

Notes on 2020-21 Financial Statements

Change in Net Assets

In 2020-21, Wayfinder's audit shows a positive change in net assets of \$6.4 million, which includes full forgiveness of \$5.36 million in Paycheck Protection Program loans. Wayfinder and Lilliput received PPP loans in 2020, which were treated as loans in 2019-20 audits (before Lilliput merged with Wayfinder). The loans were forgiven in 2020-21, thus revenue from the forgiven loans is being recognized in 2020-21. Also, the change in net assets includes two passive items unrelated to Wayfinder's operations that also cannot be forecasted with any accuracy: 1) non-recurring wills and bequests and 2) gain or loss on investments. These capricious items create significant fluctuations year to year and are not included in our operating budget.

When assessing the financial viability of the agency, looking at any one year can be misleading. However, a four-year average smooths out the fluctuations in planned gifts and investments, producing a more accurate assessment of the agency's financial results. Excluding extraordinary items, Wayfinder's four-year average change in net assets, from FY 2017-18 through 2020-21 was roughly \$190,510.

In 2020-21 Wayfinder's **operating surplus**, excluding nonoperating items, was \$2.1 million, largely due to forgiveness of PPP loans.

Transfer of assets due to acquisition reflects Wayfinder's acquisition of net assets from Lilliput, which became a part of Wayfinder through a merger on July 1, 2020.

Cash on hand and investment portfolio

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's Statement of Financial Position. 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. We do not treat estate gifts as operating revenue. Instead, we take the disciplined approach of adding them to our investment portfolio. 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.

Board-approved draw from portfolio

Annually, Wayfinder undergoes a rigorous budgeting process and presents a breakeven budget to the board. 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 from the portfolio for operations.



WAYFINDER FAMILY SERVICES

FINANCIAL STATEMENTS

JUNE 30, 2021

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

A Trusted Nonprofit Partner

Main Fax: 626.403.6866

www.npocpas.com

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

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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, 2021, 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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, 2021, 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' 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 13, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020, 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 22, 2021, 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 22, 2021

WAYFINDER FAMILY SERVICES

STATEMENT OF FINANCIAL POSITION

June 30, 2021

With comparative totals at June 30, 2020

	Without Donor Restrictions	With Donor Restrictions	2021	2020
ASSETS				
Cash	\$ 2,596,095	\$ 128,733	\$ 2,724,828	\$ 5,383,313
Accounts and grants receivable, net of allowance of \$643,568	5,977,051		5,977,051	3,287,148
Pledges receivable (Note 4)	984,471	745,850	1,730,321	646,069
Prepaid expenses and other assets	2,963,287		2,963,287	2,495,039
Investments (Note 5)	37,425,721	578,453	38,004,174	32,635,552
Property held for investment	2,989,000		2,989,000	2,989,000
Property and equipment (Note 7)	11,214,856		11,214,856	10,351,470
	\$ 64,150,481	\$ 1,453,036	\$ 65,603,517	\$ 57,787,591
TOTAL ASSETS				
LIABILITIES AND NET ASSETS				
LIABILITIES				
Accounts payable	\$ 806,249	\$ -	\$ 806,249	\$ 737,391
Accrued liabilities (Note 8)	5,884,680		5,884,680	4,252,839
Accrued unemployment liability (Note 9)	7,639		7,639	77,176
Line of credit (Note 10)			-	-
Paycheck protection program loan (Note 11)			-	3,740,950
	6,698,568	-	6,698,568	8,808,356
	TOTAL LIABILITIES			
NET ASSETS				
Without donor restrictions	8,811,336		8,811,336	5,561,363
Without donor restrictions - property, plant, and equipment (Note 2)	11,214,856		11,214,856	10,351,470
Without donor restrictions - board designated (Note 2)	37,425,721		37,425,721	31,891,532
With donor restrictions				
Purpose and time restrictions (Note 13)		1,033,156	1,033,156	754,990
Perpetual in nature (Note 14)		419,880	419,880	419,880
	57,451,913	1,453,036	58,904,949	48,979,235
	TOTAL NET ASSETS			
	\$ 64,150,481	\$ 1,453,036	\$ 65,603,517	\$ 57,787,591
	TOTAL LIABILITIES AND NET ASSETS			

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

WAYFINDER FAMILY SERVICES

STATEMENT OF ACTIVITIES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>2021</u>	<u>2020</u>
REVENUE				
Private support				
Other contributions	\$ 2,228,057	\$ 385,000	\$ 2,613,057	\$ 2,177,233
Wills and bequests	1,375,880		1,375,880	2,723,623
Trust income	844,492		844,492	912,610
Contributed property, goods, and services (Note 6)	770,082		770,082	637,387
Net assets released from restrictions (Note 13)	226,913	(226,913)	-	-
	<u>5,445,424</u>	<u>158,087</u>	<u>5,603,511</u>	<u>6,450,853</u>
Government fees and other revenue				
Government contracts, fees for service, and grants (Note 15)	18,706,129	17,549,603	36,255,732	25,539,064
Other revenue	153,324		153,324	175,533
Net assets released from restrictions (Note 13)	17,549,603	(17,549,603)	-	-
	<u>36,409,056</u>	<u>-</u>	<u>36,409,056</u>	<u>25,714,597</u>
Other changes				
Gain (loss) on investments	5,724,073		5,724,073	(582,769)
Investment income, net of fees of \$93,495	432,820	772	433,592	590,172
Gain on sales of equipment	3,325		3,325	-
	<u>6,160,218</u>	<u>772</u>	<u>6,160,990</u>	<u>7,403</u>
TOTAL REVENUE	<u>48,014,698</u>	<u>158,859</u>	<u>48,173,557</u>	<u>32,172,853</u>
EXPENSES				
Program services				
Early intervention program	1,201,814		1,201,814	1,427,267
Blind Babies Foundation	877,397		877,397	897,443
Special education school	1,553,474		1,553,474	1,868,742
Group homes	5,471,448		5,471,448	5,186,994
Camp Bloomfield and recreation	439,262		439,262	626,271
Transition services	129,382		129,382	707,215
Davidson Program for Independence	913,197		913,197	1,155,295
Hatlen Center	758,318		758,318	733,599
Temporary shelter care program	4,953,265		4,953,265	4,378,561
Short-term residential therapeutic program	2,863,398		2,863,398	3,590,466
Foster care and adoption	3,628,583		3,628,583	3,973,199
Mental health services	3,230,163		3,230,163	2,412,145
Public education program	478,288		478,288	598,814
Lollipop	13,219,078		13,219,078	-
Strategic initiatives	463,878		463,878	528,919
Total program services	<u>40,180,945</u>	<u>-</u>	<u>40,180,945</u>	<u>28,084,930</u>
Supporting services				
Management and administrative	5,199,463		5,199,463	3,917,945
Fundraising and public relations	1,743,983		1,743,983	1,419,204
Total supporting services	<u>6,943,446</u>	<u>-</u>	<u>6,943,446</u>	<u>5,337,149</u>
TOTAL EXPENSES	<u>47,124,391</u>	<u>-</u>	<u>47,124,391</u>	<u>33,422,079</u>
CHANGE IN NET ASSETS BEFORE OTHER CHANGES	<u>890,307</u>	<u>158,859</u>	<u>1,049,166</u>	<u>(1,249,226)</u>
OTHER CHANGES				
Forgiveness of paycheck protection program loans (Note 11)	5,363,324		5,363,324	-
Gain from insurance claims			-	1,346,243
TOTAL OTHER CHANGES	<u>5,363,324</u>	<u>-</u>	<u>5,363,324</u>	<u>1,346,243</u>
CHANGE IN NET ASSETS	<u>6,253,631</u>	<u>158,859</u>	<u>6,412,490</u>	<u>97,017</u>
Transfer of assets due to acquisition (Note 18)	3,393,917	119,307	3,513,224	829,290
NET ASSETS, BEGINNING OF YEAR	<u>47,804,365</u>	<u>1,174,870</u>	<u>48,979,235</u>	<u>48,052,928</u>
NET ASSETS, END OF YEAR	<u>\$ 57,451,913</u>	<u>\$ 1,453,036</u>	<u>\$ 58,904,949</u>	<u>\$ 48,979,235</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, 2021

With comparative totals for the year ended June 30, 2020

	Early Intervention Program	Blind Babies Foundation	Special Education School	Group Homes	Camp Bloomfield and Recreation	Transition Services	Davidson Program for Independence	Hadden Center	Temporary Shelter Care Program	Short-Term Residential Therapeutic Program	Foster Care and Adoption	Mental Health Services	Public Education Program	Lifeline	Strategic Initiatives	Total Program Services
Salaries	\$ 818,444	\$ 636,489	\$ 838,056	\$ 3,301,802	\$ 60,449	\$ 84,826	\$ 887,233	\$ 467,338	\$ 2,700,777	\$ 1,528,180	\$ 1,373,131	\$ 2,231,484	\$ 341,093	\$ 7,058,018	\$ 159,620	\$ 22,186,940
Payroll taxes	60,002	46,089	61,211	198,203	4,471	6,741	42,578	34,252	189,853	108,503	97,378	160,601	20,465	510,287	9,477	1,551,351
Employee benefits	146,471	85,945	166,139	479,603	21,116	17,495	106,250	87,001	464,913	254,386	223,130	300,185	54,928	1,016,047	34,855	3,457,784
Total personnel costs	1,024,917	768,523	1,065,406	3,979,608	86,036	109,062	736,241	588,591	3,356,543	1,891,209	1,693,659	2,692,270	415,586	8,584,352	203,952	27,196,075
Postnet family payments and reimbursements																
Professional fees	19,872	22,452	155,955	371,863	271,462	3,822	30,867	12,622	366,085	124,583	42,862	256,039	33,624	2,738,841	173,948	4,212,672
Maintenance	2,284	497	72,717	183,848	14,232	1,143	47,668	6,178	634,445	252,597	42,562	41,580	2,239	252,007	24,207	2,138,063
Supplies	71,217	35,478	45,278	135,280	2,873	112	11,336	10,444	193,979	96,494	46,811	36,601	748	75,237	24,207	1,401,734
Rent		7,557		49,180		900		93,335	46,000		162,256	21,998		439,636	42,489	1,168,796
Contract food services	607		2,164	391,835			9,282	305	129,573	89,317	222	105		440,099		828,525
Telephone	20,670	13,219	19,664	47,636	1,533	5,244	26,627	11,438	33,588	19,775	32,507	40,525	2,851	111,918	1,536	623,410
Insurance	14,474	11,239	14,952	58,571	1,087	1,604	10,258	8,192	48,099	25,963	24,091	39,222	4,629	105,069	3,014	388,101
Utilities	5,070	764	19,633	52,325	1,387	1,337	13,956	1,925	65,677	29,181	7,004	50,941	5,893	72,534	3,823	370,434
Training, dues, and subscriptions	11,351	6,777	15,075	28,555	4,091	1,916	9,201	13,339	23,077	12,237	25,635	14,818	10,384	76,903	8,195	327,927
Direct mail marketing																
Travel and transportation	26,459	2,349	17,783	80,324	32	949	1,773	4,834	15,202	41,444	33,185	20,657	257	56,715	86	261,554
Program transportation and lodging																
Taxes and licenses	800	126	8,254	10,526	2,145	207	2,099	1,434	10,914	7,029	5,600	7,808	917	122,919	917	245,354
Postage	755	2,075	1,165	2,652	38	380	1,441	1,821	2,234	1,489	5,656	1,886	202	43,364	591	102,714
Publication and media														26,580	133	48,527
Event expenses	71	897			9					86	26		650	14,147	1,672	16,469
Other expenses	178			841			500	483	186		13,024			9,168		10,257
Interest																19,467
Recreation														6,024		6,024
Total expenses before depreciation	1,198,785	872,760	1,436,866	5,933,044	384,895	126,696	900,649	757,141	4,925,572	2,596,619	3,611,931	3,234,450	477,980	13,175,513	463,646	39,546,547
Depreciation	3,029	4,637	116,608	78,404	54,367	2,686	12,548	1,177	27,693	266,779	16,652	5,713	308	43,565	232	634,398
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 1,201,814	\$ 877,397	\$ 1,553,474	\$ 5,971,448	\$ 439,262	\$ 129,382	\$ 913,197	\$ 758,318	\$ 4,953,265	\$ 2,863,398	\$ 3,628,583	\$ 3,240,163	\$ 478,288	\$ 13,219,078	\$ 463,878	\$ 40,180,945
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 1,427,267	\$ 897,443	\$ 1,868,742	\$ 5,186,094	\$ 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

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

WAYFINDER FAMILY SERVICES

STATEMENT OF FUNCTIONAL EXPENSES

For the year ended June 30, 2021

With comparative totals for the year ended June 30, 2020
continued

	Total Program Services	Supporting Services			Total Supporting Services	Total Expenses 2021	2020
		Management and Administrative	Fundraising and Public Relations				
Salaries	\$ 22,186,940	\$ 2,610,957	\$ 838,915	\$ 3,449,872	\$ 25,636,812	\$ 18,390,104	
Payroll taxes	1,551,351	158,057	53,722	211,779	1,763,130	1,204,804	
Employee benefits	3,457,784	396,745	132,307	529,052	3,986,836	3,022,603	
Total personnel costs	27,196,075	3,165,759	1,024,944	4,190,703	31,386,778	22,617,511	
Foster family payments and reimbursements	4,212,672	432	73,171	73,603	4,286,275	1,692,654	
Professional fees	2,138,063	1,363,157	112,651	1,475,808	3,613,871	2,593,548	
Maintenance	1,401,734	111,366	16,597	127,963	1,529,697	1,105,094	
Supplies	1,168,796	84,820	122,041	206,861	1,375,657	1,056,720	
Rent	828,525	5,941	5,941	5,941	834,466	381,879	
Contract food services	623,410	1,170	1,170	1,170	624,580	829,561	
Telephone	388,101	46,583	10,509	57,092	445,193	295,069	
Insurance	370,434	52,832	13,496	66,328	436,762	300,634	
Utilities	327,927	47,534	16,733	64,267	392,194	306,059	
Training, dues, and subscriptions	261,554	104,472	15,145	119,617	381,171	403,009	
Direct mail marketing	56,715	1,512	293,156	294,668	351,383	197,523	
Travel and transportation	245,354	6,071	841	6,912	252,266	477,628	
Program transportation and lodging	123,729	358	311	669	124,398	134,190	
Taxes and licenses	102,714	11,410	3,260	14,670	117,384	91,536	
Postage	48,527	5,000	1,876	6,876	55,403	24,409	
Publication and media	16,469	2,073	29,200	31,273	47,742	18,916	
Event expenses	10,257	20,850	522	21,372	31,629	55,012	
Other expenses	19,467			-	19,467	76,763	
Interest	6,024	1,117	25	1,142	7,166	13,552	
Recreation						5,858	
Total expenses before depreciation	39,546,547	5,026,516	1,740,419	6,766,935	46,313,482	32,677,125	
Depreciation	634,398	172,947	3,564	176,511	810,909	744,954	
TOTAL 2021 FUNCTIONAL EXPENSES	\$ 40,180,945	\$ 5,199,463	\$ 1,743,983	\$ 6,943,446	\$ 47,124,391		
TOTAL 2020 FUNCTIONAL EXPENSES	\$ 28,084,930	\$ 3,917,945	\$ 1,419,204	\$ 5,337,149	\$ 33,422,079		

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

WAYFINDER FAMILY SERVICES

STATEMENT OF CASH FLOWS For the year ended June 30, 2021 With comparative totals for the year ended June 30, 2020

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ 6,412,490	\$ 97,017
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	810,909	744,954
(Gain) loss on investments	(5,724,073)	582,769
Investment income, net of fees	(433,592)	(590,172)
(Gain) on disposal of property and equipment	(3,325)	-
Forgiveness of paycheck protection program loan	(5,363,324)	-
Change in allowance for doubtful accounts	164,685	200,050
Net effect on cash due to acquisition	4,182,912	829,290
(Increase) decrease in operating assets:		
Accounts and grants receivable	(2,854,588)	(652,166)
Other receivables	-	4,026,641
Pledges receivable	(1,084,252)	696,056
Prepaid expenses	(468,248)	(200,956)
Increase (decrease) in operating liabilities:		
Accounts payable	68,858	148,244
Accrued liabilities	1,631,841	278,498
Accrued unemployment liability	(69,537)	53,951
NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES	(2,729,244)	6,214,176
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of investments	2,121,028	28,524,977
Purchase of investments	(826,523)	(33,222,917)
Proceeds from sale of property and equipment	3,325	-
Purchase of property and equipment	(212,850)	(322,304)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	1,084,980	(5,020,244)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Loan payments	(1,014,221)	-
Proceeds from paycheck protection program loan	-	3,740,950
NET CASH (USED) PROVIDED BY FINANCING ACTIVITIES	(1,014,221)	3,740,950
NET (DECREASE) INCREASE IN CASH	(2,658,485)	4,934,882
CASH, BEGINNING OF YEAR	5,383,313	448,431
CASH, END OF YEAR	\$ 2,724,828	\$ 5,383,313

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. Over the years, Wayfinder added programs for adults with vision loss, children with multiple disabilities, and children in the child welfare system. To reflect the evolution in our programs, Junior Blind changed its name to Wayfinder Family Services in January 2018. Today, Wayfinder is a human services agency with expertise in child welfare, visual impairment, and multiple disabilities. Wayfinder is one of the largest statewide foster care and adoption agencies in California, and we provide services to more children who are blind than any other nonprofit in California. Across our programs, Wayfinder strives to achieve equity for all our clients, most of whom are low-income people of color. Wayfinder offers all services at no cost to children, adults, and their families.

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 moderate-to-severe 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, profound 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. *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

- *Transition Services* enables teenagers and young adults who are blind or visually impaired to explore careers and successfully transition to independent living, college or the workforce. Across California, young people learn about financial aid and scholarships, develop leadership skills, learn job-search skills, and visit workplaces.
- *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. 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 programs 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 *Foster Care and Adoption* program matches children and youth with families that can provide safe, caring homes. Wayfinder offers specialized training and support for families to enable them to foster children with health and mental health conditions. Our post-adoption services maintain the stability and permanency of children in their adoptive families. In 2020, Lilliput Families became a part of Wayfinder. Lilliput is recognized statewide for its high-quality delivery of timely permanency services—reunification, kinship care, guardianship, and adoption. Together, we are building healthier families and finding loving homes for children across the state.
- The *Kinship Support Services Program* supports grandparents, extended family members or close family friends who step up to raise children so they avoid the trauma of separation from their birth family.

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

1. **Organization**, continued

- Our *Family Finding Services* conducts an exhaustive search for relatives and people close to a child in foster care. We connect children to these important people so children can maintain or establish valuable, supportive family relationships.
- *Promoting Safe and Stable Families* and *Child and Family Development* provide counseling and support services to prevent at-risk children from entering foster care. Parents whose children are in foster care receive *Supervised Visitation and Coaching* services to strengthen parenting and sustain family ties.
- Wayfinder's *Short-Term Residential Therapeutic Program (STRTP)* closed during the 2020-21 fiscal year. The program provided a highly structured, residential program on our campus for traumatized foster youth with acute mental health and behavioral issues. STRTP offered youth intensive, individualized mental health and nursing services so they could overcome challenges and reunite with family, move to a foster home, or live independently.

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 children, adults, and families in our programs and in the community who are dealing with vision loss, multiple disabilities, behavioral issues, or trauma. Our community mental health services are preventative and help build resilient individuals and families.
- Wayfinder's *Medical Center* provides 24-hour services to children with complex medical and mental health needs. Our staff includes 15 nurses and a psychiatrist. We contract with a nurse practitioner, endocrinologist, and behavioral psychologist. The medical department primarily serves children in our residential program 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.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies

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

Basis of Presentation

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

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, 2021, with a balance of \$11,214,856.

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, 2021, with a balance of \$37,425,721.

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, 2021, Wayfinder has \$1,453,036 in net assets with donor restrictions.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. Summary of Significant Accounting Policies, continued

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 (loss) on investments. Net investment activity (income net of market losses and fees of \$93,495) of \$6,157,665 is reflected in the Statement of Activities. Cash and/or money market funds not used for operations are included in investments.

Fair Value Measurements

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

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

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

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

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

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

2. **Summary of Significant Accounting Policies**, continued

Concentration of Credit Risks

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

The primary receivable balance outstanding at June 30, 2021 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.

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.

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, 2021 was \$770,082. Of this amount, \$479,066 is related to legal services and \$291,016 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.

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.

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, 2020, from which the summarized information was derived.

continued

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	\$ 2,596,095
Accounts receivable, net	5,977,051
Investments	<u>37,425,721</u>
Financial assets at year-end	<u>\$45,998,867</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, 2021. 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, 2021 is \$1,730,321, which represents as follows:

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

4. Pledges Receivable, continued

Pledges receivable, gross	\$1,430,379
Less: unamortized discount on pledges receivable	<u>(69,150)</u>
	1,361,229
Other	<u>369,092</u>
	<u>\$1,730,321</u>
Gross pledge amounts due in:	
One to five years	<u>\$1,730,321</u>

5. Investments

Investments as of June 30, 2021 consists of the following:

Fixed income composite	\$16,489,915
U.S. domestic composite	14,214,564
Foreign stocks	6,375,956
Cash	837,229
Money market	<u>86,510</u>
Total	<u>\$38,004,174</u>

6. Fair Value Measurements

The table below presents the balances of assets or liabilities measured at fair value as of June 30, 2021 on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Fixed income	\$16,489,915	\$ -	\$ -	\$16,489,915
U.S. stocks	14,214,564			14,214,564
Foreign stocks	<u>6,375,956</u>			<u>6,375,956</u>
Total	<u>\$37,080,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$37,080,435</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, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Contributed property, goods, and services	<u>\$ -</u>	<u>\$770,082</u>	<u>\$ -</u>	<u>\$770,082</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, 2021 consist of the following:

	<u>Wayfinder Facilities</u>	<u>Camp Bloomfield</u>	<u>Total</u>
Land and land improvements	\$ 2,795,674	\$1,850,000	\$ 4,645,674
Buildings	14,696,934		14,696,934
Furniture and equipment	8,686,680		8,685,680
Building improvements	5,539,887		5,539,887
Construction in progress	<u>3,900</u>		<u>3,900</u>
	31,723,075	1,850,000	33,573,075
Less: accumulated depreciation	<u>(19,369,219)</u>		<u>(19,369,219)</u>
	<u>\$ 12,353,856</u>	<u>\$1,850,000</u>	<u>\$ 14,203,856</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, 2021 is \$11,214,856.

8. Accrued Liabilities

Accrued liabilities as of June 30, 2021 consist of the following:

Accrued vacation	\$1,168,957
457(b) liability	1,153,156
Accrued payroll and taxes	1,147,722
Contract advances	987,448
Other accrued liabilities	831,939
Government fees overpayment	<u>595,458</u>
	<u>\$5,884,680</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 \$7,639 represents estimated future claims arising from payroll paid to June 30, 2021.

10. **Line of Credit**

Wayfinder has a revolving line of credit with a bank in the amount of \$3,000,000, bearing interest at LIBOR + 2% or PRIME, which expired on September 1, 2021 and has subsequently been renewed with similar interest rate terms. The revolving line of credit is secured by accounts receivable, general intangibles, inventory and equipment. At June 30, 2021, there is no outstanding balance on the line of credit.

11. **Paycheck Protection Program Loan**

In April 2020, Wayfinder and Lilliput received loan proceeds in the amounts of \$3,740,950 and \$1,622,374 (see Note 18), respectively, 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.

Revenue related to PPP loans for the year ended June 30, 2021 were \$5,363,324. The use of the loan proceeds met the conditions for forgiveness of the loans, as a result, on June 15, 2021 and November 10, 2020, the PPP loan forgiveness applications for \$3,470,950 and \$1,622,374, respectively, were approved by the Small Business Administration.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

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:

<u>Year ending June 30,</u>	
2022	\$ 607,184
2023	292,813
2024	148,695
2025	<u>49,001</u>
	<u>\$1,097,693</u>

Lease and rent expense under operating leases of facilities and vehicles for the year ended June 30, 2021 was \$887,791.

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, 2021, Wayfinder has established an allowance for possible disallowance of program costs and/or uncollectable of receivables in the amount of \$643,568.

13. Net Assets With Donor Restrictions

Net assets with restrictions as of June 30, 2021 consist of the following:

Purpose restrictions	\$ 602,306
Time restrictions	<u>430,850</u>
	<u>\$1,033,156</u>

For the year ended June 30, 2021, net assets released from program restrictions were \$226,913.

Total net assets released from restrictions due to the completion of their time or purpose were \$17,549,603.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

14. Net Assets With Donor Restrictions – 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, 2021, 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, 2021 is as follows:

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

Changes in endowment net assets as of June 30, 2021 are as follows:

	With Donor Restrictions
Beginning balance, July 1, 2020	\$419,880
Interest and dividends	6,802
Amount appropriated for expenditure	<u>(6,802)</u>
Ending balance, June 30, 2021	<u>\$419,880</u>

continued

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

15. Government Contracts and Fees for Service

Government contracts and fees for service as of June 30, 2021 consist of the following:

Lilliput's Foster and Adoptions	\$12,367,549
California Department of Social Services	10,865,674
Regional centers – various	5,070,495
Department of Mental Health	3,655,834
Department of Rehabilitation (States of California, Alaska, and Nevada)	1,760,057
Various school districts	1,571,611
Alameda County Health Care Services Agency	525,043
CARES grant	353,046
Department of Education – nutrition program	61,425
Community Development Block Grant	<u>24,998</u>
	<u>\$36,255,732</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, 2021 was \$543,519.

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, 2021 was \$95,052.

WAYFINDER FAMILY SERVICES

NOTES TO FINANCIAL STATEMENTS

18. Transfer of Assets due to Acquisition

On July 1, 2020, Wayfinder acquired Lilliput Families (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 Lilliput Families at the acquisition date. No consideration was given as part of this transfer.

The following assets and liabilities were transferred from Lilliput Families to Wayfinder:

Cash	\$ 2,877,948
Accounts receivable	1,931,714
Other assets	130,709
Security deposits	26,083
Investments	505,462
Property and equipment, net	1,461,445
Accounts payable	(420,158)
Accrued expenses	(363,384)
Paycheck protection program loan (see Note 11)	(1,622,374)
Current portion of long-term debt	(32,137)
Long-term debt, net	<u>(982,084)</u>
Net transfer of assets	<u>\$ 3,513,224</u>

19. Subsequent Events

Management has evaluated subsequent events through November 22, 2021, 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.