

Notes on 2019-20 Financial Statements

Change in Net Assets

In 2019-20, Wayfinder's audit shows a positive change in net assets of \$97,017. This number includes passive, nonoperating items, as well as extraordinary items. The statement of activities includes two nonoperating 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 and are not included in our operating budget.

Excluding nonoperating and extraordinary items, Wayfinder's operating loss was \$519,661, nearly all due to the increased costs and loss of revenue caused by the COVID-19 pandemic. The operating loss in 2019-20, and any possible loss in 2020-21, will be offset by a Paycheck Protection Program loan if it is forgiven, which is likely. Wayfinder received a Paycheck Protection Program loan as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Other Changes of \$1.34 million reflects insurance-claim income related to the destruction of Camp Bloomfield in the Woolsey fire.

Transfer of net assets due to acquisition reflects Wayfinder's acquisition of assets from Concept 7, a foster family and adoption agency, as part of a merger in a prior period.

When assessing the financial viability of the agency, looking at any one year can be misleading. However, a five-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 five-year average change in net assets, from 2015-16 to 2019-20 was roughly **\$234,000**.

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 8% was drawn in the last three fiscal years, and 8% has been budgeted in the 2020-21 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.

WAYFINDER FAMILY SERVICES

**FINANCIAL STATEMENTS
and
ADDITIONAL INFORMATION**

JUNE 30, 2020

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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, 2020, 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, 2020, 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' 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 23, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, 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 November 13, 2020, 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
November 13, 2020

WAYFINDER FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2020

With comparative totals at June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
ASSETS				
Cash	\$ 5,383,313	\$ -	\$ 5,383,313	\$ 448,431
Accounts and grants receivable, net of allowance of \$478,883	3,287,148		3,287,148	2,835,032
Pledges receivable (Note 4)	215,219	430,850	646,069	1,342,125
Other receivables (Note 18)			-	4,026,641
Prepaid expenses and other assets	2,495,039		2,495,039	2,294,083
Investments (Note 5)	31,891,532	744,020	32,635,552	27,930,209
Property held for investment	2,989,000		2,989,000	2,989,000
Property and equipment (Note 7)	10,351,470		10,351,470	10,774,120
TOTAL ASSETS	\$ 56,612,721	\$ 1,174,870	\$ 57,787,591	\$ 52,639,641
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 737,391	\$ -	\$ 737,391	\$ 589,147
Accrued liabilities (Note 8)	4,252,839		4,252,839	3,974,341
Accrued unemployment liability (Note 9)	77,176		77,176	23,225
Line of credit (Note 10)			-	-
Paycheck protection program loan (Note 11)	3,740,950		3,740,950	-
TOTAL LIABILITIES	8,808,356	-	8,808,356	4,586,713
NET ASSETS				
Without donor restrictions	5,561,363		5,561,363	8,917,749
Without donor restrictions - property, plant, and equipment (Note 2)	10,351,470		10,351,470	10,774,120
Without donor restrictions - board designated (Note 2)	31,891,532		31,891,532	27,101,769
With donor restrictions				
Purpose and time restrictions (Note 13)		754,990	754,990	839,410
Perpetual in nature (Note 14)		419,880	419,880	419,880
TOTAL NET ASSETS	47,804,365	1,174,870	48,979,235	48,052,928
TOTAL LIABILITIES AND NET ASSETS	\$ 56,612,721	\$ 1,174,870	\$ 57,787,591	\$ 52,639,641

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

WAYFINDER FAMILY SERVICES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	Without Donor Restrictions	With Donor Restrictions	2020	2019
REVENUE				
Private support				
Wills and bequests	\$ 2,723,623	\$ -	\$ 2,723,623	\$ 1,456,784
Other contributions	1,802,233	375,000	2,177,233	3,355,729
Trust income	912,610		912,610	1,366,378
Contributed property, goods, and services (Note 6)	637,387		637,387	446,703
Net assets released from restrictions (Note 13)	463,557	(463,557)	-	-
	<u>6,539,410</u>	<u>(88,557)</u>	<u>6,450,853</u>	<u>6,625,594</u>
Government fees and other revenue				
Government contracts, fees for service, and grants (Note 15)	12,612,964	12,926,100	25,539,064	22,925,054
Net assets released from restrictions (Note 13)	12,926,100	(12,926,100)	-	-
Other revenue	175,533		175,533	182,705
	<u>25,714,597</u>	<u>-</u>	<u>25,714,597</u>	<u>23,107,759</u>
Other changes				
Investment income, net of fees of \$97,302	586,035	4,137	590,172	474,407
(Loss) gain on investments	(582,769)		(582,769)	896,847
	<u>3,266</u>	<u>4,137</u>	<u>7,403</u>	<u>1,371,254</u>
TOTAL REVENUE	<u>32,257,273</u>	<u>(84,420)</u>	<u>32,172,853</u>	<u>31,104,607</u>
EXPENSES				
Program services				
Early intervention program	1,427,267		1,427,267	1,533,388
Blind Babies Foundation	897,443		897,443	978,830
Special education school	1,868,742		1,868,742	2,222,880
Group homes	5,186,994		5,186,994	4,768,220
Camp Bloomfield and recreation	626,271		626,271	1,139,492
Transition services	707,215		707,215	990,614
Davidson Program for Independence	1,155,295		1,155,295	1,442,790
Hatlen Center	733,599		733,599	746,715
Temporary shelter care program	4,378,561		4,378,561	3,714,848
Short-term residential therapeutic program	3,590,466		3,590,466	3,881,450
Foster care and adoption	3,973,199		3,973,199	3,842,347
Mental health services	2,412,145		2,412,145	1,545,186
Public education program	598,814		598,814	479,376
Strategic initiatives	528,919		528,919	79,367
Total program services	<u>28,084,930</u>	<u>-</u>	<u>28,084,930</u>	<u>27,365,503</u>
Supporting services				
Management and administrative	3,917,945		3,917,945	3,721,393
Fundraising and public relations	1,419,204		1,419,204	1,409,416
Total supporting services	<u>5,337,149</u>	<u>-</u>	<u>5,337,149</u>	<u>5,130,809</u>
TOTAL EXPENSES	<u>33,422,079</u>	<u>-</u>	<u>33,422,079</u>	<u>32,496,312</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>(1,164,806)</u>	<u>(84,420)</u>	<u>(1,249,226)</u>	<u>(1,391,705)</u>
OTHER CHANGES				
(Loss) on disposal of property and equipment (Note 18)			-	(2,924,075)
Gain from insurance claims (Note 18)	1,346,243		1,346,243	4,793,268
TOTAL OTHER CHANGES	<u>1,346,243</u>	<u>-</u>	<u>1,346,243</u>	<u>1,869,193</u>
CHANGE IN NET ASSETS	181,437	(84,420)	97,017	477,488
Transfer of assets due to acquisition (Note 19)	829,290		829,290	-
NET ASSETS, BEGINNING OF YEAR	<u>46,793,638</u>	<u>1,259,290</u>	<u>48,052,928</u>	<u>47,575,440</u>
NET ASSETS, END OF YEAR	<u>\$ 47,804,365</u>	<u>\$ 1,174,870</u>	<u>\$ 48,979,235</u>	<u>\$ 48,052,928</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, 2020

With comparative totals for the year ended June 30, 2019

	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	\$ 920,583	\$ 619,843	\$ 1,069,940	\$ 3,258,704	\$ 120,100	\$ 402,893	\$ 691,660	\$ 460,154	\$ 2,654,515	\$ 1,932,976	\$ 1,353,469	\$ 1,599,866	\$ 429,821	\$ 204,465	\$ 15,718,989
Payroll taxes	67,535	44,971	68,227	182,139	7,757	30,770	48,502	34,193	180,481	131,717	96,658	112,893	26,562	13,586	1,045,991
Employee benefits	159,632	77,625	210,041	450,390	22,755	55,409	142,945	82,974	453,605	315,928	249,063	218,959	79,625	28,259	2,547,210
Total personnel costs	1,147,750	742,439	1,348,208	3,891,233	150,612	489,072	883,107	577,321	3,288,601	2,380,621	1,699,190	1,931,718	536,008	246,310	19,312,190
Professional fees	29,106	22,150	123,993	335,334	254,863	11,554	29,933	12,281	282,611	151,669	36,151	267,166	24,109	111,461	1,692,381
Foster family payments and reimbursements											1,692,654				1,692,654
Maintenance	4,225	1,879	69,348	146,394	97,943	1,945	92,301	2,727	186,373	256,328	46,210	31,686	3,806	32,764	973,929
Supplies	43,340	36,265	27,372	122,321	8,965	15,981	25,379	15,228	218,531	159,488	54,217	57,866	1,115	118,804	904,872
Contract food services	8,703	168	60,428	309,495	2,748	20,417	44,170	491	184,070	177,101	1,259	527		303	809,880
Travel and transportation	89,886	36,885	48,831	71,667	1,228	24,320	6,497	6,604	5,206	76,006	55,893	14,911	1,835	5,510	445,279
Training, dues, and subscriptions	55,793	4,634	13,579	34,768	3,993	4,323	8,465	7,979	19,591	13,720	16,772	13,828	13,436	4,153	215,034
Rent		21,644		48,464		3,600		85,806	30,400		173,025				362,939
Utilities	5,295	600	22,829	48,243	1,587	2,485	14,862	1,939	58,394	41,219	8,541	33,376	7,346	4,168	250,884
Insurance	15,021	10,275	17,774	53,962	1,950	6,720	11,546	7,471	44,096	32,054	21,903	26,010	5,701	3,256	257,739
Telephone	19,993	12,139	11,705	39,405	1,786	6,054	24,551	8,076	24,103	20,701	62,371	25,854	1,842	1,434	260,014
Program transportation and lodging		1,198	7,643		2,510	115,795		5,547			421				133,114
Taxes and licenses	220	74	9,643	9,131	18,668	693	1,940	212	8,675	9,467	15,183	4,294	915	524	79,639
Other expenses									4,229	361	67,794				72,384
Event expenses	3,713	1,201	3	38	17,715	1	1	75	447	6,700	3,483	97			33,474
Postage	934	1,313	960	2,723	103	976	768	912	2,162	1,645	4,657	1,286	330	182	18,951
Publication and media	222												2,341		2,563
Recreation					5,728			130							5,858
Total expenses before depreciation	1,424,201	892,864	1,762,316	5,113,178	570,399	703,936	1,143,520	732,799	4,357,489	3,327,080	3,959,724	2,408,619	598,784	528,869	27,523,778
Depreciation	3,066	4,579	106,426	73,816	55,872	3,279	11,775	800	21,072	263,386	13,475	3,526	30	50	561,152
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 1,427,267	\$ 897,443	\$ 1,868,742	\$ 5,186,994	\$ 626,271	\$ 707,215	\$ 1,155,295	\$ 733,599	\$ 4,378,561	\$ 3,590,466	\$ 3,973,199	\$ 2,412,145	\$ 598,814	\$ 528,919	\$ 28,084,930
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

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

WAYFINDER FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2020
With comparative totals for the year ended June 30, 2019
continued

	Total Program Services	Supporting Services		Total Supporting Services	Total Expenses	
		Management and Administrative	Fundraising and Public Relations		2020	2019
Salaries	\$ 15,718,989	\$ 1,884,657	\$ 786,458	\$ 2,671,115	\$ 18,390,104	\$ 17,503,215
Payroll taxes	1,045,991	109,508	49,305	158,813	1,204,804	1,165,223
Employee benefits	2,547,210	342,754	132,639	475,393	3,022,603	2,831,666
Total personnel costs	19,312,190	2,336,919	968,402	3,305,321	22,617,511	21,500,104
Professional fees	1,692,381	782,429	118,738	901,167	2,593,548	2,560,875
Foster family payments and reimbursements	1,692,654			-	1,692,654	1,869,342
Maintenance	973,929	111,112	20,053	131,165	1,105,094	921,762
Supplies	904,872	142,315	9,533	151,848	1,056,720	848,279
Contract food services	809,880	19,561	120	19,681	829,561	878,803
Travel and transportation	445,279	26,679	5,670	32,349	477,628	611,270
Training, dues, and subscriptions	215,034	166,503	21,472	187,975	403,009	478,767
Rent	362,939		18,940	18,940	381,879	318,329
Utilities	250,884	40,275	14,900	55,175	306,059	272,444
Insurance	257,739	31,308	11,587	42,895	300,634	341,811
Telephone	260,014	26,133	8,922	35,055	295,069	248,799
Direct mail marketing	-		197,523	197,523	197,523	132,373
Program transportation and lodging	133,114	687	389	1,076	134,190	339,266
Taxes and licenses	79,639	9,887	2,010	11,897	91,536	89,722
Other expenses	72,384	4,379		4,379	76,763	2,657
Event expenses	33,474	21,538		21,538	55,012	145,539
Postage	18,951	3,589	1,869	5,458	24,409	23,714
Publication and media	2,563	225	16,128	16,353	18,916	27,724
Interest	-	13,552		13,552	13,552	46,861
Recreation	5,858			-	5,858	8,624
Total expenses before depreciation	27,523,778	3,737,091	1,416,256	5,153,347	32,677,125	31,667,065
Depreciation	561,152	180,854	2,948	183,802	744,954	829,247
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 28,084,930	\$ 3,917,945	\$ 1,419,204	\$ 5,337,149	\$ 33,422,079	
TOTAL 2019 FUNCTIONAL EXPENSES	\$ 27,365,503	\$ 3,721,393	\$ 1,409,416	\$ 5,130,809		\$ 32,496,312

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

WAYFINDER FAMILY SERVICES

STATEMENT OF CASH FLOWS

For the year ended June 30, 2020

With comparative totals for the year ended June 30, 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 97,017	\$ 477,488
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	744,954	829,247
Loss (gain) on investments	582,769	(896,847)
Investment income, net of fees	(590,172)	(474,407)
Loss on disposal of property and equipment	-	2,924,076
Transfer of assets due to acquisition	829,290	-
Change in allowance for doubtful accounts	200,050	278,833
(Increase) decrease in operating assets:		
Accounts and grants receivable	(652,166)	702,961
Other receivables	4,026,641	(4,026,641)
Pledges receivable	696,056	(788,775)
Prepaid expenses	(200,956)	(90,779)
Increase (decrease) in operating liabilities:		
Accounts payable	148,244	(44,801)
Accrued liabilities	278,498	714,133
Accrued unemployment liability	53,951	(8,545)
	6,214,176	(404,057)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	28,524,977	3,857,911
Purchase of property and equipment	(322,304)	(731,877)
Purchase of investments	(33,222,917)	(1,907,616)
	(5,020,244)	1,218,418
NET CASH (USED) PROVIDED BY INVESTING ACTIVITIES		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payments	-	(333,333)
Net (proceeds) loans from line of credit	-	(425,000)
Proceeds from paycheck protection program loan	3,740,950	-
	3,740,950	(758,333)
NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES		
NET INCREASE IN CASH	4,934,882	56,028
CASH, BEGINNING OF YEAR	448,431	392,403
CASH, END OF YEAR	\$ 5,383,313	\$ 448,431

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 22, 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.

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. Other program for adults include:
 - *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* provides a highly structured, residential program on our campus for traumatized foster youth with acute mental health and behavioral issues. 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. For purposes of complying with net asset accounting, this fund is included in net assets without donor restrictions at June 30, 2020, with a balance of \$10,351,470.

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, 2020, with a balance of \$31,891,532.

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, 2020, Wayfinder has \$1,174,870 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 (loss) gain on investments. Net investment activity (income net of market losses and fees of \$97,302) of \$7,403 is reflected in the Statement of Activities. Cash and/or money market funds not used for operations are included in investments.

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, 2020 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, 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.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

Revenue and Revenue Recognition

Wayfinder recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been substantially met.

A portion of Wayfinder's revenue is derived from cost-reimbursable state, county or local contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when Wayfinder has incurred expenditures in compliance with specific contract or grant provisions.

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, 2020 was \$637,387. Of this amount, \$493,184 is related to legal services and \$144,203 to donated materials. All are related to legal services and is included in professional fees and supplies on the Statement of Functional Expenses, respectively.

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.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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.

Recently Adopted Accounting Pronouncements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establishes a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. Wayfinder has implemented Topic 606 and has adjusted the presentation in these financial statements accordingly.

In June 2018, FASB issued ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. This standard assist entities in evaluating whether transactions should be accounted for as contributions or exchange transactions and determining whether a contribution is conditional. The ASU is effective for fiscal years beginning after December 31, 2018. Retrospective application is permitted. Wayfinder has implemented the provisions of ASU 2018-08 applicable to both contributions received and to contributions made in the accompanying financial statements for the year ended June 30, 2020 under a modified prospective basis, as management believes the standard improves the usefulness and the understandability of the entity’s financial reporting. Accordingly, there is no effect on net assets in connection with Wayfinder’s implementation of ASU 2018-08.

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, 2019, from which the summarized information was derived.

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 statement of financial position date, comprise the following:

Cash	\$ 5,383,313
Accounts receivable, net	2,094,537
Investments	<u>31,891,532</u>
Financial assets at year-end	<u>\$39,369,382</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.

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, 2020. Discounts, when appropriate, 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, 2020 is \$646,069, which represents as follows:

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable, continued

Pledges receivable, gross	\$590,000
Less: unamortized discount on pledges receivable	<u>(69,150)</u>
	520,850
Other	<u>125,219</u>
	<u>\$646,069</u>
Gross pledge amounts due in:	
Three to five years	<u>\$646,069</u>

5. Investments

Investments as of June 30, 2020 consists of the following:

Fixed income composite	\$11,954,511
U.S. domestic composite	9,812,066
Money market	5,704,292
Foreign stocks	5,031,923
Cash	<u>132,760</u>
Total	<u>\$32,635,552</u>

6. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value as of June 30, 2020 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$11,954,511	\$ -	\$ -	\$11,954,511
U.S. stocks	9,812,066			9,812,066
Foreign stocks	<u>5,031,923</u>			<u>5,031,923</u>
Total	<u>\$26,798,500</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$26,798,500</u>

The fair values of fixed income, U.S. and foreign stocks have been measured on a recurring basis using quoted prices for identical assets in active markets (Level 1 inputs).

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

6. Fair Value Measurements, continued

The table below presents the transaction measured at fair value on a non-recurring basis as of June 30, 2020:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed property, goods, and services	<u>\$ -</u>	<u>\$637,387</u>	<u>\$ -</u>	<u>\$637,387</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).

7. Property and Equipment

Property and equipment as of June 30, 2020 consist of the following:

	<u>Wayfinder Facilities</u>	<u>Camp Bloomfield</u>	<u>Total</u>
Land and land improvements	\$ 2,219,134	\$1,850,000	\$ 4,069,134
Buildings	13,350,056		13,350,056
Furniture and equipment	8,241,577		8,241,577
Building improvements	5,509,744		5,509,744
Construction in progress	<u>43,858</u>	<u> </u>	<u>43,858</u>
	29,364,369	1,850,000	31,214,369
Less: accumulated depreciation	<u>(17,873,899)</u>	<u> </u>	<u>(17,873,899)</u>
	<u>\$ 11,490,470</u>	<u>\$1,850,000</u>	<u>\$ 13,340,470</u>

Included in the total fixed assets, under Wayfinder facilities, is property held for investment with a value of \$2,989,000. Therefore, property and equipment (used for operations) at June 30, 2020 is \$10,351,470.

8. Accrued Liabilities

Accrued liabilities as of June 30, 2020 consist of the following:

Other accrued liabilities	\$1,769,727
Accrued payroll and taxes	932,426
Contract advances	882,211
Accrued vacation	<u>668,475</u>
	<u>\$4,252,839</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

9. **Accrued Unemployment Liability**

Wayfinder has elected to be self-insured for the purposes of California State Unemployment Insurance. Estimated accrued unemployment liability of \$77,176 represents estimated future claims arising from payroll paid to June 30, 2020.

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, which expired in August 2020. The revolving line of credit is secured by accounts receivable, general intangibles, inventory and equipment. At June 30, 2020, there is no outstanding balance on the line of credit.

11. **Paycheck Protection Program Loan**

In April 2020, Wayfinder received loan proceeds in the amount of \$3,740,950 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after twenty-four weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the twenty-four-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. Wayfinder intends to use the proceeds for purposes consistent with the PPP. Wayfinder currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan.

12. **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:

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

12. Commitments and Contingencies, continued

<u>Year ending June 30,</u>	
2021	\$270,721
2022	205,865
2023	146,260
2024	102,699
2025	<u>36,443</u>
	<u>\$761,988</u>

Lease and rent expense under operating leases of facilities and vehicles for the year ended June 30, 2020 was \$429,440.

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, however, at June 30, 2020, Wayfinder has established an allowance for possible disallowance of program costs and/or uncollectable of receivables in the amount of \$478,883.

Impact of COVID-19 Virus

Following the LA County, and State "Safer at Home" order to close all non-essential business activities, Wayfinder has been conducting business under Safer at Home protocols. The long-term impact of the COVID-19 virus on Wayfinder cannot be foreseen at this time and is not reflected in these financial statements.

13. Net Assets With Donor Restrictions

Net assets with restrictions as of June 30, 2020 consist of the following:

Purpose restrictions	\$324,140
Time restrictions	<u>430,850</u>
	<u>\$754,990</u>

For the year ended June 30, 2020, net assets released from program restrictions were \$463,557.

Total net assets released from restriction due to the adoption of revenue recognition standard were \$12,926,100.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

14. 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, 2020, 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, 2020 is as follows:

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

Changes in endowment net assets as of June 30, 2020 are as follows:

	With Donor Restrictions
Beginning balance, July 1, 2019	\$419,880
Interest and dividends	7,554
Amount appropriated for expenditure	<u>(7,554)</u>
Ending balance, June 30, 2020	<u>\$419,880</u>

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

15. Government Contracts and Fees for Service

Government contracts and fees for service as of June 30, 2020 consist of the following:

California Department of Social Services	\$12,784,392
Regional centers – various	5,425,549
Department of Rehabilitation (States of California, Alaska, and Nevada)	2,383,178
Various school districts	2,075,176
Department of Mental Health	2,323,109
Alameda County Health Care Services Agency	447,436
Department of Education – nutrition program	75,224
Community Development Block Grant	<u>25,000</u>
	<u>\$25,539,064</u>

16. 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.

17. 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, 2020 was \$393,959.

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, 2020 was \$84,359.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

18. 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. The loss was recorded in the year ended June 30, 2019.

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 \$6,139,511 of which \$4,793,268 and \$1,346,243 were recorded in the years ended June 30, 2019 and 2020, respectively.

There is no outstanding receivable for the insurance claims at June 30, 2020.

19. Transfer of Assets due to Acquisition

On July 1, 2018, Wayfinder acquired Concept 7 (a California nonprofit public benefit corporation). Under the terms of the agreement, Wayfinder as the surviving corporation acquired the assets and assumed the liabilities of Concept 7 at the acquisition date. No consideration was given as part of this transfer.

The following assets and liabilities were transferred from Concept 7 to Wayfinder:

Cash	\$ 376,256
Accounts receivable	188,463
Other assets	6,419
Security deposits	13,331
Due from related company	600,000
Property and equipment, net	33,391
Accounts payable	(376,036)
Accrued expenses	<u>(12,534)</u>
Net transfer of assets	<u>\$ 829,290</u>

20. Subsequent Events

Subsequent to the year ended June 30, 2020, Wayfinder merged operation with Lilliput Children's Services, a California non-profit organization. Dissolution of Lilliput Children's Services is pending. The financial statements as of June 30, 2020, do not include any adjustments resulting from this transaction.

In August 2020, Wayfinder obtained a revolving line of credit with a bank in the amount of \$3,000,000, which replaced the line of credit as noted in Note 10.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

20. **Subsequent Events**, continued

Management has evaluated subsequent events through November 13, 2020, the date which the financial statements were made available for issue. Except for the above, no other events or transactions have occurred during this period that appear to require recognition or disclosure in the financial statements.

ADDITIONAL INFORMATION

**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 (a nonprofit organization), which comprise the Statement of Financial Position as of June 30, 2020, 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 November 13, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Wayfinder Family Services' internal control over financial reporting (internal control) as a basis for designing 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 Family Services' internal control. Accordingly, we do not express an opinion on the effectiveness of Wayfinder Family Services' 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 Family Services' 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 financial statements. 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.

**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***

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
November 13, 2020