

**WORKSYSTEMS, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2022**  
**(With Comparative Totals**  
**for the Year Ended June 30, 2021)**



**KERN ▲ THOMPSON**  
CERTIFIED PUBLIC ACCOUNTANTS

**WORKSYSTEMS, INC.**  
**FINANCIAL STATEMENTS**  
**Year Ended June 30, 2022**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1-2
<b>FINANCIAL STATEMENTS</b>	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7-14

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Statements**

***Opinion***

We have audited the accompanying financial statements of Worksystems, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Worksystems, Inc. as of June 30, 2022, 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.

***Basis for Opinion***

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Worksystems, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Worksystems, Inc.'s ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

To the Board of Directors  
Worksystems, Inc.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Worksystems, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Worksystems, Inc.'s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2023 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 Worksystems, Inc.'s 2021 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 28, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.



Portland, Oregon  
February 27, 2023

**WORKSYSTEMS, INC.**

**STATEMENT OF FINANCIAL POSITION**

**June 30, 2022**

(With Comparative Totals as of June 30, 2021)

**ASSETS**

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 9,996,236	\$ 3,870,159
Restricted cash, revolving loan fund	187,245	161,701
Grants and contracts receivable	4,769,370	4,288,396
Prepaid expenses and deposits	100,253	126,776
Loans receivable, revolving loan fund	91,723	117,661
Equipment, net	<u>1,743</u>	<u>8,972</u>
<b>Total assets</b>	<b><u>\$ 15,146,570</u></b>	<b><u>\$ 8,573,665</u></b>

**LIABILITIES AND NET ASSETS**

<b>Liabilities</b>		
Accounts payable	\$ 3,659,783	\$ 3,168,857
Accrued compensation costs	1,222,244	1,134,847
Refundable advances	6,090,301	333,713
Revolving loan fund	<u>281,309</u>	<u>285,200</u>
<b>Total liabilities</b>	<b><u>11,253,637</u></b>	<b><u>4,922,617</u></b>
<b>Net assets</b>		
Without donor restrictions	2,808,712	2,264,002
With donor restrictions	<u>1,084,221</u>	<u>1,387,046</u>
<b>Total net assets</b>	<b><u>3,892,933</u></b>	<b><u>3,651,048</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 15,146,570</u></b>	<b><u>\$ 8,573,665</u></b>

See notes to financial statements.

**WORKSYSTEMS, INC.**

**STATEMENT OF ACTIVITIES**

**Year Ended June 30, 2022**

(With Comparative Totals for the Year Ended June 30, 2021)

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>2022</b>	<b>2021</b>
<b>Revenues and other support:</b>				
Federal grants	\$ 14,467,140	\$ -	\$ 14,467,140	\$ 15,157,642
State and local grants and contracts	9,893,878	12,973	9,906,851	7,897,315
Private grants	410,084	288,052	698,136	1,377,922
PPP forgiveness	-	-	-	783,257
Interest earnings	2,021	-	2,021	3,655
Stand-in, federal leveraged resources and third party match in-kind contributions	1,170,584	-	1,170,584	1,673,542
Net assets released from restrictions	603,850	(603,850)	-	-
<b>Total revenues and other support</b>	<b><u>26,547,557</u></b>	<b><u>(302,825)</u></b>	<b><u>26,244,732</u></b>	<b><u>26,893,333</u></b>
<b>Expenses</b>				
Program services	23,853,864	-	23,853,864	23,532,446
Management and general	2,148,983	-	2,148,983	1,765,240
<b>Total expenses</b>	<b><u>26,002,847</u></b>	<b><u>-</u></b>	<b><u>26,002,847</u></b>	<b><u>25,297,686</u></b>
<b>Change in net assets</b>	<b>544,710</b>	<b>(302,825)</b>	<b>241,885</b>	<b>1,595,647</b>
Net assets, beginning of year	<u>2,264,002</u>	<u>1,387,046</u>	<u>3,651,048</u>	<u>2,055,401</u>
<b>Net assets, end of year</b>	<b><u>\$ 2,808,712</u></b>	<b><u>\$ 1,084,221</u></b>	<b><u>\$ 3,892,933</u></b>	<b><u>\$ 3,651,048</u></b>

See notes to financial statements.

**WORKSYSTEMS, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2022**

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	
			<u>2022</u>	<u>2021</u>
Personnel expenses	\$ 3,267,196	1,561,593	\$ 4,828,789	\$ 4,353,737
Depreciation and amortization	7,230	-	7,230	7,230
Fees and other expenses	4,746	234	4,980	3,440
Insurance	-	33,082	33,082	30,023
Travel and parking	6,916	12,609	19,525	1,092
Occupancy and equipment	240,393	205	240,598	206,505
Office	19,380	29	19,409	20,558
Outreach and promotion	11,500	46,141	57,641	40,320
Professional fees and legal fees	87,878	226,028	313,906	291,302
Professional memberships	20,105	55,208	75,313	41,617
Staff and board development	7,939	20,625	28,564	12,048
Subcontracted community services	18,439,660	-	18,439,660	17,439,912
Technology	361,663	29,220	390,883	406,601
Third party match and stand-in in-kind costs	1,170,584	-	1,170,584	1,673,542
Training and placement subcontracted services	366,123	6,560	372,683	769,759
Allocation and other	<u>(157,449)</u>	<u>157,449</u>	<u>-</u>	<u>-</u>
<b>Total expenses</b>	<b>\$ <u>23,853,864</u></b>	<b>\$ <u>2,148,983</u></b>	<b>\$ <u>26,002,847</u></b>	<b>\$ <u>25,297,686</u></b>

See notes to financial statements.

**WORKSYSTEMS, INC.**

**STATEMENT OF CASH FLOWS**

**Year Ended June 30, 2022**

(With Comparative Totals for the Year Ended June 30, 2021)

	<u>2022</u>	<u>2021</u>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 241,885	\$ 1,595,647
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	7,230	7,230
Net changes in:		
Grants and contracts receivable	(480,974)	(1,386,550)
Prepaid expenses and deposits	26,522	(54,873)
Accounts payable	490,926	1,072,778
Accrued compensation costs	87,397	28,334
Refundable advances	5,756,588	(617,956)
Revolving loan fund payable	(3,891)	(39,368)
<b>Net cash provided by operating activities</b>	<u><b>6,125,683</b></u>	<u><b>605,242</b></u>
<b>Cash flows from investing activities:</b>		
Net change in loans receivable, revolving loan fund	<u>25,938</u>	<u>102,139</u>
<b>Net cash provided by investing activities</b>	<u><b>25,938</b></u>	<u><b>102,139</b></u>
<b>Net change in cash and cash equivalents</b>	<b>6,151,621</b>	<b>707,381</b>
Cash and cash equivalents, beginning of year	<u>4,031,860</u>	<u>3,324,479</u>
<b>Cash and cash equivalents, end of year</b>	<u><b>\$ 10,183,481</b></u>	<u><b>\$ 4,031,860</b></u>
<b>Supplementary disclosures of cash flow information:</b>		
Cash and cash equivalents	9,996,236	3,870,159
Cash restricted for revolving loan fund	<u>187,245</u>	<u>161,701</u>
	<u><b>\$ 10,183,481</b></u>	<u><b>\$ 4,031,860</b></u>

See notes to financial statements.



## WORKSYSTEMS, INC.

### NOTES TO FINANCIAL STATEMENTS

June 30, 2022

#### 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 Pronouncements

During the fiscal year ended June 30, 2022, the Organization adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. The purpose of the ASU 2020-07 is to clarify the presentation and disclosure of contributed nonfinancial assets with an intention to provide the reader of the financial statements a clearer understanding of what type of nonfinancial assets were received and how they are used and recognized by the Organization. It is important to note that the ASU 2020-07 did not change the accounting and recognition of nonfinancial assets but rather the presentation and disclosure requirements in the financial statements.

##### 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.

## WORKSYSTEMS, INC.

### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2022

#### NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

##### Financial Statement Presentation (Continued)

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.

##### 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.

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Grants and Contracts Receivable**

Generally grants and contracts 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, 2022. No allowance for doubtful accounts was deemed necessary as of June 30, 2022.

**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**

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 conditional grants promises to give of \$5,847,102 that have not been recognized at June 30, 2022 because performance requirements and/or qualifying expenditures have not yet been incurred.

**Stand-In, Federal Leveraged Resources and Third Party Match 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.

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.

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 \$1,056,300 as of June 30, 2022.

**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, 2021, from which the summarized information was derived.

**NOTE C – GRANTS AND CONTRACTS RECEIVABLE**

The Organization's receivable balance consists of grant receivables from federal, state, and local governments.

At year-end the following receivables were outstanding:

Due from Multnomah County	\$	696,740
Due from the City of Portland		1,744,597
Due from other federal, state, and local government agencies		1,698,821
Miscellaneous		<u>629,212</u>
	\$	<u><u>4,769,370</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.

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE D – REVOLVING LOAN FUND – RESTRICTED CASH, LOANS RECEIVABLE AND PAYABLE  
(CONTINUED)**

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 \$187,245 at June 30, 2022. The Organization is required to repay to the state any unused loan funds when the program is terminated.

At June 30, 2022, outstanding loans receivable totaled \$91,723. This represents loans due from individuals who borrowed for tuition costs at approved trucking schools.

The revolving loan fund payable is required to be maintained indefinitely. The balance of the revolving loan fund payable was \$281,309 at June 30, 2022.

**NOTE E – EQUIPMENT, NET**

Property and equipment consists of the following:

Computer equipment and software	\$	63,190
Less accumulated depreciation and amortization		<u>(61,447)</u>
	\$	<u><u>1,743</u></u>

**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	\$	6,165
Other		<u>103,861</u>
		110,026
Subject to time and purpose restrictions:		
Occupational training and child care		<u>974,195</u>
Total net assets with donor restrictions	\$	<u><u>1,084,221</u></u>

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**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, 2022, the accounts payable balances to these related parties were approximately \$858,000, and the accounts receivable balances from these related parties were approximately \$2,503,000. For the year ended June 30, 2022, the Organization received approximately \$10,323,000 from these related parties and paid approximately \$3,874,000 to these related parties.

**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 \$195,668 for the year ended June 30, 2022.

**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 \$235,000 for the year ended June 30, 2022.

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

Year Ending June 30,	
2023	\$ 286,653
2024	295,251
2025	<u>226,386</u>
	<u>\$ 808,290</u>

**NOTE J – CONCENTRATION OF REVENUE**

The Organization received approximately 34% 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, 2022.

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE K – PAYROLL PROTECTION PROGRAM**

In August 2020, the Organization received a Paycheck Protection Program (PPP) forgivable loan for \$783,257. PPP loans are funded by the Small Business Administration and may be forgiven if used to cover salaries and other personal costs, facility rent, and communications expenses. Under guidance of Accounting Standards Codification (ASC) 958-605, the PPP loan represents, in substance, a conditional grant. The Organization complied with all substantive conditional forgiveness criteria as of June 30, 2021, and the loan and interest was forgiven on August 5, 2021.

**NOTE L – CONTINGENCIES**

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.

**NOTE M – 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 3.5% or the Bank Base Rate (7.75% at the report date) plus 0.25%. No amounts were outstanding as of the audit report date.

**NOTE N – LIQUIDITY**

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2022:

Financial assets at year-end*	
Cash and cash equivalents	\$ 9,996,236
Restricted cash, revolving loan fund	187,245
Accounts receivable	4,769,370
Loans receivable, revolving loan fund	91,723
Total financial assets	<u>15,044,574</u>
Less amounts unavailable for general expenditure use within one year:	
Contractual or donor-imposed restrictions	
Restricted cash, revolving loan fund	(187,245)
Loans receivable, revolving loan fund	(91,723)
Restricted by donors with purpose restriction	<u>(1,084,221)</u>
Total unavailable financial assets	<u>(1,363,189)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,681,385</u>

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

**WORKSYSTEMS, INC.**

**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**

**June 30, 2022**

**NOTE N – LIQUIDITY (CONTINUED)**

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.

**NOTE O – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through February 27, 2023, which is the date the financial statements were available to be issued.