,270
Fixed income composite	10,049,488
Foreign stock	3,254,545
Hedge fund	2,869,348
Cash	223,756
Money market	44,842
Total	<u>\$28,509,249</u>

5. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value as of June 30, 2018 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. stocks	\$12,067,270	\$ -	\$ -	\$12,067,270
Fixed income	10,049,488			10,049,488
Foreign	3,254,545			3,254,545
Hedge fund			2,869,348	2,869,348
Total	<u>\$25,371,303</u>	<u>\$ -</u>	<u>\$2,869,348</u>	<u>\$28,240,651</u>

The fair values of mutual funds and equity funds have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

The fair value of hedge funds is measured on a recurring basis using the best information available when there is little or no market (Level 3 inputs).

The following is a reconciliation of the Level 3 assets as of June 30, 2018:

Fair value at July 1, 2017	\$2,152,332
Purchase - new	620,000
Change in market value	97,016
Fair value at June 30, 2018	<u>\$2,869,348</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

5. Fair Value Measurements, continued

The table below presents the transaction measured at fair value on a non-recurring basis as of June 30, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed property, goods, and services	<u>\$ -</u>	<u>\$827,321</u>	<u>\$ -</u>	<u>\$827,321</u>

The fair value of contributed property, goods, and services have been measured on a non-recurring basis using quoted prices for similar assets in inactive markets (Level 2 inputs).

6. Property and Equipment

Property and equipment as of June 30, 2018 consist of the following:

	<u>Wayfinder Facilities</u>	<u>Camp Bloomfield</u>	<u>Total</u>
Land	\$ 2,193,174	\$ 1,850,000	\$ 4,043,174
Buildings	13,350,056	5,207,383	18,557,439
Furniture and equipment	8,000,205	455,810	8,456,015
Improvements	<u>4,828,821</u>	<u>673,487</u>	<u>5,502,308</u>
	28,372,256	8,186,680	36,558,936
Less: accumulated depreciation	<u>(16,426,755)</u>	<u>(3,347,614)</u>	<u>(19,774,369)</u>
	<u>\$ 11,945,501</u>	<u>\$ 4,839,066</u>	<u>\$ 16,784,567</u>

Included in the total fixed assets under Wayfinder facilities, are properties held for investments with values amounting to \$2,989,000.

7. Accrued Liabilities

Accrued liabilities as of June 30, 2018 consist of the following:

Other accrued liabilities	\$1,234,207
Contract advances	873,569
Accrued payroll and taxes	674,731
Accrued vacation	<u>477,701</u>
	<u>\$3,260,208</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

8. **Accrued Unemployment Liability**

Wayfinder has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability of \$31,770 represents estimated future claims arising from payroll paid to June 30, 2018.

9. **Line of Credit**

Wayfinder has a revolving line of credit with a bank in the amount of \$3,000,000, bearing an interest rate of 2% above libor or prime. The revolving line of credit is secured by accounts receivable, general intangibles, inventory and equipment. The balance outstanding as of June 30, 2018 is \$425,000.

10. **Loan**

Wayfinder has an existing loan with a bank in the amount of \$333,333, bearing interest at a fixed rate per annum of 2.25% above libor. The loan is secured by accounts receivable, general intangibles, inventory and equipment. The balance outstanding as of June 30, 2018 is \$333,333.

11. **Contracts and Grants**

Wayfinder's contracts and grants are subject to inspection and audit by the appropriate governmental funding agency. The purpose is to determine whether program funds were used in accordance with their respective guidelines and regulations. The potential exists for disallowance of previously-funded program costs. The ultimate liability, if any, which may result from these governmental audits cannot be reasonably estimated and, accordingly, Wayfinder has no provisions for the possible disallowance of program costs on its financial statements.

12. **Temporarily Restricted Net Assets**

Temporarily restricted net assets as of June 30, 2018 consist of the following:

Program services	<u>\$581,460</u>
------------------	------------------

For the year ended June 30, 2018, there were no releases for purpose restrictions.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

13. Permanently Restricted Net Assets

Permanently restricted net assets represent contributions which the donor has stipulated that the principal is to be kept intact in perpetuity and only the interest and dividends from there may be expended for the needs of the organization and children. As of June 30, 2018, permanently restricted net assets were \$205,880.

As required by generally accepted accounting principles, 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.

Wayfinder has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, Wayfinder classifies as permanently restricted net assets (a) the original value of the gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portions of the donor restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by Wayfinder in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net assets composition by type of fund as of June 30, 2018 is as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Donor restricted endowment funds	<u>\$ -</u>	<u>\$205,880</u>	<u>\$205,880</u>

Changes in endowment net assets as of June 30, 2018 are as follows:

	Temporarily Restricted	Permanently Restricted	Total Endowment Net Assets
Beginning balance, July 1, 2017	\$ -	\$ 419,880	\$ 419,880
Interest and dividends			-
Reclassified to unrestricted	<u> </u>	<u>(214,000)</u>	<u>(214,000)</u>
Ending balance, June 30, 2018	<u>\$ -</u>	<u>\$ 205,880</u>	<u>\$ 205,880</u>

See related disclosure in note 17 for the reclassification of the permanently restricted net assets to unrestricted.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

14. Government Contracts and Fees for Service

Government contracts and fees for service as of June 30, 2018 consist of the following:

California Department of Social Services	\$ 8,309,522
Regional centers – various	5,180,670
Department of Rehabilitation (States of California, Alaska, and Nevada)	3,161,693
Various school districts	1,995,954
Department of Mental Health	1,468,871
Department of Education – nutrition program	84,961
Alameda County Health Care Services Agency	66,604
Community Development Block Grant	<u>25,000</u>
	<u>\$20,293,275</u>

15. Perpetual Charitable Trust

Wayfinder was made a beneficiary of a perpetual charitable trust in 1985. According to the trust agreement, Wayfinder is entitled to one-sixth of the net income generated from a Texas oil property and related investments. Due to the nature of the property, the fair value of this contribution cannot be determined at this time. Accordingly, the value of future income to be received from the trust has not been recorded in the accompanying financial statements and income generated from the trust is recognized as income when received.

16. Employee Benefit Plans

Wayfinder has a 401(k) profit sharing plan covering all employees who worked at least three months during the plan year and are eligible to participate in the plan. Wayfinder matches up to 4% of the employee's deferred salary as approved by the plan documents. The 401(k) profit sharing plan expense for the year ended June 30, 2018 was \$331,976.

Wayfinder also has a deferred compensation plan under Section 457 of the Internal Revenue Code for highly compensated employees. The expense under this plan for the year ended June 30, 2018 was \$97,375.

17. Net Assets Reclassification

The net assets reclassification is related to the total net assets of Blind Babies Foundation which was misclassified to permanently restricted net assets at the time of the merger. The reclassification is intended to adjust and correctly classify the net assets to unrestricted net assets.

WAYFINDER FAMILY SERVICES

SINGLE AUDIT REPORTS

JUNE 30, 2018

PASADENA
234 E Colorado Blvd
Suite M150
Pasadena, CA 91101
p: 626.403.6801

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

OAKLAND
1901 Harrison Street
Suite 1150
Oakland, CA 94612
p: 510.379.1182

CONTENTS

Independent Auditors' Report

Independent Auditors' 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* 1-2

Independent Auditors' Report on Compliance for Each Major Program; Report
on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the
Uniform Guidance 3-5

Schedule of Expenditures of Federal and Non-federal Awards 6

Notes to Schedule of Expenditures of Federal and Non-federal Awards 7

Schedule of Findings and Questioned Costs 8

**Independent Auditors' 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
Wayfinder Family Services

We have audited, in accordance with the 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, the financial statements of Wayfinder Family Services ("Wayfinder") 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, and have issued our report thereon dated October 29, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayfinder'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 Wayfinder's internal control. Accordingly, we do not express an opinion on the effectiveness of Wayfinder'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 entity'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. 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 Wayfinder'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*.

**Independent Auditors' 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***

continued

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harrington Group

Pasadena, California
October 29, 2018

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**

To the Board of Directors
Wayfinder Family Services

Report on Compliance for Each Major Federal Program

We have audited Wayfinder Family Services' ("Wayfinder") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on Wayfinder's major federal program for the year ended June 30, 2018. Wayfinder's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Wayfinder's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayfinder's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Wayfinder's compliance.

Opinion on Each Major Federal Program

In our opinion, Wayfinder complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**
continued

Report on Internal Control Over Compliance

Management of Wayfinder is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Wayfinder's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Wayfinder's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Independent Auditors' Report on Compliance for Each Major Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal and Non-federal Awards in Accordance with the Uniform Guidance**
continued

**Report on Schedule of Expenditures of Federal and Non-federal Awards Required by the Uniform
Guidance**

We have audited the financial statements of Wayfinder as of and for the year ended June 30, 2018, and have issued our report thereon dated October 29, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and non-federal awards are presented for the purpose of additional analysis as required by the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal and non-federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Harrington Group

Pasadena, California
October 29, 2018

WAYFINDER FAMILY SERVICES

SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS

For the year ended June 30, 2018

Federal Grantor Agency/Pass-Through Grantor/Program Title	Federal CFDA Number	Contract Number	Governmental Expenditures		Total Program Expenditures	Pass-through to Sub-recipients
			Federal	Non-Federal		
Federal Awards						
U.S. Department of Health and Human Services:						
Pass-through, State of California Department of Social Services:						
Foster Care Title IV-E	93.658	N/A	\$ 2,089,705	\$ 2,089,705	\$ 4,179,410	\$ -
Pass-through, State of California Department of Children and Families Services:						
Foster Care Title IV-E - Transitional Shelter Care Services	93.658	N/A	2,065,056	2,065,056	4,130,112	
Pass-through, Alameda County Health Services						
Medical Assistance Program	93.778	N/A	33,302	33,302	66,604	
Total Department of Health and Human Services			<u>4,188,063</u>	<u>4,188,063</u>	<u>8,376,126</u>	<u>-</u>
U.S. Department of Education:						
Pass-through, State of California Department of Rehabilitation:						
Vocational Rehabilitation State Grants - Davidson Program	84.126A	N/A	939,572	265,008	1,204,580	
Vocational Rehabilitation State Grants - Student Transitional Education Program	84.126A	N/A	655,526	184,892	840,418	
Vocational Rehabilitation State Grants - Hatlen Center	84.126A	N/A	557,877	157,350	715,227	
Vocational Rehabilitation State Grants - Advanced Assistance Technology	84.126A	N/A	197,547	55,718	253,265	
Vocational Rehabilitation State Grants - Employment Program Services	84.126A	N/A	92,450	26,076	118,526	
Pass-through, State of Alaska Department of Rehabilitation:						
Vocational Rehabilitation State Grants - Hatlen Center	84.126A	N/A	15,369	4,335	19,704	
Pass-through, State of Nevada Department of Rehabilitation:						
Vocational Rehabilitation State Grants - Student Transitional Education Program	84.126A	N/A	7,781	2,195	9,976	
Total Department of Education			<u>2,466,122</u>	<u>695,574</u>	<u>3,161,696</u>	<u>-</u>
U.S. Department of Agriculture:						
Pass through, California State Department of Education:						
Child Nutrition Cluster:						
National School Lunch Program	10.555	N/A	44,906		44,906	
School Breakfast Program	10.553	N/A	32,240		32,240	
Pass through, California State Department of Education:						
Child and Adult Care Food Program	10.558	N/A	7,815		7,815	
Total Department of Agriculture			<u>84,961</u>	<u>-</u>	<u>84,961</u>	<u>-</u>
U.S. Department of Housing and Urban Development:						
Pass-through, County of Los Angeles Community Development Commission:						
Community Development Block Grants/Entitlements Grants	14.218	106743E96212-12	25,000		25,000	
Total Department of Housing and Urban Development			<u>25,000</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
Total Federal and Non-federal Awards			<u>\$ 6,764,146</u>	<u>\$ 4,883,637</u>	<u>\$ 11,647,783</u>	<u>\$ -</u>

WAYFINDER FAMILY SERVICES

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND NON-FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2018

1. **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal and Non-federal Awards (“the Schedule”) includes the federal award activity of Wayfinder Family Services (“Wayfinder”), under the programs of the federal government for the year ended June 30, 2018. The Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Wayfinder, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Wayfinder.

2. **Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in 2 CFR 200, Subpart E (Cost Principles), wherein certain types of expenditures are not allowed or limited as to reimbursement. Wayfinder has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. **Sub-recipients**

Wayfinder did not provide any federal awards to sub-recipients.

4. **Other Information**

Wayfinder did not receive federal insurance, loans, or non-cash assistance during the year ended June 30, 2018.

WAYFINDER FAMILY SERVICES
Schedule of Findings and Questioned Costs
For the year ended June 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements:

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Noncompliance material to financial statements noted? No

Federal Awards:

Internal control over major programs:

Material weakness(es) identified? No

Significant deficiencies identified? None reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 200.516 Audit Findings of the Uniform Guidance? No

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

Identification of Major Programs:

U.S. Department of Health and Human Services:

Foster Care Title IV-E 93.658

Section II – Financial Statements Findings

No matters reported.

Section III – Federal Award Findings and Questioned Costs

No matters reported.

Section IV – Summary Schedule of Prior Year Findings

No matters reported.