

**Junior Blind
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Serving children and families since 1953.

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Change in Net Assets

Wayfinder's 2018-19 audit shows a change in net assets of \$477,488, which is the result of two one-time occurrences:

1) The -\$1.39 million change in net assets before other changes was due almost entirely to an unfunded state mandate that required Wayfinder to increase staffing and intensive services so that our Youth Residential Treatment Program could become licensed as a Short-Term Residential Therapeutic Program. During the transition, required by California's Continuum of Care Reform, the Department of Children and Family Services moved children with lower needs into other placements and slowly referred a new population of youth with the highest needs to Wayfinder. This resulted in an extended period of low program enrollment that substantially decreased revenue by \$1.325 million. At the same time, program costs rose to meet the unfunded, mandated increases in staffing. In 2019-20, program enrollment and related funding from DCFS and the Department of Mental Health have increased.

2) Other Changes of \$1.87 million reflects insurance-claim income of \$4.79 million related to the destruction of Camp Bloomfield in the Woolsey fire in November 2018, net of \$2.92 million asset write-off.

When assessing the financial viability of the agency, looking at any one year can be misleading. However, a six-year average smooths out the fluctuations in planned gifts and investments, producing a more accurate assessment of the agency's financial results. Excluding extraordinary items, Wayfinder's six-year average change in net assets, from 2013-14 to 2018-19 was roughly \$262,000.

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 2018-19, and 8% has been budgeted in the 2019-20 operating budget.

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, 2019

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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, 2019, 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, 2019, 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 Matter

Report on Summarized Comparative Information

We have previously audited Wayfinder Family Services' 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 29, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, 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 23, 2019, 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 23, 2019

WAYFINDER FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2019

With comparative totals at June 30, 2018

	Without Donor Restrictions	With Donor Restrictions	2019	As Restated 2018
ASSETS				
Cash	\$ 448,431	\$ -	\$ 448,431	\$ 392,403
Accounts and grants receivable, net of allowance of \$278,833	2,835,032		2,835,032	3,816,826
Pledges receivable (Note 4)	911,275	430,850	1,342,125	553,350
Other receivables (Note 17)	4,026,641		4,026,641	-
Prepaid expenses and other assets	2,294,083		2,294,083	2,203,304
Investments (Note 5)	27,101,769	828,440	27,930,209	28,509,249
Property held for investment	2,989,000		2,989,000	2,989,000
Property and equipment (Note 7)	10,774,120		10,774,120	13,795,567
TOTAL ASSETS	\$ 51,380,351	\$ 1,259,290	\$ 52,639,641	\$ 52,259,699
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 589,147	\$ -	\$ 589,147	\$ 633,948
Accrued liabilities (Note 8)	3,974,341		3,974,341	3,260,208
Accrued unemployment liability (Note 9)	23,225		23,225	31,770
Line of credit (Note 10)			-	425,000
Loan			-	333,333
TOTAL LIABILITIES	4,586,713	-	4,586,713	4,684,259
NET ASSETS				
Without donor restrictions	8,917,749		8,917,749	4,625,774
Without donor restrictions - property, plant, and equipment (Note 2)	10,774,120		10,774,120	13,795,567
Without donor restrictions - board designated (Note 2)	27,101,769		27,101,769	28,152,759
With donor restrictions				
Purpose restrictions (Note 12)		839,410	839,410	581,460
Perpetual in nature (Note 13)		419,880	419,880	419,880
TOTAL NET ASSETS	46,793,638	1,259,290	48,052,928	47,575,440
TOTAL LIABILITIES AND NET ASSETS	\$ 51,380,351	\$ 1,259,290	\$ 52,639,641	\$ 52,259,699

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

WAYFINDER FAMILY SERVICES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2019</u>	<u>2018</u>
REVENUE				
Private support				
Wills and bequests	\$ 1,456,784	\$ -	\$ 1,456,784	\$ 4,564,982
Other contributions	3,055,729	300,000	3,355,729	1,991,575
Trust income	1,366,378		1,366,378	978,359
Contributed property, goods, and services (Note 6)	446,703		446,703	827,321
Net assets released from restrictions (Note 12)	45,104	(45,104)	-	-
	<u>6,370,698</u>	<u>254,896</u>	<u>6,625,594</u>	<u>8,362,237</u>
Government fees and other revenue				
Government contracts, fees for service, and grants (Note 14)	22,925,054		22,925,054	20,293,275
Other revenue	182,705		182,705	652,460
	<u>23,107,759</u>	<u>-</u>	<u>23,107,759</u>	<u>20,945,735</u>
Other changes				
Investment income, net of fees	471,353	3,054	474,407	342,370
Gain on investments	896,847		896,847	1,311,290
	<u>1,368,200</u>	<u>3,054</u>	<u>1,371,254</u>	<u>1,653,660</u>
TOTAL REVENUE	<u>30,846,657</u>	<u>257,950</u>	<u>31,104,607</u>	<u>30,961,632</u>
EXPENSES				
Program services				
Early intervention program	1,533,388		1,533,388	1,431,309
Blind babies foundation	978,830		978,830	1,015,140
Special education school	2,222,880		2,222,880	2,178,257
Group homes	4,768,220		4,768,220	4,252,188
Camp Bloomfield and recreation	1,139,492		1,139,492	1,505,075
Transition services	990,614		990,614	835,939
Davidson program for independence	1,442,790		1,442,790	1,591,933
Hatlen Center	746,715		746,715	749,637
Temporary shelter care program	3,714,848		3,714,848	3,850,276
Short-term residential therapeutic program	3,881,450		3,881,450	3,627,811
Foster care and adoption	3,842,347		3,842,347	-
Mental health services	1,545,186		1,545,186	1,461,838
Public education program	479,376		479,376	449,386
Strategic initiatives	79,367		79,367	979,581
Total program services	<u>27,365,503</u>	<u>-</u>	<u>27,365,503</u>	<u>23,928,370</u>
Supporting services				
Management and administrative	3,721,393		3,721,393	3,160,637
Fundraising and public relations	1,409,416		1,409,416	1,518,820
Total supporting services	<u>5,130,809</u>	<u>-</u>	<u>5,130,809</u>	<u>4,679,457</u>
TOTAL EXPENSES	<u>32,496,312</u>	<u>-</u>	<u>32,496,312</u>	<u>28,607,827</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(1,649,655)</u>	<u>257,950</u>	<u>(1,391,705)</u>	<u>2,353,805</u>
OTHER CHANGES				
(Loss) on disposal of property and equipment (Note 17)	(2,924,075)		(2,924,075)	-
Gain from insurance claims (Note 17)	4,793,268		4,793,268	-
TOTAL OTHER CHANGES	<u>1,869,193</u>	<u>-</u>	<u>1,869,193</u>	<u>-</u>
CHANGE IN NET ASSETS	<u>219,538</u>	<u>257,950</u>	<u>477,488</u>	<u>2,353,805</u>
NET ASSETS, BEGINNING OF YEAR AS PREVIOUSLY REPORTED	46,788,100	787,340	47,575,440	45,221,635
NET ASSETS RECLASSIFICATION (Note 18)	<u>(214,000)</u>	<u>214,000</u>	<u>-</u>	<u>-</u>
NET ASSETS, BEGINNING OF YEAR AS RESTATED	<u>46,574,100</u>	<u>1,001,340</u>	<u>47,575,440</u>	<u>45,221,635</u>
NET ASSETS, END OF YEAR	<u>\$ 46,793,638</u>	<u>\$ 1,259,290</u>	<u>\$ 48,052,928</u>	<u>\$ 47,575,440</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, 2019

With comparative totals for the year ended June 30, 2018

	Early Intervention Program	Blind Babies Foundation	Special Education School	Group Homes	Camp Bloomfield and Recreation	Transition Services	Davidson Program for Independence	Hatlen Center	Temporary Shelter Care Program	Short-Term Residential Therapeutic Program	Foster Care and Adoption	Mental Health Services	Public Education Program	Strategic Initiatives	Total Program Services
Salaries	\$ 1,000,186	\$ 664,350	\$ 1,175,480	\$ 2,954,325	\$ 351,755	\$ 483,904	\$ 873,512	\$ 467,719	\$ 2,293,261	\$ 2,203,019	\$ 1,193,575	\$ 934,060	\$ 343,109	\$ -	\$ 14,938,255
Payroll taxes	73,980	48,186	81,692	157,573	25,693	36,246	64,935	35,373	164,947	152,232	83,339	70,117	19,827		1,014,140
Employee benefit	140,626	79,034	220,411	389,561	93,624	60,599	171,549	91,579	409,421	324,414	181,044	129,300	60,350		2,351,512
Total personnel costs	1,214,792	791,570	1,477,583	3,501,459	471,072	580,749	1,109,996	594,671	2,867,629	2,679,665	1,457,958	1,133,477	423,286	-	18,303,907
Professional fees	32,716	30,205	179,590	385,276	198,026	18,973	39,891	15,651	256,620	159,489	58,613	256,131	24,312	73,372	1,728,865
Foster family payments and reimbursements											1,869,342				1,869,342
Maintenance	3,878	1,860	88,795	107,876	82,630	1,681	91,295	1,525	121,488	216,328	34,006	20,061	3,129		774,552
Contract food services	10,487	67	114,807	262,486	59,541	37,664	84,511	207	157,613	126,269	904	86	22		854,664
Supplies	52,689	35,154	38,750	153,731	39,722	21,840	25,219	5,054	142,628	186,461	62,554	14,967	4,348	1,032	784,149
Travel and transportation	130,911	50,679	72,773	64,558	13,208	38,448	10,473	6,820	5,266	90,244	76,699	13,026	138	1,012	574,255
Training, dues, and subscriptions	28,786	4,048	15,244	30,915	4,794	6,225	10,289	8,363	27,371	40,393	36,125	46,950	8,346	3,839	271,688
Insurance	18,797	12,502	22,168	54,670	4,836	9,072	16,701	8,901	43,394	41,633	20,977	17,551	4,854		276,056
Program transportation and lodging	407	210	71,512	171	6,329	258,216	11	551	30	23	141	9		78	337,688
Rent	21,166	21,166	47,748	47,748	3,300	86,737	117	86,737	117	141,391	141,391				300,459
Utilities	4,532	685	22,514	38,820	22,093	1,868	16,951	2,430	43,537	42,114	7,933	17,829	4,908		226,214
Telephone	17,133	11,862	8,682	29,347	2,182	5,685	21,038	7,429	20,599	21,831	57,684	16,462	1,899	34	221,867
Event expenses	12,619	12,339	75	86	67,587	1,418	187	3	250	3,173	2,840	7			100,584
Direct mail marketing															-
Taxes and licenses	628	90	8,385	9,234	18,246	597	2,684	238	7,982	12,165	12,062	3,030	704		76,045
Interest															-
Publication and media	363	68	99	74	1,964	19	1,144	488		324	99	124	3,205		7,971
Postage	883	1,770	1,178	2,650	459	868	846	1,261	2,075	1,966	2,838	825	225		17,844
Recreation					5,433			3,191							8,624
Other expenses								1,290							1,290
Total expenses before depreciation	1,529,621	974,275	2,122,155	4,689,101	998,122	986,623	1,431,236	744,810	3,696,482	3,622,195	3,842,166	1,540,535	479,376	79,367	26,736,064
Depreciation	3,767	4,555	100,725	79,119	141,370	3,991	11,554	1,905	18,366	259,255	181	4,651			629,439
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 1,533,388	\$ 978,830	\$ 2,222,880	\$ 4,768,220	\$ 1,139,492	\$ 990,614	\$ 1,442,790	\$ 746,715	\$ 3,714,848	\$ 3,881,450	\$ 3,842,347	\$ 1,545,186	\$ 479,376	\$ 79,367	\$ 27,365,503
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 1,431,309	\$ 1,015,140	\$ 2,178,257	\$ 4,252,188	\$ 1,505,075	\$ 835,939	\$ 1,591,933	\$ 749,637	\$ 3,850,276	\$ 3,627,811	\$ -	\$ 1,461,838	\$ 449,386	\$ 979,581	\$ 23,928,370

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

WAYFINDER FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
 For the year ended June 30, 2019
 With comparative totals for the year ended June 30, 2018
 continued

	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
		Management and Administrative	Fundraising and Public Relations		2019	2018
Salaries	\$ 14,938,255	\$ 1,798,776	\$ 766,184	\$ 2,564,960	\$ 17,503,215	\$ 15,965,709
Payroll taxes	1,014,140	103,019	48,064	151,083	1,165,223	1,061,475
Employee benefit	2,351,512	347,836	132,318	480,154	2,831,666	2,627,992
Total personnel costs	18,303,907	2,249,631	946,566	3,196,197	21,500,104	19,655,176
Professional fees	1,728,865	666,916	165,094	832,010	2,560,875	2,528,946
Foster family payments and reimbursements	1,869,342			-	1,869,342	-
Maintenance	774,552	127,315	19,895	147,210	921,762	853,100
Contract food services	854,664	23,841	298	24,139	878,803	950,199
Supplies	784,149	39,570	24,560	64,130	848,279	819,572
Travel and transportation	574,255	27,043	9,972	37,015	611,270	507,649
Training, dues, and subscriptions	271,688	175,564	31,515	207,079	478,767	371,063
Insurance	276,056	52,970	12,785	65,755	341,811	272,869
Program transportation and lodging	337,688	1,578		1,578	339,266	262,835
Rent	300,459		17,870	17,870	318,329	229,134
Utilities	226,214	33,580	12,650	46,230	272,444	388,034
Telephone	221,867	20,465	6,467	26,932	248,799	196,936
Event expenses	100,584	43,541	1,414	44,955	145,539	126,663
Direct mail marketing	-		132,373	132,373	132,373	247,180
Taxes and licenses	76,045	11,489	2,188	13,677	89,722	64,612
Interest	-	46,861		46,861	46,861	44,952
Publication and media	7,971	164	19,589	19,753	27,724	81,210
Postage	17,844	3,324	2,546	5,870	23,714	23,095
Recreation	8,624			-	8,624	-
Other expenses	1,290	1,367		1,367	2,657	4,987
Total expenses before depreciation	26,736,064	3,525,219	1,405,782	4,931,001	31,667,065	27,628,212
Depreciation	629,439	196,174	3,634	199,808	829,247	979,615
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 27,365,503	\$ 3,721,393	\$ 1,409,416	\$ 5,130,809	\$ 32,496,312	
TOTAL 2018 FUNCTIONAL EXPENSES	\$ 23,928,370	\$ 3,160,637	\$ 1,518,820	\$ 4,679,457		\$ 28,607,827

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

WAYFINDER FAMILY SERVICES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2019

With comparative totals for the year ended June 30, 2018

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 477,488	\$ 2,353,805
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	829,247	979,615
(Gain) on investments	(896,847)	(1,311,290)
Investment income, net of fees	(474,407)	(342,370)
Loss on disposal of property and equipment	2,924,076	-
Change in allowance for doubtful accounts	278,833	-
(Increase) decrease in operating assets:		
Accounts and grants receivable	702,961	(131,140)
Other receivables	(4,026,641)	-
Pledges receivable	(788,775)	1,257,961
Prepaid expenses	(90,779)	(49,139)
Increase (decrease) in operating liabilities:		
Accounts payable	(44,801)	155,863
Accrued liabilities	714,133	(49,193)
Accrued unemployment liability	(8,545)	(56,705)
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(404,057)	2,807,407
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	3,857,911	3,908,234
Purchase of property and equipment	(731,877)	(309,718)
Purchase of investments	(1,907,616)	(6,782,308)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,218,418	(3,183,792)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payments	(333,333)	(333,334)
Net (proceeds) loans from line of credit	(425,000)	425,000
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(758,333)	91,666
NET INCREASE (DECREASE) IN CASH	56,028	(284,719)
CASH, BEGINNING OF YEAR	392,403	677,122
CASH, END OF YEAR	\$ 448,431	\$ 392,403

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

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. Organization

Wayfinder Family Services' ("Wayfinder") mission is to ensure that children, youth and adults facing challenges always have a place to turn. Founded in 1953 as the Foundation for the Junior Blind, the organization initially enabled blind and visually impaired children to lead fuller, more independent lives. Today, Wayfinder serves 16,600 clients and family members annually through three divisions: 1) Children and adults with visual impairment and multiple disabilities. 2) Child welfare, with a special focus on foster youth with health or behavioral challenges. 3) Medical and mental health for clients in our programs. Wayfinder changed its name to Wayfinder Family Services in January 2018. Wayfinder offers all services at no cost to children, adults and their families—90 percent of whom are low income.

Visual Impairment and Disabilities

- Wayfinder's *Early Intervention Program* and *Blind Babies Foundation* provide in-home early intervention to children from birth to age 6 with vision impairment or multiple disabilities. Early Intervention assists children and families in Southern California, while Blind Babies serves Central and Northern California. Young children maximize any vision they have and reduce developmental delays. Parents learn to provide their child with therapeutic stimulation and to advocate for their child's education and care.
- 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. In the least restrictive environment in our state-certified, non-public school, teachers develop students' communication, mobility and independent living skills.
- 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 residents can attend the Special Education School, use Wayfinder's recreational facilities or receive care from our 24-hour medical center.
- Camp Bloomfield & Recreation
 - 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 camp program offers activities adapted for children of all ages and abilities.
 - Wayfinder offers *sports and recreation* that are adapted for child and teen athletes with disabilities, including goalball and the Wayfinder Paralympic Games. Visions: Adventures in Learning provides empowering recreational experiences to teens who are blind or visually impaired.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. Organization, continued

- In *Transition Services*, teenagers and young adults, ages 16 to 25, who are blind or visually impaired explore careers and successfully transition to independent living, college or the workforce. Young people from across California learn assistive technology, independent living skills, and orientation and mobility skills. They participate in college-access activities and gain experience in the workplace through internships or job shadowing.
- *Davidson Program for Independence* on Wayfinder's Los Angeles campus and the *Hatlen Center for the Blind* in San Pablo in Northern California are comprehensive residential rehabilitation programs for adults ages 18 and older who are blind or visually impaired, many with recent vision loss. Participants learn assistive technology, orientation and mobility (white cane and safe travel), Braille, and independent living skills. Each client pursues individualized goals that lead to a confident transition to an independent life and education or employment. 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 to adults with vision loss, ages 18 and older.
 - *Employment Services* teaches adults who are blind or visually impaired the skills they need to join or rejoin the workforce. Clients receive assessments, training and job placement, as well as coaching and orientation and mobility instruction to find and keep jobs. Clients emerge as competitive candidates in the workforce. Also, Wayfinder helps employers adapt workspaces to increase accessibility.

Child Welfare

- Wayfinder's *Temporary Shelter Care Program*, also known as *The Cottage*, is a 10-day shelter on our campus for children, ages 0 through 17, who have just been removed from their homes due to abuse or neglect. These children need temporary refuge until they can be placed with family members or foster families. Our professional staff stabilize children in crisis so they are ready to transition to a placement. Wayfinder is one of only four agencies selected by the Los Angeles County Department of Children and Family Services to provide this service—and the only one that accepts infants and toddlers.
- Wayfinder's *Short-Term Residential Therapeutic Program* offers foster youth with the highest medical and mental health needs a highly structured, residential program on our campus. In a nurturing, therapeutic setting, Short-Term Residential Therapeutic Program offers youth intensive, individualized mental health and nursing services so they can overcome challenges and reunite with family, move to a foster home or live independently.
- Wayfinder's *Foster Care and Adoption* program matches children and youth who have been displaced from their homes due to abuse or neglect with families that can provide safe, caring homes. Our adoption services find loving, lifelong families for children in the child welfare system. Therapeutic, supportive services from Wayfinder ensure that children reach their greatest potential in safe, nurturing foster and permanent homes.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

Medical and Mental Health

- 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 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.
- Wayfinder's *Medical Center* provides 24-hour services to children with complex medical and mental health needs. Our nursing staff includes eight full-time and four part-time nurses and a psychiatrist. We contract with a nurse practitioner, endocrinologist and behavioral psychologist. The medical center primarily serves children in the Short-Term Residential Therapeutic Program, Temporary Shelter Care, and the Special Education School.

Public Education Program

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

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.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions. Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Without Donor Restrictions – 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 net assets without donor restrictions at June 30, 2019, with a balance of \$10,774,120.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Without Donor Restrictions – 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 net assets without donor restrictions at June 30, 2019, with a balance of \$27,101,769.

With Donor Restrictions. Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. At June 30, 2019, Wayfinder has \$1,259,290 in net assets with donor restrictions.

Accounts Receivable

Wayfinder uses the allowance method in order to reserve for potential uncollectible accounts receivable.

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 \$1,371,254 is reflected in the Statement of Activities. Cash and/or money market funds not used for operations are included in investments.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

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, 2019 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.

continued

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, 2019 was \$446,703. Of this amount, \$175,544 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

Recently Adopted Accounting Pronouncement

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The ASU amends the current reporting model for nonprofit organizations and enhances their required disclosures. The major changes include: (a) requiring the presentation of only two classes of net assets now titled "without donor restrictions" and "with donor restrictions", (b) modifying the presentation of underwater endowment funds and related disclosures, (c) requiring the use of the placed-in-service approach to recognize the expirations of restrictions on gifts used to acquire or construct long-lived assets absent explicit donor stipulations otherwise, (d) requiring that all nonprofits present an analysis of expenses by function and nature in either the statement of activities, a separate statement, or in the notes and disclose a summary of the allocation methods used to allocate costs, (e) requiring the disclosure of quantitative and qualitative information regarding liquidity and availability of resources, (f) presenting investment return net of external and direct expenses, and (g) modifying other financial statement reporting requirements and disclosures intended to increase the usefulness of nonprofit financial statements. The ASU is effective for fiscal years beginning after December 15, 2017. The provisions of the ASU must be applied on a retrospective basis for all years presented although certain optional practical expedients are available for the periods prior to adoption. Wayfinder's financial statements for year-ended June 30, 2018 are presented in accordance with ASU 2016-14.

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, 2018, from which the summarized information was derived.

Subsequent Events

Management has evaluated subsequent events through October 23, 2019, 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.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

3. Liquidity and Availability of Resources

Wayfinder regularly monitors the availability of resources required to meet its operating needs and other commitments, while striving to maximize return on investments of its available funds. Further, as part of its liquidity management the board has approved a days-of-cash on hand policy and reviews the investments regularly. As an additional source of liquidity, Wayfinder has a \$3 million line of credit.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, Wayfinder considers all expenditures related to its ongoing activities and the pattern of income from grants, contracts, fundraising, and investments. The Finance Committee of the Board of Directors meets regularly to review all financial aspects of Wayfinder.

Financial assets available for general expenditures, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following:

Cash and cash equivalents	\$ 448,431
Accounts receivable, net	2,835,032
Pledges receivable	911,275
Other receivable	4,026,641
Investments	<u>26,654,325</u>
Financial assets at year-end	<u>\$34,875,704</u>

Permanently restricted gifts, in which the original gift is never to be used, are invested and income from these gifts are restricted for specific programs. These gifts total \$419,880 and are not available for use.

Donor-restricted gifts or board-designated amounts in which the funds are to be used for a specific purpose are invested and not available for general expenditures.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

4. 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, 2019. The discounts on those amounts are computed using Internal Revenue Service life expectancy index applicable to the years in which the promises are received. Total amount of pledges receivable at June 30, 2019 is \$1,342,125, which represents as follows:

Pledges receivable, gross	\$1,140,000
Less: unamortized discount on pledges receivable	<u>(69,150)</u>
	1,070,850
Other	<u>271,275</u>
	<u>\$1,342,125</u>
Gross pledge amounts due in:	
Three to five years	<u>\$1,342,125</u>

5. Investments

Investments as of June 30, 2019 consists of the following:

U.S. domestic composite	\$10,616,498
Fixed income composite	9,928,781
Foreign stock	4,006,202
Hedge fund	2,967,181
Cash	290,757
Money market	<u>120,790</u>
Total	<u>\$27,930,209</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value as of June 30, 2019 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
U.S. stocks	\$10,616,498	\$ -	\$ -	\$10,616,498
Fixed income	9,928,781			9,928,781
Foreign	4,006,202			4,006,202
Hedge funds			2,967,181	2,967,181
Total	<u>\$24,551,481</u>	<u>\$ -</u>	<u>\$2,967,181</u>	<u>\$27,518,662</u>

The fair values of U.S. stocks, fixed income, and foreign 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, 2019:

Fair value at July 1, 2018	\$2,869,348
Purchase - new	-
Change in market value	45,221
Fair value at June 30, 2019	<u>\$2,914,569</u>

The table below presents the transaction measured at fair value on a non-recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed property, goods, and services	<u>\$ -</u>	<u>\$446,703</u>	<u>\$ -</u>	<u>\$446,703</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).

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

7. Property and Equipment

Property and equipment as of June 30, 2019 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		13,350,056
Furniture and equipment	8,033,385		8,033,385
Improvements	5,395,509		5,395,509
Construction in progress	<u>69,941</u>		<u>69,941</u>
	29,042,065	1,850,000	30,892,065
Less: accumulated depreciation	<u>(17,128,945)</u>	<u>-</u>	<u>(17,128,945)</u>
	<u>\$ 11,913,120</u>	<u>\$1,850,000</u>	<u>\$ 13,763,120</u>

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

8. Accrued Liabilities

Accrued liabilities as of June 30, 2019 consist of the following:

Contract advances	\$1,415,000
Other accrued liabilities	1,297,237
Accrued payroll and taxes	696,273
Accrued vacation	<u>565,831</u>
	<u>\$3,974,341</u>

9. Accrued Unemployment Liability

Wayfinder has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability of \$23,225 represents estimated future claims arising from payroll paid to June 30, 2019.

10. 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% - 2.25% above libor or prime. The revolving line of credit is secured by accounts receivable, general intangibles, inventory and equipment. At June 30, 2019, there is no outstanding balance on the line of credit.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

11. Commitments and Contingencies

Obligations Under Operating Leases

Wayfinder leases various facilities and vehicles under operating leases with various terms. Future minimum payments, by year and in the aggregate, under these leases with initial or remaining terms of one year or more, consist of the following:

<u>Year ending June 30,</u>	
2020	\$105,660
2021	44,676
2022	33,331
2023	27,925
2024	<u>12,067</u>
	<u>\$223,659</u>

Lease and rent expense under operating leases for the year ended June 30, 2019 was \$318,329.

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 recorded an allowance of \$278,833 for the possible disallowance of program costs on its financial statements.

12. Net Assets With Donor Restrictions – Purpose Restrictions

Net assets with purpose restrictions as of June 30, 2019 consist of the following:

Time restrictions	<u>\$839,410</u>
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For the year ended June 30, 2019, net assets released from donor restrictions were \$45,104.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

13. Net Assets With Donor Restriction – Perpetual in Nature - Endowment Funds

Net assets perpetual in nature represents 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, 2019, net assets with donor restrictions – perpetual in nature were \$419,880.

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 net assets with donor restrictions – perpetual in nature (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 net assets with donor restrictions – perpetual in nature is classified as net assets with donor restrictions 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, 2019 is as follows:

	With Donor Restrictions
Donor restricted endowment funds	<u>\$419,880</u>

Changes in endowment net assets as of June 30, 2019 are as follows:

	With Donor Restrictions
Beginning balance, July 1, 2018	\$419,880
Interest and dividends	<u>-</u>
Ending balance, June 30, 2019	<u>\$419,880</u>

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

14. Government Contracts and Fees for Service

Government contracts and fees for service as of June 30, 2019 consist of the following:

California Department of Social Services	\$11,280,836
Regional centers – various	5,214,054
Department of Rehabilitation (States of California, Alaska, and Nevada)	3,052,235
Various school districts	2,040,290
Department of Mental Health	1,027,799
Alameda County Health Care Services Agency	218,097
Department of Education – nutrition program	66,743
Community Development Block Grant	<u>25,000</u>
	<u>\$22,925,054</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, 2019 was \$354,998.

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, 2019 was \$79,623.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

17. Loss on Disposal of Property and Equipment

In November 2018, a wildfire destroyed the Camp Bloomfield located in Malibu, California. As a result, management wrote off property and equipment located in the facility. The total loss as part of the disposal of the property and equipment was \$2,924,075.

Additionally, management filed with insurance companies claims for the losses of the property and equipment due to this event. The undisputed amount of those claims was estimated to be \$4,793,268.

The total outstanding receivable of the insurance claims at June 30, 2019 was \$4,026,641.

18. Net Assets Reclassification

The net assets reclassification is related to the total net assets of Blind Babies Foundation which was misclassified to net assets without donor restriction. The reclassification is intended to adjust and correctly classify the net assets to net assets with donor restrictions perpetual in nature.

	<u>As previously Reported</u>	<u>Adjustment</u>	<u>As Restated</u>
<u>Statement of Financial Position:</u>			
Net assets - without donor restrictions	\$4,839,774	\$(214,000)	\$4,625,774
Net assets - with donor restrictions			
Perpetual in nature	\$205,880	\$214,000	\$419,880