

WORKSYSTEMS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2020
(With Comparative Totals
for the Year Ended June 30, 2019)



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

WORKSYSTEMS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Worksystems, Inc.
Portland, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Worksystems, Inc. (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.

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 audit. 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 Worksystems, Inc. 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.

To the Board of Directors
Worksystems, Inc.

Other Reporting Requirement by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2021, on our consideration of Worksystems, Inc.'s 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 Worksystems, Inc.'s 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 Worksystems, Inc.'s internal control over financial reporting and compliance.

Report on Summarized Comparative Information

We have previously audited the Worksystems, Inc.'s 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 29, 2020. 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.

A handwritten signature in blue ink that reads "Kern & Thompson, LLC". The signature is written in a cursive, flowing style.

Portland, Oregon
February 8, 2021

WORKSYSTEMS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2020

(With Comparative Totals as of June 30, 2019)

ASSETS

| | <u>2020</u> | <u>2019</u> |
|---------------------------------------|----------------------------|----------------------------|
| Cash and cash equivalents | \$ 3,236,315 | \$ 3,119,630 |
| Restricted cash, revolving loan fund | 88,164 | 150,597 |
| Accounts receivable | 2,844,264 | 4,100,137 |
| Prepaid expenses and deposits | 129,485 | 135,387 |
| Loans receivable, revolving loan fund | 219,800 | 211,109 |
| Equipment, net | <u>16,202</u> | <u>23,432</u> |
| Total assets | <u>\$ 6,534,230</u> | <u>\$ 7,740,292</u> |

LIABILITIES AND NET ASSETS

| | | |
|---|----------------------------|----------------------------|
| Liabilities | | |
| Accounts payable | \$ 2,096,079 | \$ 4,044,946 |
| Accrued compensation costs | 1,106,513 | 1,108,992 |
| Refundable advances | 951,669 | 266,741 |
| Revolving loan fund | 324,568 | 361,466 |
| Total liabilities | <u>4,478,829</u> | <u>5,782,145</u> |
| Net assets | | |
| Without donor restrictions | 1,803,523 | 1,465,918 |
| With donor restrictions | 251,878 | 492,229 |
| Total net assets | <u>2,055,401</u> | <u>1,958,147</u> |
| Total liabilities and net assets | <u>\$ 6,534,230</u> | <u>\$ 7,740,292</u> |

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

| | Without Donor Restrictions | With Donor Restrictions | 2020 | 2019 |
|--|---|--|----------------------------|----------------------------|
| Revenues and other support: | | | | |
| Federal grants | \$ 13,676,684 | \$ - | \$ 13,676,684 | \$ 17,636,062 |
| State and local grants and contracts | 8,442,514 | 36,472 | 8,478,986 | 9,236,578 |
| Private grants | 227,250 | 560,721 | 787,971 | 1,091,291 |
| Interest earnings | 5,164 | - | 5,164 | 6,474 |
| Stand-in, federal leveraged resources and third party match contributions | 1,906,661 | - | 1,906,661 | 1,919,775 |
| Net assets released from restrictions | 837,544 | (837,544) | - | - |
| Total revenues and other support | <u>25,095,817</u> | <u>(240,351)</u> | <u>24,855,466</u> | <u>29,890,180</u> |
| Expenses | | | | |
| Program services | 23,031,544 | - | 23,031,544 | 27,109,828 |
| Management and general | 1,726,668 | - | 1,726,668 | 1,883,674 |
| Total expenses | <u>24,758,212</u> | <u>-</u> | <u>24,758,212</u> | <u>28,993,502</u> |
| Change in net assets | 337,605 | (240,351) | 97,254 | 896,678 |
| Net assets, beginning of year | <u>1,465,918</u> | <u>492,229</u> | <u>1,958,147</u> | <u>1,061,469</u> |
| Net assets, end of year | <u>\$ 1,803,523</u> | <u>\$ 251,878</u> | <u>\$ 2,055,401</u> | <u>\$ 1,958,147</u> |

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2020

(With Comparative Totals for the Year Ended June 30, 2019)

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> | |
|---|-----------------------------|-----------------------------------|-----------------------------|-----------------------------|
| | | | <u>2020</u> | <u>2019</u> |
| Personnel expenses | \$ 3,103,634 | \$ 1,249,226 | \$ 4,352,860 | \$ 4,425,579 |
| Depreciation and amortization | 7,230 | - | 7,230 | 9,934 |
| Fees and other expenses | 6,283 | - | 6,283 | 36,206 |
| Insurance | - | 25,744 | 25,744 | 25,175 |
| Travel and parking | 64,142 | 15,835 | 79,977 | 100,807 |
| Occupancy and equipment | 224,454 | 1,692 | 226,146 | 254,011 |
| Office | 28,645 | 2,197 | 30,842 | 56,348 |
| Outreach and promotion | 3,241 | 21,200 | 24,441 | 98,191 |
| Professional fees and legal fees | 24,639 | 141,213 | 165,852 | 256,805 |
| Professional memberships | 6,952 | 37,393 | 44,345 | 33,388 |
| Staff and board development | 11,185 | 17,710 | 28,895 | 41,889 |
| Subcontracted community services | 16,574,347 | - | 16,574,347 | 19,580,451 |
| Technology | 263,692 | 67,003 | 330,695 | 379,599 |
| Third party match and stand-in costs | 1,906,661 | - | 1,906,661 | 1,919,775 |
| Training and placement subcontracted services | 953,894 | - | 953,894 | 1,775,210 |
| Allocation and other | <u>(147,455)</u> | <u>147,455</u> | <u>-</u> | <u>134</u> |
| Total expenses | <u>\$ 23,031,544</u> | <u>\$ 1,726,668</u> | <u>\$ 24,758,212</u> | <u>\$ 28,993,502</u> |

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF CASH FLOWS

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 | \$ 97,254 | \$ 896,678 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 7,230 | 9,934 |
| Net changes in: | | |
| Accounts receivable | 1,255,873 | (597,365) |
| Prepaid expenses and deposits | 5,902 | 130,068 |
| Accounts payable | (1,948,867) | (133,643) |
| Accrued compensation costs | (2,479) | 181,372 |
| Refundable advances | 684,928 | (89,734) |
| Revolving loan fund payable | (36,898) | (63,216) |
| Net cash provided by (used in) operating activities | 62,943 | 334,094 |
| Cash flows from investing activities: | | |
| Net change in loans receivable, revolving loan fund | (8,691) | (44,649) |
| Net cash provided by (used in) investing activities | (8,691) | (44,649) |
| Net change in cash and cash equivalents | 54,252 | 289,445 |
| Cash and cash equivalents, beginning of year | 3,270,227 | 2,980,782 |
| Cash and cash equivalents, end of year | \$ 3,324,479 | \$ 3,270,227 |
| Supplementary disclosures of cash flow information: | | |
| Cash and cash equivalents | 3,236,315 | 3,119,630 |
| Change cash restricted for revolving loan fund | 88,164 | 150,597 |
| | \$ 3,324,479 | \$ 3,270,227 |

See notes to financial statements.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE A – DESCRIPTION OF AGENCY

Worksystems, Inc. (the Organization), an Oregon not-for-profit corporation, is a collaboration of public and private leaders that establishes policy and provides leadership for the development and support of a workforce investment system within jurisdictions of Multnomah County, Washington County, and the City of Portland, and carries out programs designed to enhance employment opportunities for the region's citizens.

The Organization and its partners are working to:

- Develop a better understanding of how the regional labor market is evolving;
- Advocate for improved local, state, and national workforce policies;
- Align existing public and private education and training efforts into a more coordinated regional system;
- Establish performance measures to analyze the system's effectiveness and communicate the value of an excellent workforce system.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of New Accounting Pronouncement

During the fiscal year ended June 30, 2020, one new accounting pronouncement became effective for the Organization: *Accounting Standards Update No. 2018-08, Not-for-Profit Entities (Topic 958) Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made ("ASU 2018-08")*.

ASU 2018-08 clarifies and improves guidance for contributions received and contributions made. This change is preferable in that it clarifies whether to account for transactions as contributions or as exchange transactions. In addition, it clarifies whether a contribution is conditional. As a result, it enhances comparability of financial information among not-for-profit entities.

The change in accounting principle resulting from ASU 2018-08 was adopted on a modified prospective basis for the year ended June 30, 2020. As a result, there was no cumulative-effect adjustment to opening net assets without donor restrictions or opening net assets with donor restrictions as of June 30, 2019.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation

The Organization reports information regarding its financial position and activities according to two classes of net assets: without donor restrictions and with donor restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions** – Net assets that are not subject to donor-imposed stipulations. The Board of Directors may designate net assets without donor restrictions for specific purposes.
- **Net Assets With Donor Restrictions** – Net assets subject to donor-imposed stipulations that will be met either by actions of the Organization and/or the passage of time, or net assets with donor restrictions that are not subject to appropriation or expenditure.

Expenses are reported as a decrease in net assets without donor restrictions. Gains and losses are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expiration of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions.

Contributions

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions with donor restrictions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. Otherwise, when a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions. 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 met. Contributions received with both donor-imposed conditions and restrictions that are met in the same reporting period are reported as support without donor restrictions and increase net assets without donor restrictions.

Functional Allocation of Expenses

The costs of providing the programs and supporting services have been summarized in the statement of Activities. Directly identifiable expenses are charged to programs and supporting services when incurred. Certain costs, including office expense, occupancy, leases and utilities have been allocated among the programs and supporting services benefited based primarily on estimates of time and effort.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and net assets, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and other support and expenses during the reporting period. Actual results could vary from the estimates used.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For financial reporting purposes, the Organization considers all highly liquid short-term investments with a maturity of three months or less when purchased to be cash equivalents.

Concentration of Credit Risk

Cash and cash equivalents of the Organization include bank deposits and money market mutual funds in excess of federally insured limits. To limit credit risk, the Organization places its cash and cash equivalents with high credit quality financial institutions.

Accounts Receivable

Generally accounts receivable are due 30 days after the issuance of the invoice. Receivables past due more than 120 days are considered delinquent. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the grantor. There were no amounts older than 90 days at June 30, 2020. No allowance for doubtful accounts was deemed necessary as of June 30, 2020.

Equipment

Equipment is capitalized at cost when purchased, or at fair value at date of gift when donated, as long as original cost basis or fair value is \$5,000 or more. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, which range from 2 to 8 years. Normal repairs and maintenance are charged to operations as incurred.

Refundable Advances

➤ **Cost Reimbursement Grants**

Refundable advances result from conditional grant payments received prior to the incurrence of allowable grant expenditures, and are refundable to the grantor if not used for grant purposes.

Conditional Promises to Give

A portion of the Organization's revenue is derived from cost-reimbursable federal and state 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 the Organization has incurred expenditures in compliance with specific contract or grant provisions or has met the performance requirements. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Organization has cost-reimbursable grants promises to give of \$1,672,244 that have not been recognized at June 30, 2020 because performance requirements and/or qualifying expenditures have not yet been incurred.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue Recognition

Revenue streams applicable to the Organization that qualify as exchange transactions with “customers” (primarily certain contracts for technology services and provision of employment and training services to identified customers) are recognized at a single point upon receipt when all risks and rewards transfer, or in the case of employment and training service fees, when costs are incurred. Amounts received from customers in advance, such as deposits for reserved future services and events, are recorded as deferred revenue until the Organization’s performance obligations are satisfied.

In-Kind Contributions

Contributions of services that create or enhance nonfinancial assets or that require specialized skills and are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair market values in the period received.

Stand-In, Federal Leveraged Resources and Third Party Match In-Kind Contributions

Contributions of services and expenditures in support of program activities in excess of reimbursable costs (as defined by specific grant and contract terms) are reported to the Organization by subrecipient contractors and others, and are reported by the Organization to its grantors.

Compensation Costs

Employees are entitled to paid and accrued vacation, sick days, and severance leave. Vacation and sick time vest as accrued. Severance leave is payable under specific conditions and is subject to a maximum number of hours per employee. The Organization has accrued approximately \$962,000 as of June 30, 2020.

Income Taxes

The Organization has been approved as a tax-exempt organization under the Internal Revenue Code section 501(c)(3) and applicable state laws. Accordingly, no provision for income taxes is included in the accompanying financial statements. The Organization does not believe it has unrelated trade or business income in excess of \$1,000.

Prior Year Summarized Financial Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class or natural expense classification by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization’s financial statements for the year ended June 30, 2019, from which the summarized information was derived.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE C – ACCOUNTS RECEIVABLE

The Organization's receivable balance consists of grant receivables from federal, state, and local governments. Major grantors include the State of Oregon and the U.S. Department of Labor.

At year-end the following receivables were outstanding:

| | | |
|--|----|-------------------------|
| Due from the State of Oregon Office of the Higher Education Coordinating Commission | \$ | 985,684 |
| Due from the U.S. Department of Labor ETA (DOL) | | 269,223 |
| Due from other federal, state, and local government agencies | | 1,354,356 |
| Miscellaneous | | <u>235,001</u> |
| | \$ | <u><u>2,844,264</u></u> |

NOTE D – REVOLVING LOAN FUND – RESTRICTED CASH, LOANS RECEIVABLE AND PAYABLE

The Oregon Legislature has provided \$636,000 in general funds in support of a project to train new truck drivers to meet industry needs. The funds were set aside for an indefinite-term revolving fund for tuition loans to students attending trucking schools that meet the industry's Professional Truck Driver Certification standards.

The Organization is the fiscal agent for the truck driver loan program, and works with two other agencies to administer the program. The Oregon Trucking Association manages state-wide deployment and quality assurance. This includes determining industry criteria for drivers, approving participating schools, and approving loan applications. Applications are approved based on evaluation of the borrower's financial condition and character. After approval, the Organization funds the loans and submits to TFC Credit Corporation for servicing. Loans require monthly payments of principal and interest at 10% over 36 months. Past due loans are monitored based on a combination of the Organization's established policies and prescribed methodologies.

The Organization is required to segregate the cash for the truck driver loan program in a separate bank account, and new loans made, defaults, and loan servicing costs reduce the funds available in the account. Principal and interest payments received are deposited to the dedicated account. Restricted cash for the truck driver loan program totaled \$88,164 at June 30, 2020. The Organization is required to repay to the state any unused loan funds when the program is terminated.

At June 30, 2020, outstanding loans receivable totaled \$219,800. This represents loans due from individuals who borrowed for tuition costs at approved trucking schools.

The revolving loan fund is required to be maintained indefinitely. The balance of the revolving loan fund payable was \$324,568 at June 30, 2020.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE E – EQUIPMENT, NET

Property and equipment consists of the following:

| | | |
|--|----|-----------------|
| Computer equipment and software | \$ | 63,190 |
| Less accumulated depreciation and amortization | | <u>(46,988)</u> |
| | \$ | <u>16,202</u> |

Federal and state agencies have a reversionary interest in substantially all equipment.

NOTE F – RESTRICTIONS ON NET ASSETS

The Organization's net assets with donor restrictions are subject to the following purpose or time restrictions:

Subject to purpose restrictions:

| | | |
|----------------------------|----|----------------|
| Careerworks - Medical | \$ | 43,321 |
| Health careers NW | | 29,008 |
| Bankworks training program | | 23,669 |
| Other | | <u>24,421</u> |
| | | <u>120,419</u> |

Subject to time and purpose restrictions:

| | | |
|-------------|----|----------------|
| Summerworks | \$ | <u>131,459</u> |
| | | <u>131,459</u> |

| | | |
|--|----|----------------|
| Total net assets with donor restrictions | \$ | <u>251,878</u> |
|--|----|----------------|

NOTE G – RELATED PARTY TRANSACTIONS

The Organization has many members of its Board who are employed by or represent entities that disburse grant funds to the Organization and/or receive grant funds and other related expense reimbursements from the Organization. At June 30, 2020, the accounts payable balances to these related parties were approximately \$505,000, and the accounts receivable balances from these related parties were approximately \$797,000. For the year ended June 30, 2020, the Organization received approximately \$6,868,000 from these related parties and paid approximately \$5,167,000 to these related parties.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE H – RETIREMENT PLAN

The Organization has a Flexible Standardized 401(k) Profit Sharing Plan, which is a defined contribution plan. Substantially all Organization employees are participants in the Plan, and all new employees are eligible to participate on their date of hire. Benefits are fully vested at the time contributions are made to the Plan. Unless otherwise elected, the payment of benefits begins on the earlier of the date the participant attains age 59½ or the date the participant terminates employment with the Organization. The Plan provides for employer matching of employee contributions at 100% of up to six percent of employee gross wages. Contributions made by the Organization to the Plan totaled approximately \$183,000 for the year ended June 30, 2020.

NOTE I – OPERATING LEASE COMMITMENTS

The Organization has entered into various leases and subleases for office space. These leases expire at various dates through March 2025. The main office lease comprises the majority of the lease obligation, and contains a five year renewal option. Lease expense was approximately \$203,000 for the year ended June 30, 2020.

The following is a schedule of future minimum lease payments required under noncancelable operating leases for office space:

| Year Ending June 30, | |
|-------------------------|---------------------|
| 2021 | \$ 270,198 |
| 2022 | 278,301 |
| 2023 | 286,653 |
| 2024 | 295,251 |
| 2025 | <u>226,386</u> |
| | <u>\$ 1,356,789</u> |

NOTE J – CONCENTRATION OF REVENUE

The Organization received approximately 42% of total revenues, exclusive of stand-in, federal leveraged resources, and third-party matching contributions, from one grantor, the U.S. Department of Labor, during the year ended June 30, 2020.

NOTE K – CONTINGENCIES AND UNCERTAINTIES

A significant portion of the Organization's revenues and other support is earned under contracts with the U.S. Department of Labor through the State of Oregon. Amounts received or receivable from these contracting agencies are subject to audit and potential adjustment. Any disallowed claims, including amounts already collected, would become a liability of the Organization if so determined in the future. As of the date of this report, management does not believe that there will be any potential adjustments or disallowed claims.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE K – CONTINGENCIES AND UNCERTAINTIES (CONTINUED)

Beginning in March 2020, an outbreak of a coronavirus necessitated that many employees work from home and provided for social distancing measure. The effects of these events may continue for some time, including disruptions to or restrictions on employees' ability to work and on the ability of funders and members to fully participate in programs and continue their current level of financial support to the Organization. At the present time, the ultimate future effects of these issues are unknown.

NOTE L – AVAILABLE LINE OF CREDIT

The Organization has a \$1,000,000 line of credit (secured by substantially all assets) with interest at the greater of 4.0%, or the Bank Base Rate (3.25% at inception August 2020) plus 0.25%. No amounts were outstanding as of the audit report date.

NOTE M – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2020:

| | |
|---|---------------------|
| Financial assets at year-end* | |
| Cash and cash equivalents | \$ 3,236,315 |
| Restricted cash, revolving loan fund | 88,164 |
| Accounts receivable | 2,844,264 |
| Loans receivable, revolving loan fund | <u>219,800</u> |
| Total financial assets | <u>6,388,543</u> |
| Less amounts unavailable for general expenditure use within one year: | |
| Contractual or donor-imposed restrictions | |
| Restricted cash, revolving loan fund | 88,164 |
| Revolving loan fund | 324,568 |
| Restricted by donors with purpose restriction | <u>251,878</u> |
| Total unavailable financial assets | <u>664,610</u> |
| Financial assets available to meet cash needs for general expenditures within one year | \$ <u>5,723,933</u> |

* Total assets, less nonfinancial assets (e.g. property and equipment, prepaid expenses)

As part of its liquidity management, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. In addition, the Organization invests cash in excess of current requirements in short term investments.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2020

NOTE N – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 8, 2021, which is the date the financial statements were available to be issued.

In response to the global economic impact caused by the coronavirus pandemic, the US Small Business Administration (SBA) created the Paycheck Protection Program (PPP) “forgivable loan” to assist nonprofit organizations and for-profit enterprises with eligible payroll and certain specified operating costs. The loans are funded by the SBA through participating banks and are subject to specific conditions, which if met, will result in forgiveness of all or part of the loan. The Organization qualified for and received a PPP loan for \$783,257 in August, 2020. The terms of the PPP loan include interest at 1% and maturity in August, 2022.