

WORKSYSTEMS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2023
(With Comparative Totals
for the Year Ended June 30, 2022)



KERN ▲ THOMPSON
CERTIFIED PUBLIC ACCOUNTANTS

WORKSYSTEMS, INC.
FINANCIAL STATEMENTS
Year Ended June 30, 2023

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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, 2023, 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, 2023, 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 opinion.

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 the 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 12, 2024, 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 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated February 27, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Kern + Thompson, LLC

Portland, Oregon
February 12, 2024

WORKSYSTEMS, INC.

STATEMENT OF FINANCIAL POSITION

June 30, 2023

(With Comparative Totals as of June 30, 2022)

ASSETS

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 9,555,955	\$ 9,996,236
Restricted cash, revolving loan fund	169,047	187,245
Grants and contracts receivable	3,802,917	4,769,370
Prepaid expenses and deposits	184,719	100,253
Loans receivable, revolving loan fund	82,958	91,723
Operating lease right-of-use asset	501,330	-
Equipment, net	-	1,743
Total assets	<u>\$ 14,296,926</u>	<u>\$ 15,146,570</u>

LIABILITIES AND NET ASSETS

Liabilities		
Accounts payable	\$ 6,073,700	\$ 3,659,783
Accrued compensation costs	1,294,990	1,222,244
Refundable advances	716,934	6,090,301
Operating lease liability	500,967	-
Revolving loan fund	251,238	281,309
Total liabilities	<u>8,837,829</u>	<u>11,253,637</u>
Net assets		
Without donor restrictions	4,469,779	2,808,712
With donor restrictions	989,318	1,084,221
Total net assets	<u>5,459,097</u>	<u>3,892,933</u>
Total liabilities and net assets	<u>\$ 14,296,926</u>	<u>\$ 15,146,570</u>

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	Without Donor Restrictions	With Donor Restrictions	2023	2022
Revenues and other support:				
Federal grants	\$ 12,604,694	\$ -	\$ 12,604,694	\$ 14,467,140
State and local grants and contracts	17,501,731	96,885	17,598,616	9,906,851
Private grants	256,404	30,000	286,404	698,136
Interest earnings	10,383	-	10,383	2,021
Stand-in, federal leveraged resources and third party match in-kind contributions	1,189,000	-	1,189,000	1,170,584
Net assets released from restrictions	221,788	(221,788)	-	-
Total revenues and other support	<u>31,784,000</u>	<u>(94,903)</u>	<u>31,689,097</u>	<u>26,244,732</u>
Expenses				
Program services	27,523,992	-	27,523,992	23,853,864
Management and general	2,598,941	-	2,598,941	2,148,983
Total expenses	<u>30,122,933</u>	<u>-</u>	<u>30,122,933</u>	<u>26,002,847</u>
Change in net assets	1,661,067	(94,903)	1,566,164	241,885
Net assets, beginning of year	<u>2,808,712</u>	<u>1,084,221</u>	<u>3,892,933</u>	<u>3,651,048</u>
Net assets, end of year	<u>\$ 4,469,779</u>	<u>\$ 989,318</u>	<u>\$ 5,459,097</u>	<u>\$ 3,892,933</u>

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>	
			<u>2023</u>	<u>2022</u>
Personnel expenses	\$ 4,258,793	\$ 1,982,351	\$ 6,241,144	\$ 4,828,789
Depreciation and amortization	1,743	-	1,743	7,230
Fees and other expenses	3,404	1,155	4,559	4,980
Insurance	10	38,890	38,900	33,082
Travel and parking	31,178	19,214	50,392	19,525
Occupancy and equipment	243,838	2,896	246,734	240,598
Office	15,789	1,406	17,195	19,409
Outreach and promotion	10,470	49,153	59,623	57,641
Professional fees and legal fees	60,559	221,480	282,039	313,906
Professional memberships	139	20,787	20,926	75,313
Staff and board development	35,907	54,934	90,841	28,564
Subcontracted community services	20,933,576	-	20,933,576	18,439,660
Technology	360,230	30,311	390,541	390,883
Third party match and stand-in in-kind costs	1,189,000	-	1,189,000	1,170,584
Training and placement subcontracted services	540,810	14,910	555,720	372,683
Allocation and other	<u>(161,454)</u>	<u>161,454</u>	<u>-</u>	<u>-</u>
Total expenses	\$ <u>27,523,992</u>	\$ <u>2,598,941</u>	\$ <u>30,122,933</u>	\$ <u>26,002,847</u>

See notes to financial statements.

WORKSYSTEMS, INC.

STATEMENT OF CASH FLOWS

Year Ended June 30, 2023

(With Comparative Totals for the Year Ended June 30, 2022)

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 1,566,164	\$ 241,885
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,743	7,230
Noncash operating lease expense	(363)	-
Net changes in:		
Grants and contracts receivable	966,453	(480,974)
Prepaid expenses and deposits	(84,466)	26,522
Accounts payable	2,413,917	490,926
Accrued compensation costs	72,746	87,397
Refundable advances	(5,373,367)	5,756,588
Revolving loan fund payable	<u>(30,071)</u>	<u>(3,891)</u>
Net cash provided by operating activities	<u>(467,244)</u>	<u>6,125,683</u>
Cash flows from investing activities:		
Net change in loans receivable, revolving loan fund	<u>8,765</u>	<u>25,938</u>
Net cash provided by investing activities	<u>8,765</u>	<u>25,938</u>
Net change in cash and cash equivalents	(458,479)	6,151,621
Cash and cash equivalents, beginning of year	<u>10,183,481</u>	<u>4,031,860</u>
Cash and cash equivalents, end of year	<u>\$ 9,725,002</u>	<u>\$ 10,183,481</u>
Supplementary disclosures of cash flow information:		
Cash and cash equivalents	9,555,955	9,996,236
Cash restricted for revolving loan fund	<u>169,047</u>	<u>187,245</u>
	<u>\$ 9,725,002</u>	<u>\$ 10,183,481</u>
Cash paid for amount included in the measurement of of lease liabilities:		
Operating cash flows from operating lease	<u>\$ 286,653</u>	
Right-of-use asset obtained in exchange for new operating lease liability	<u>\$ 753,777</u>	

See notes to financial statements.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2023

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 year ended June 30, 2023, the Organization elected to *adopt Accounting Standards Update No. 2016-02, Leases Topic 842 ("ASC 842")*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the statement of financial position for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of activities. The Organization elected to adopt ASC 842, effective July 1, 2022, using the optional transition method to apply the transition provisions from the date of adoption, which requires the Organization to report the cumulative effect of the adoption of the standard on the date of adoption with no changes to the prior period balances. Pursuant to the practical expedients, the Organization elected not to reassess: (i) whether expired or existing contracts are or contain leases, (ii) the lease classification for any expired or existing leases, or (iii) initial direct cost for any existing leases.

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, 2023

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, 2023

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, 2023. No allowance for doubtful accounts was deemed necessary as of June 30, 2023.

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. All capitalized equipment is fully depreciated as of June 30, 2023.

Leases

The Organization determines if an arrangement is a lease or contains a lease at inception of a contract. A contract is determined to be or contain a lease if the contract conveys the right to control the use of identified property, plant, or equipment (an identified asset) in exchange for consideration. The Organization determines these assets are leased because the Organization has the right to obtain substantially all of the economic benefit from and the right to direct the use of the identified asset. Assets in which the supplier or lessor has the practical ability and right to substitute alternative assets for the identified asset and would benefit economically for the exercise of the right to substitute the asset are not considered to be or contain a lease because the Organization determines it does not have the right to contract and direct the use of the identified asset.

In evaluating its contracts, the Organization separately identifies lease and nonlease components, such as fixed common area and other fixed maintenance costs, in calculating the ROU assets and lease liabilities for its office building.

Leases result in the recognition of ROU assets and lease liabilities on the statement of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Organization determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Organization uses the implicit rate when readily determinable. As most of the leases do not provide an implicit rate, the Organization uses a risk free discount rate for all asset classes.

The lease term may include options to extend or to terminate the lease that the Organization is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Organization has no leases with an initial term of 12 months or less.

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 \$2,858,962 that have not been recognized at June 30, 2023 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.

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 \$1,078,753 as of June 30, 2023.

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.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2022, 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 the State of Oregon Office of the Higher Education Coordinating Commission	\$ 828,021
Due from Multnomah County	746,652
Due from the City of Portland	1,028,503
Due from other federal, state, and local government agencies	836,524
Miscellaneous	<u>363,217</u>
	<u>\$ 3,802,917</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 \$169,047 at June 30, 2023. The Organization is required to repay to the state any unused loan funds when the program is terminated.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

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

At June 30, 2023, outstanding loans receivable totaled \$82,958. 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 \$251,238 at June 30, 2023.

NOTE E – 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	\$	21,165
BankWorks		41,189
Summer Works		73,200
Occupational training and child care		801,763
Other		<u>52,001</u>
Total net assets with donor restrictions		<u>989,318</u>

NOTE F – 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, 2023, the accounts payable balances to these related parties were approximately \$1,258,000, and the accounts receivable balances from these related parties were approximately \$2,397,000. For the year ended June 30, 2023, the Organization received approximately \$12,689,000 from these related parties and paid approximately \$4,323,000 to these related parties.

NOTE G – 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 \$250,569 for the year ended June 30, 2023.

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE H – OPERATING LEASE

Nature of Leases

The Organization has entered into the following generally non-terminable lease arrangements:

Operating Lease

The Organization has a lease for office space that expires in March 2025. The operating lease includes a 3 percent escalating fee schedule. The Organization includes in the determination of the right-of-use assets and liabilities any renewal options when the options are reasonably certain to be exercised.

Short-Term Leases

Short-term leases are leases that are for a period of 12 months or less or contain renewals for periods of 12 months or less. The Organization did not have any short-term leases during the year ended June 30, 2023.

Lease cost

Operating lease cost	\$ 286,920
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Other information

Weighted-average remaining lease term (years)	
Operating leases	1.75

Weighted-average discount rate	
Operating leases	2.85%

Future minimum lease payments and reconciliation to the statement of financial position at June 30, 2023, are as follows:

<u>Year Ending June 30,</u>	<u>Finance Leases</u>
2024	\$ 295,251
2025	<u>226,386</u>
Total future undiscounted lease payments	521,637
Less present value discount	<u>(20,670)</u>
Lease liabilities	\$ <u><u>500,967</u></u>

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE I – CONCENTRATION OF REVENUE

The Organization received approximately 23% 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, 2023.

NOTE J – 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 K – 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 (8.50% as of June 30, 2023), plus 0.25%. No amounts were outstanding as of the audit report date.

NOTE L – LIQUIDITY

The following represents the Organization's financial assets available to meet cash needs for general expenditures within one year of June 30, 2023:

Financial assets at year-end*	
Cash and cash equivalents	\$ 9,555,955
Restricted cash, revolving loan fund	169,047
Accounts receivable	3,802,917
Loans receivable, revolving loan fund	82,958
Total financial assets	<u>13,610,877</u>
Less amounts unavailable for general expenditure use within one year:	
Contractual or donor-imposed restrictions	
Restricted cash, revolving loan fund	(169,047)
Loans receivable, revolving loan fund	(82,958)
Restricted by donors with purpose restriction	<u>(989,318)</u>
Total unavailable financial assets	<u>(1,241,323)</u>
Financial assets available to meet cash needs for general expenditures within one year	\$ <u>12,369,554</u>

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

WORKSYSTEMS, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2023

NOTE L – 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 M – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2024, which is the date the financial statements were available to be issued.