



SPAIN PRICE READER
& THOMPSON, P.C.
ACCOUNTANTS & BUSINESS CONSULTANTS

The Woods Project
Financial Statements
For the Years Ended September 30, 2018 and 2017

THE WOODS PROJECT
(A TEXAS NONPROFIT ORGANIZATION)
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

CONTENTS

	<u>PAGE</u>
Independent Accountants' Review Report	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities	3
Statements of Cash Flows	5
Notes to Financial Statements	6



INDEPENDENT ACCOUNTANTS' REVIEW REPORT

To the Board of Trustees of
The Woods Project

We have reviewed the accompanying financial statements of The Woods Project (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of organization management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountants' Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in dark ink, appearing to read "Spain Price Reader & Thompson, P.C.", is written in a cursive style.

Houston, Texas
February 26, 2019

THE WOODS PROJECT
 STATEMENTS OF FINANCIAL POSITION
 FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
<u>ASSETS</u>		
<u>Current assets</u>		
Cash and cash equivalents	\$ 160,643	\$ 268,986
Investments	145,573	52,022
Accounts receivable	22,454	5,292
Pledge receivable	50,000	-
Prepaid expenses	7,052	4,961
Total current assets	385,722	331,261
Property and equipment, net of accumulated depreciation	5,734	18,957
Total property and equipment	5,734	18,957
<u>Other assets</u>		
Pledge receivable	150,000	-
Total assets	\$ 541,456	\$ 350,218
<u>LIABILITIES AND NET ASSETS</u>		
<u>Liabilities</u>		
Accounts payable	\$ 31,361	\$ 19,984
Deferred revenue	8,316	5,150
Total current liabilities	39,677	25,134
<u>Net assets</u>		
Unrestricted	285,378	279,804
Temporarily restricted	216,401	45,280
Total net assets	501,779	325,084
Total liabilities and net assets	\$ 541,456	\$ 350,218

See accompanying notes and independent accountants' review report.

THE WOODS PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Unrestricted Net Assets</u>	<u>Temporarily Restricted Net Assets</u>	<u>Total</u>
<u>Revenues</u>			
Contributions	\$ 111,978	\$ 544,495	\$ 656,473
Direct cost reimbursement - non-Forest Service activities	104,506	-	104,506
Fundraising events	180,056	-	180,056
Less: direct benefit to donors	(15,390)	-	(15,390)
Investment income	2,369	-	2,369
Change in unrealized gains and losses	(4,001)	-	(4,001)
In-kind support	185,257	-	185,257
Net assets released from restrictions	<u>373,374</u>	<u>(373,374)</u>	<u>-</u>
 Total support and revenue	 <u>938,149</u>	 <u>171,121</u>	 <u>1,109,270</u>
 <u>Expenses</u>			
Program expenses	662,835	-	662,835
Management and general	157,663	-	157,663
Fundraising costs	<u>112,077</u>	<u>-</u>	<u>112,077</u>
 Total expenses	 <u>932,575</u>	 <u>-</u>	 <u>932,575</u>
 Change in net assets	 5,574	 171,121	 176,695
 Net assets, beginning of year	 <u>279,804</u>	 <u>45,280</u>	 <u>325,084</u>
 Net assets, end of year	 <u>\$ 285,378</u>	 <u>\$ 216,401</u>	 <u>\$ 501,779</u>

See accompanying notes and independent accountants' review report.

THE WOODS PROJECT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<u>Revenues</u>			
Contributions	\$ 188,024	\$ 165,000	\$ 353,024
Direct cost reimbursement - non-Forest Service activities	110,630	-	110,630
Fundraising events	276,203	-	276,203
Less: direct benefit to donors	(15,270)	-	(15,270)
Investment income	351	-	351
Change in unrealized gains and losses	346	-	346
In-kind support	179,647	-	179,647
Net assets released from restrictions	119,720	(119,720)	-
 Total support and revenue	 859,651	 45,280	 904,931
 <u>Expenses</u>			
Program expenses	710,863	-	710,863
Management and general	149,664	-	149,664
Fundraising costs	95,926	-	95,926
 Total expenses	 956,453	 -	 956,453
 Change in net assets	 (96,802)	 45,280	 (51,522)
 Net assets, beginning of year	 376,606	 -	 376,606
 Net assets, end of year	 \$ 279,804	 \$ 45,280	 \$ 325,084

See accompanying notes and independent accountants' review report.

THE WOODS PROJECT
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
<u>Cash flows from operating activities</u>		
Change in net assets	\$ 176,695	\$ (51,522)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation and amortization expense	13,223	16,216
Change in unrealized gains and losses	4,001	(346)
Changes in operating assets and liabilities:		
Accounts receivable	(17,162)	(5,292)
Pledge receivable	(200,000)	-
Prepaid and other assets	(2,091)	(3,651)
Accounts payable	11,377	2,828
Deferred revenue	3,166	5,150
	<u>(10,791)</u>	<u>(36,617)</u>
Net cash used in operating activities		
<u>Cash flows from investing activities</u>		
Proceeds from sale of investments	34,894	-
Purchase of investments	<u>(132,446)</u>	<u>(51,676)</u>
Net cash used in investing activities	<u>(97,552)</u>	<u>(51,676)</u>
Net decrease in cash and cash equivalents	(108,343)	(88,293)
Cash and cash equivalents, beginning of year	<u>268,986</u>	<u>357,279</u>
Cash and cash equivalents, end of year	<u>\$ 160,643</u>	<u>\$ 268,986</u>

See accompanying notes and independent accountants' review report.

THE WOODS PROJECT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1: Organization and summary of accounting policies

Organization

The Woods Project (the "Organization") is a nonprofit organization incorporated on July 11, 2008 and began operations in October 2008. The Organization's mission is to develop leadership capacity and life skills for low income youth through a series of outdoor education/environmental awareness programs at wilderness sites in the United States. The Organization fulfills this mission by providing programs that start in September of each year with selected high school students and continue through the school year. These programs include weekly after school outdoor/environmental clubs, weekend backpacking, camping and service projects in outdoor settings around the Houston area and culminate in intensive summer sessions of backpacking, camping and service projects in wilderness areas designed to promote wilderness education and exploration experiences that develop critical behaviors needed for disadvantaged students to achieve success in school and life. The Organization receives contributions from various foundations, corporations and individual donors.

Basis of accounting

The financial statements have been prepared in accordance with the accounting guidance for not-for-profit organizations and in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, these financial statements are prepared on the accrual basis of accounting and present the financial position, results of activities, and cash flows for the Organization.

Financial statement preparation

The Organization's funding sources may include donors who have placed specific restrictions on the use of donated assets. Net assets, revenues, expenses, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Net asset classification

Contributions and the related net assets are classified based on the existence or absence of donor-imposed restrictions, as follows:

- *Unrestricted net assets* include those net assets whose use is not restricted by donor-imposed stipulations, even though their use may be limited in other respects, such as by contract or board designation, including unrestricted resources obtained in connection with the Organization's educational projects and programs.
- *Temporarily restricted net assets* include contributions restricted by the donor for specific purposes or time periods. When a purpose restriction is accomplished or a time restriction ends, temporarily restricted net assets are released to unrestricted net assets.
- *Permanently restricted net assets* include contributions that donors have restricted in perpetuity. The related investment income is available to provide program support for the Organization.

The Organization had no permanently restricted net assets at September 30, 2018 and 2017.

THE WOODS PROJECT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1: Organization and summary of accounting policies (continued)

Pledges and program receivables

Unconditional promises to give that are expected to be collected within one year are recorded at their realizable value. Unconditional promises to give that are expected to be collected after one year or more are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate applicable to the year in which the promise is received. Amortization of the discount is included as contribution revenue. Conditional promises to give are not included as support until such time as the conditions are substantially met.

The Organization records pledges and program receivables in the amount due to the Organization that have yet to be collected at year-end.

Revenue recognition

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor for future periods or a specific purpose are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restriction. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as temporarily restricted net assets and then reclassified to unrestricted net assets upon expiration of the restriction.

The Organization reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization receives fees paid by various schools as reimbursements for the cost of their students' transportation to participate in summer trips. These fees are recorded as direct cost reimbursement- non- Forest Service activities in the statements of activities.

Deferred revenue

The Organization accounts for income collected in the current period but relating to future events as deferred revenue.

Cash equivalents

The Organization considers all highly liquid investments with maturities of three months or less to be cash equivalents, including money market funds and demand deposits.

Investments

All investments and invested cash are measured at fair value in the statements of financial position. Investment income or loss (including realized and change in unrealized gains and losses on investments, interest, and dividends) is included in the statements of activities as increases or decreases in unrestricted net assets unless the income or loss is restricted by donor or law.

THE WOODS PROJECT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 1: Organization and summary of accounting policies (continued)

Uninsured cash balances

The Organization maintains cash and cash equivalent balances at financial institutions located in Houston, Texas. At times, the Organization has balances in financial institutions that exceed the federally insured limit. Management periodically assesses the financial condition of the financial institutions and believes that any possible credit risk is minimal. At September 30, 2018, there were no uninsured deposits held in financial institutions.

The Organization received approximately 52% and 16% of their support and revenue from various foundation and corporate donations and approximately 16% and 29% from special events for the fiscal years ended September 30, 2018 and 2017, respectively.

Property, equipment and depreciation

The Organization capitalizes property and equipment at cost or at estimated value at the date of gift, of donated. Depreciation is computed on a straight-line basis over the estimated useful life of the assets, which is three years.

Donated materials and services

The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization but these services do not meet the criteria for recognition as contributed services.

Functional allocation of expenses

For the purposes of these financial statements, expenses are allocated to various functional categories based upon management estimates.

Federal income tax

The Organization is exempt from federal income taxes under §501(c)(3) of the Internal Revenue Code and classified as a public charity.

Recent accounting pronouncements

The Organization has implemented all new accounting pronouncements and does not believe that there are any other new accounting pronouncements that have been issued that may have a material impact on its financial statements.

Basis of presentations and use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

THE WOODS PROJECT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018 AND 2017

NOTE 2: Property and equipment

Property and equipment consists of the following at June 30:

	2018	2017
Outdoor equipment	\$ 95,836	\$ 95,837
Less accumulated depreciation	90,102	76,880
	\$ 5,734	\$ 18,957

The depreciation expense for the years ended September 30, 2018 and 2017 was \$13,223 and \$16,216, respectively.

NOTE 3: Fair value measurements

The Organization maintains investment accounts with financial services companies. Assets and liabilities that are measured at fair value use valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs by requiring that the observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the Organization. Unobservable inputs are inputs that reflect the Organization's assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is categorized into three levels based on the transparency of inputs as follows:

Level 1 – Fair value is based on unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 – Fair value is based on quoted prices in markets that are not active, quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability. Pricing models are utilized to estimate fair value for financial assets and liabilities categorized in Level 2.

Level 3 – Fair value is based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and are unobservable. These inputs reflect management's judgment about the assumptions that a market participant would use in pricing the investment and are based on the best available information, some of which may be internally developed.

The level in the fair value hierarchy with which the fair value measurement is classified is determined based on the lowest level input that is significant to the fair value measure in its entirety.

THE WOODS PROJECT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2018 AND 2017

NOTE 3: Fair value measurements (continued)

The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2018:

<u>Assets</u>	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Exchange traded funds (ETFs) – fixed income	\$135,136	\$ -	\$ -	\$135,136
Mutual funds – fixed income	10,437	-	-	10,437
Cash and cash equivalents	57,093	-	-	57,093
	<u>\$202,666</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$202,666</u>

The following table summarizes assets and liabilities measured at fair value on a recurring basis at September 30, 2017:

<u>Assets</u>	Investments at Fair Value			
	Level 1	Level 2	Level 3	Total
Equities - stocks	\$ 33,361	\$ -	\$ -	\$ 33,361
Fixed income - bonds	18,661	-	-	18,661
Total investments at fair value	52,022	-	-	52,022
Cash and cash equivalents	152,276	-	-	152,276
	<u>\$204,298</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$204,298</u>

Fair values for cash equivalents, equities-stocks, exchange traded funds (ETFs)-fixed income, mutual funds-fixed income, and fixed income bonds have Level 1 quoted prices in active markets.

Valuation methods used for assets measured at fair value are as follows:

- *Exchange traded funds and mutual funds* are valued daily at the net asset value of the underlying securities
- *Equities-stocks* are valued at the closing price reported on the active market in which the individual securities are traded.
- *Fixed Income-bonds* are valued at the closing price reported on the active market in which the individual bonds are traded.

These valuation methods may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Organization believes its valuation methods are appropriate, the use of different methods or assumptions could result in a different fair value measurement at the reporting date.

THE WOODS PROJECT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018 AND 2017

NOTE 3: Fair value measurements (continued)

Investment return consists of the following at June 30:

	2018	2017
Investment income	\$ 2,369	\$ 351
Net realized and unrealized gain (loss) on investments	(4,001)	346
Total investment return	\$ (1,632)	\$ 697

Investments are exposed to various risks such as interest rate, market, and credit risks. Because of these risks, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect the amounts reported in the statement of financial position and statement of activities.

NOTE 4: Pledge receivable

Pledge receivable as of September 30, 2018 consist of the following:

	2018
Amounts due in less than one year	\$ 50,000
Amounts due in one to five years	150,000
Pledge receivable	\$ 200,000

Management believes that all receivables are collectible; therefore, no allowance for doubtful accounts has been recorded. If amounts become uncollectible, they will be charged to activities when that determination is made. Management has also not discounted the pledges because the amount was considered immaterial. There were no pledge receivable as of September 30, 2017.

NOTE 5: Temporarily restricted net assets

At September 30, 2018 and 2017, temporarily restricted net assets are available for the following:

	2018	2017
Samuels Family Foundation	\$ 13,901	\$ 45,280
Andrew Delaney Foundation	200,000	-
Houston Foundation	2,500	-
	\$ 216,401	\$ 45,280

THE WOODS PROJECT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018 AND 2017

NOTE 5: Temporarily restricted net assets (continued)

For the year ended September 30, 2018 and 2017, net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors as follows:

	2018	2017
Memorial Drive Presbyterian Church	\$ 10,000	\$ 10,000
HCDE	5,000	10,000
Wayne Duddlesten Foundation	20,000	20,000
Powell Foundation	25,000	15,000
Samuels Foundation	141,379	64,720
Texas Parks and Wildlife	46,995	-
First Congregational Church	5,000	-
Andrew Delaney Foundation	50,000	-
Steven M. Seay Foundation	30,000	-
Brown Foundation	15,000	-
Bank of Texas	2,500	-
Lewis and Joan Lowenstein Foundation	7,500	-
Alice Kleberg Reynolds Foundation	5,000	-
BBVA Compass Foundation	10,000	-
	<u>\$ 373,374</u>	<u>\$ 119,720</u>

NOTE 6: Project funding

The Organization receives the majority of their funding through pledges and grants solicited from various foundations, corporate entities and individuals.

NOTE 7: Permits

The Organization, at times, is required to obtain permits at certain locations in order to take their Program trips. Renewal of the permits is not guaranteed.

NOTE 8: Employee leasing

The organization leases its employees under an agreement with an employee leasing company. The employee leasing company manages the payroll, benefits, human resources issues and certain risk management for the Organization's employees. The Organization continues to have full and sole control of its operation, management and staff.

THE WOODS PROJECT
 NOTES TO FINANCIAL STATEMENTS
 SEPTEMBER 30, 2018 AND 2017

NOTE 9: Related party transactions

Contributions were made to the Organization by members of the Board of Directors during the current year. These contributions have been reflected as such in the statements of activities. At September 30, 2018 and 2017, contributions from these related parties amounted to \$90,542 and \$73,827, respectively. See Note 9 for donated services made in prior year from the Founder/President.

NOTE 10: In-kind support

In-kind support is comprised of donated materials and services. Donated materials are recorded as contributions at fair value when an unconditional commitment is received from the donor. The related expense is recorded as the item is used. Contributions of services are recognized when services received (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. At September 30, 2018 and 2017, in-kind support consisted of:

	2018	2017
Camp leaders	\$ 142,125	\$ 123,000
Professional services	680	550
Miscellaneous	11,474	9,152
Total services	154,279	132,702
Freight costs	6,599	9,545
Camp costs	24,379	37,400
Total donated costs	\$ 185,257	\$ 179,647

NOTE 11: Subsequent events

The Organization has evaluated subsequent events through the issuance of the financial statements, which occurred on February 26, 2019.