HIRED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
June 30, 2023 and 2022

HIRED
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HIRED
Minneapolis, Minnesota

Opinion

We have audited the accompanying financial statements of HIRED (a nonprofit organization), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of HIRED as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 HIRED and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. 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 HIRED'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 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.

In performing an audit in accordance with generally accepted auditing standards and *Governmental 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 HIRED'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 HIRED'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 Matters

Other Information

The Management Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the financial statements. The Management Discussion and Analysis has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we express no opinion on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 9, 2023 on our consideration of HIRED'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 HIRED'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 HIRED's internal control over financial reporting and compliance.

Redpath and Company, LLC

REDPATH AND COMPANY, LLC
St. Paul, Minnesota

October 9, 2023

Purpose

Hired's management has prepared this analysis of Hired's financial position to accompany our fiscal year 2023 and 2022 audited financial statements. It is our intention to provide readers with the context for the statements and information about the economic, political, and industry trends that affected our operations and financial outcomes for this year and will affect us in the future.

About Hired

> "Hired made me really think about the future and helped me to achieve many goals." – Savanthia, Hired Participant

At Hired, we believe every person deserves the opportunity to build a stable and promising future. We specialize in supporting individuals whose employment opportunities, and their own financial security and family stability, have been shaped by historic and systemic inequities and situational barriers. We strive to provide coaching and skill-building opportunities at every step of an individual's journey while helping them stabilize by meeting their basic needs and navigating systems of support. Through these efforts, we believe they are empowered to provide for their families, advance in their career, create financial stability and security, and pursue their purpose.

Formerly incarcerated people helped create Hired in 1968 to level the playing field for people who, like themselves, have barriers to employment. Today, we work with people in our community who are facing systemic and historic barriers to employment, financial security and wealth creation. This focus prepares people to successfully participate in the economy by securing and maintaining family-sustaining jobs that offer benefits and the potential for building a career and equitable wealth.

Hired specializes in workforce development, providing services across the Twin Cities Metro Region with an emphasis in Hennepin, Ramsey, and Dakota Counties. Hired has main office locations in Minneapolis, St. Paul, Brooklyn Center (reopening in FY 2024, in a new location), and Bloomington, while also offering integrated career and financial coaching and related services virtually and in partner organizations, where our staff are co-located. The vast majority of participants being served are in low-income households.

Hired has four primary employment programs that focus on serving:

- Youth: job seekers ages 14-24 who are disconnected from education and employment and often coming out of the justice and, or the foster care systems and face other barriers including experiencing homelessness.
- Family Stability: parents on public assistance seeking employment support and training.
- Adult Services: low-income unemployed and underemployed individuals as well as those who have been laid off due to no fault of their own.

- Career Pathways: underemployed or unemployed people seeking free job training and related supports to enter careers, such as Certified Nursing Assistants, Office Administration, Medical Call Center professionals, Security Officers, Medical Manufacturing Assemblers, Human Service Coordinators and more.

Hired made a participant data reporting change in FY23 by shifting from counting service slots to unique people. This change was made to better reflect the actual number of participants served. Due to this change participant numbers below will be less than prior years.

Among the 4,000+ people who received job coaching to find, prepare for and secure family-sustaining employment our past program year; of those people:

- 66% identified as BIPOC (Black, Indigenous, People of Color);
- 72% identified as women;
- 25% were youth and young adults (14 to 24); and
- 76% headed families, with more than half parenting while single.

Hired offers individuals career pathway trainings in high-demand industries, partners with educational institutions and employers to provide targeted training, credentialing, and work exposure opportunities in addition to our holistic services: career coaching, skill building, flexible support services, basic career readiness, digital literacy, and financial wellness.

Hired is taking the lead among Twin Cities workforce development organizations in designing trainings to equip participants with a durable and transferable skill set that prepares them for long-term employment success and career advancement. At the same time, we are focused on how we collect and interpret data – most especially the voice and views of our participants, who know us and our programs best.

Hired's Impact in Fiscal Year 2023:

- Over 4,000 youth and adults received coaching to find, prepare for, and secure family-sustaining employment.
- 891 individuals were able to develop marketable skills and/or credentials through training, internships, and work experiences.
- Over 300 people received financial wellness education and coaching.
- 1,524 people secured employment at an average hourly wage of $24.32 – an increase of $11 over their wage at enrollment.
- Nearly 8,000 children benefited from more predictable home lives as a result of their parents taking active steps toward their career goals, including stable employment.
- More than $1.7 million in total support services were distributed to participants by Hired and through referrals.

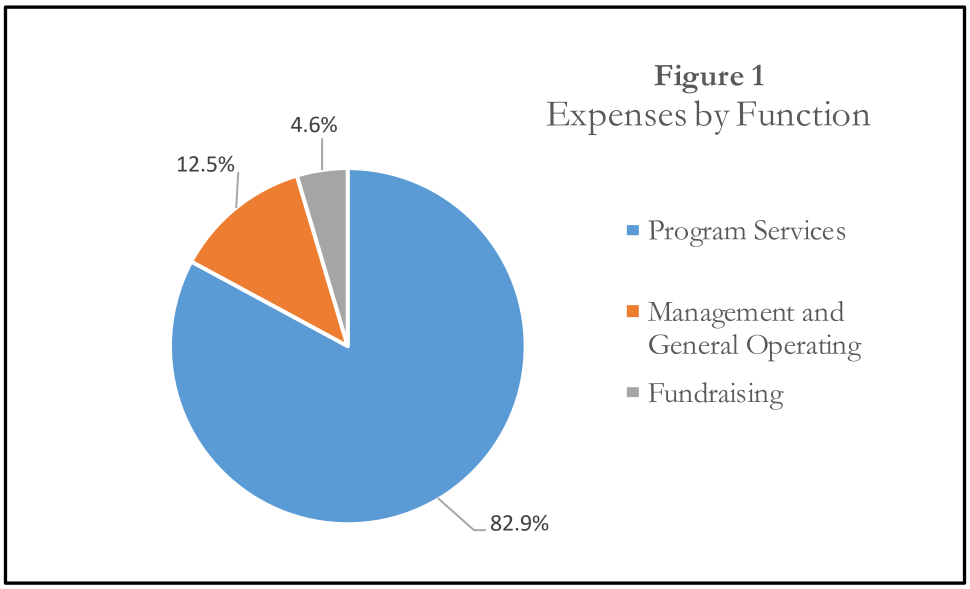
Financial Position

Hired ended 2023 with $1,530,470 in net assets; an increase of $441,927 from 2022, primarily due to contributions from community organizations received in 2023. Hired's total assets increased $1,886,010 from $1,685,532 in 2022 to $3,571,542 in 2023. This increase in assets is primarily due to recording a right-of-use asset for operating leases in 2023 resulting from adopting the provisions of ASC 842, Leases, as of July 1, 2022.

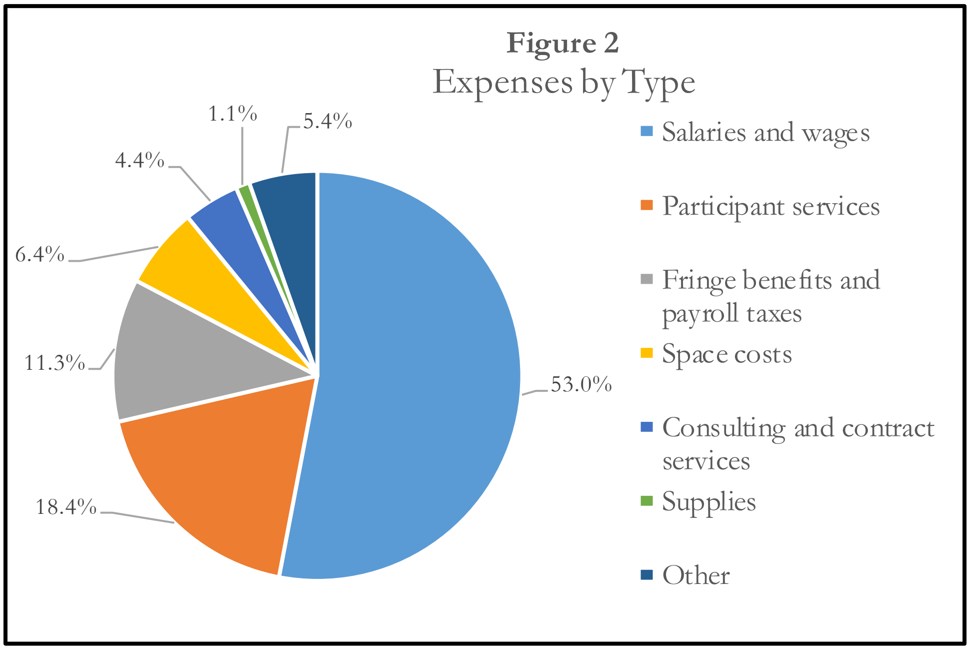
Hired’s total liabilities increased $1,444,083 from $596,989 in 2022 to $2,041,072 in 2023. This increase in liabilities is primarily due to recording an operating lease liability in 2023 resulting from adopting the provisions of ASC 842, Leases, as of July 1, 2022. Hired’s working capital was positive for both 2023 and 2022, with a Current Ratio (calculated by taking current assets divided by current liabilities) of 2.12 in 2023 and 2.70 in 2022. This indicates Hired has the ability to liquidate all current liabilities with current assets without difficulty.

Financial Activities

Total revenue in 2023 was $11,033,899, an increase of $2,262,357 (26%) from $8,771,542 in 2022. This increase was primarily driven by an increase in governmental grants and contracts of $1,654,781 (20%) Additionally, there was an increase in contributions of $213,186 (26%) from $602,085 in 2022 to $815,271 in 2023, plus new funding received from community organizations in 2023 for $420,775.



Hired’s total expenses increased $1,455,650 from $9,136,322 in 2022 to $10,591,972 in 2023. Program services expenses made up 82.9% of expenditures in 2023 and 81.3% in 2022, and increased by $1,353,209 (See Figure 1). This increase was primarily due to an increase in salaries and wages and related fringe benefits and payroll taxes in 2023. Program services expenses relate directly to Hired’s mission and include individual employment counseling, training, support services, job development (which serves participants and employers), and program operating costs (space, supplies, postage, mileage, etc.). Management and General operating expenses of $1,324,463 in 2023 increased $158,133 from $1,166,330 in 2022. Management and General operating expenses comprised 12.5% and 12.8% of all expenses in 2023 and 2022, respectively (See Figure 1). Such expenses include administration, accounting, marketing and communications, information technology, and human resources. Fundraising expenses were 4.6% and 6.0% of all expenses in 2023 and 2022, respectively. Management, general and fundraising percentages are well below the 30% maximum suggested by the Charities Review Council.



Expenses by Type (See Figure 2)

Salaries and wages, Hired's largest expense, was $5,614,484 and $4,790,813 in 2023 and 2022, respectively. The majority of Hired's staff provide direct services to our participants. Salaries and wages reflect an increase of $823,671 (17.2%), resulting from increased headcount and pay raises provided to employees related to a compensation study performed in 2023. Related fringe benefits and payroll taxes was $1,191,699 and $1,055,739 in 2023 and 2022, respectively. The $135,960 increase in related fringe benefits and payroll taxes relates to the increase in salaries and wages expenses.

Participant services increased overall by $142,985 (7.9%) in 2023, primarily due to an increase in cost reimbursable governmental grants and contracts. Participant services were $1,946,068 and $1,803,083 in 2023 and 2022, respectively. Participant services include client supported work, training and support services, most notably housing assistance, access to technology, food support, transportation and more.

Consulting and contract services expense increased $111,987 (32.1%) from $349,123 in 2022 to $461,110 in 2023, due to new consultants used during 2023 for Hired's career programs and increased consultant fees for Hired's managed information technology services.

Building on Our Strengths

In Fiscal Year 2023, Minnesota continued to face a significant shortage of workers, due to low population growth, declining labor force participation, and increasing demand for jobs. According to RealTime Talent (realtimetalent.org), our total talent shortage is estimated to grow to 317,000 workers by 2025. Minnesota's labor force participation rate has dropped to its lowest levels since the late 1970's, necessitating the reaching out to non-traditional workers, including youth, to reattach them to education and the workforce and to prepare them to fill these jobs.

In this economic and employment landscape, employers recognized the value of workers who possess a durable and transferrable skill set and digital acuity. To ensure employment entry and upward mobility, many job seekers faced the necessity of adding targeted training to upskill and reskill for employment.

In FY2023, Hired responded to all of these challenges by diversifying our programming to include deepened services to non-traditional workers, increasing durable skills training and career pathways job training, and expanding partnerships with community-based organizations and employers. For instance, with the support of our team of trainers, employment counselors, and AmeriCorps volunteers through the Community Technology Empowerment Program (CTEP) program, alongside support service funding for technology, provided from numerous sources, Hired has been able to prepare job seekers for the durable and digital needs of tomorrow's workforce.

Emerging from the isolation and challenges of the past three years, Americans are struggling with mental health, substance usage, and related challenges. And with the impact of inflation hitting those in our community hardest who were least prepared to deal with it, demand for other support services, including food and transportation, have increased. As Hired works to address participants' barriers to long-term employment, the types and levels of assistance we needed to provide, either directly or through referrals to more than community partners, also increased.

To support these responses, Hired diversified our government funding to include new programs focused on non-traditional workers: Vocational Rehabilitation Services and Internationally Trained Healthcare Professionals. We also launched new services to better support famlies in stablizing, including our Aftercare programs, which support families that leave public assistance for employment, by helping them to prepare for the Benefits Cliff – the point where they become ineligible for additional non-cash support, including housing and childcare assistance, and may experience a dramatic decrease in financial stability. We also launched a new Home Visit program to provide support to parents of young children as they navigate parenting and their employment preparation and search.

Racial equity continued to be the driving force behind our work, knowing that stable and sustaining employment is fundamental to not only increasing the standard of living for the current generation of workers, but in creating an upward trajectory for generations to come and key to a healthy, productive economy. As part of this, in FY2023, Hired increased our community partnerships from 130 to 160+. This included expanded collaboration with culturally focused partners, including: *Network for Development of Children of African Descent* (NdCAD), *Center for Asians and Pacific Islanders* (CAPI), and *African Career Readiness and Resource* (ACER), among many others. We also added support for mental health concerns through partners like Creative Kuponya and the Wellstone Center for Children.

Hired also increased our employer partner network, growing it from 60 to 75+. As an Endorsed Talent Agent with OneTen - an organization that combines the power of committed American companies to upskill, hire, and promote one million Black Americans over the next 10 years into family-sustaining jobs with opportunities for advancement - Hired teams with OneTen partnering employers to identify and prepare Black talent to assume high-demand roles within their organizations.

In a workforce where there are three job opening for every job seeker, Hired also faced new needs and challenges in reaching out to and engaging with community members, especially non-traditional potential workers and those who have been detached from educational and employment systems. To support this work, Hired sought and received new funding for creative and targeted participant recruitment that fosters a renewed sense of community and connectedness. The initial results exceeded expectations and resulted in an award from the City of Minneapolis as a Provider of the Year.

Our commitment to leveraging participant voice and data to guide program development and continuous improvement expanded with funding from a new source, the Shavlik Foundation. With this new funding we undertook the first two phases of our Data for Impact project and look forward to developing our *Data for Impact* initiative to new levels in FY2024 and beyond, as we apply the results to respond even more effectively to job seekers and their future employers.

Our Hired team carried out our mission with intensity in FY2023. We strengthened our outreach, developed a new strategic plan with the input of more than 500 community members; current and past participants; supporters; and civic, community, and employer partners and established the groundwork for 2024 to be a year of furthering our work of advancing economic opportunity for all through individual employment and career services.

FINANCIAL STATEMENTS

HIRED
STATEMENTS OF FINANCIAL POSITION **Statement 1**
June 30, 2023 and 2022

	2023	2022
Assets:		
Current assets:		
Cash	$475,412	$260,881
Contracts receivable - billed	1,183,999	992,846
Contracts receivable - unbilled	100,313	2,075
Contributions receivable	10,000	101,500
Contributions receivable - community organizations	141,592	-
Inventory	80,091	50,973
Prepaid expenses	23,650	23,493
Total current assets	2,015,057	1,431,768
Property and equipment:		
Office equipment and leasehold improvements	400,839	400,839
Less: accumulated depreciation and amortization	(358,009)	(344,953)
Total property and equipment	42,830	55,886
Noncurrent assets:		
Right-of-use asset - operating lease	1,308,955	-
Unemployment trust reserve	109,483	130,751
Annuity contract	95,217	67,127
Total noncurrent assets	1,513,655	197,878
Total assets	$3,571,542	$1,685,532
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	$117,795	$126,528
Accrued payroll, vacation and related taxes	493,239	375,826
Unemployment trust claims liability	13,000	7,130
Other accrued expenses	1,298	10,378
Refundable advance	-	10,000
Lease liability - operating lease, current portion	325,289	-
Total current liabilities	950,621	529,862
Noncurrent liabilities:		
Annuity contract	95,217	67,127
Lease liability - operating lease, net of current portion	995,234	-
Total noncurrent liabilities	1,090,451	67,127
Total liabilities	2,041,072	596,989
Net assets:		
Net assets without donor restrictions:		
Undesignated	1,326,547	870,939
Net assets with donor restrictions	203,923	217,604
Total net assets	1,530,470	1,088,543
Total liabilities and net assets	$3,571,542	$1,685,532

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

 Statement 2

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Governmental grants and contracts	$9,743,994	$ -	$9,743,994	$8,089,213	$ -	$8,089,213
Contributions	660,151	155,120	815,271	574,727	27,358	602,085
Contributions - community organizations	420,775	-	420,775	-	-	-
Gifts in-kind	26,365	-	26,365	26,050	-	26,050
Other	27,494	-	27,494	54,194	-	54,194
Net assets released from restrictions:						
Satisfaction of program restrictions	168,801	(168,801)	-	416,136	(416,136)	-
Total support and revenue	11,047,580	(13,681)	11,033,899	9,160,320	(388,778)	8,771,542
Expenses:						
Program services - employment services and training	8,777,990	-	8,777,990	7,424,781	-	7,424,781
Supporting services:						
Management and general	1,324,463	-	1,324,463	1,166,330	-	1,166,330
Fundraising	489,519	-	489,519	545,211	-	545,211
Total expenses	10,591,972	0	10,591,972	9,136,322	0	9,136,322
Change in net assets	455,608	(13,681)	441,927	23,998	(388,778)	(364,780)
Net assets - beginning of year	870,939	217,604	1,088,543	846,941	606,382	1,453,323
Net assets - end of year	$1,326,547	$203,923	$1,530,470	$870,939	$217,604	$1,088,543

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

HIRED
STATEMENTS OF FUNCTIONAL EXPENSES
For the Years Ended June 30, 2023 and 2022

	2023			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$1,946,068	$ -	$ -	$1,946,068
Salaries and wages	4,688,194	695,707	230,583	5,614,484
Fringe benefits and payroll taxes	1,010,619	136,953	44,127	1,191,699
Space costs	567,855	81,970	27,317	677,142
Supplies	60,918	37,022	17,399	115,339
Telephone and networking	69,504	16,008	1,307	86,819
Depreciation and amortization	-	13,056	-	13,056
Equipment rent and maintenance	19,263	2,509	504	22,276
Small equipment	41,400	22,963	2,716	67,079
Travel	28,545	675	223	29,443
Postage	6,350	921	890	8,161
Audit and tax services	-	39,930	-	39,930
Insurance	36,615	4,557	1,190	42,362
Payroll processing	-	7,597	-	7,597
Consulting and contract services	161,862	177,032	122,216	461,110
Meeting and conferences	23,724	6,125	10,250	40,099
Other	117,073	81,438	30,797	229,308
Total expenses	$8,777,990	$1,324,463	$489,519	$10,591,972

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

	2022			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$1,803,083	$ -	$ -	$1,803,083
Salaries and wages	3,851,836	658,976	280,001	4,790,813
Fringe benefits and payroll taxes	882,467	130,629	42,643	1,055,739
Space costs	506,524	61,705	38,084	606,313
Supplies	54,485	34,922	15,415	104,822
Telephone and networking	73,369	31,532	2,325	107,226
Depreciation and amortization	-	13,804	4,167	17,971
Equipment rent and maintenance	16,067	2,252	584	18,903
Small equipment	18,788	9,882	450	29,120
Travel	17,582	608	84	18,274
Postage	8,693	685	800	10,178
Audit and tax services	-	29,186	-	29,186
Insurance	35,349	4,652	1,616	41,617
Payroll processing	-	8,396	-	8,396
Consulting and contract services	120,523	122,490	106,110	349,123
Meeting and conferences	14,484	1,831	2,166	18,481
Other	21,531	54,780	50,766	127,077
Total expenses	$7,424,781	$1,166,330	$545,211	$9,136,322

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

HIRED
STATEMENTS OF CASH FLOWS **Statement 4**
For the Years Ended June 30, 2023 and 2022

	2023	2022
Cash flows from operating activities:		
Change in net assets	$441,927	($364,780)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	13,056	17,971
Noncash operating lease expense	11,568	-
Changes in assets and liabilities:		
Receivables	(339,483)	11,223
Inventory	(29,118)	17,084
Prepaid expenses	(157)	32,525
Unemployment trust reserve	21,268	67,968
Annuity contract asset	(28,090)	(2,183)
Accounts payable	(8,733)	6,542
Accrued payroll, vacation and related taxes	117,413	2,572
Unemployment trust claims liability	5,870	(93,969)
Other accrued expenses	(9,080)	(59,305)
Refundable advance	(10,000)	10,000
Deferred rent	-	(11,187)
Annuity contract liability	28,090	2,183
Net cash provided by (used in) operating activities	214,531	(363,356)
Cash flows from investing activities:		
Purchase of equipment	-	(23,786)
Increase (decrease) in cash	214,531	(387,142)
Cash - beginning of year	260,881	648,023
Cash - end of year	$475,412	$260,881
Supplemental disclosure of cash flow information:		
Interest paid	$3,888	$729

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

Note 1 SUMMARY OF ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

Founded in 1968, HIRED was created to build a pathway for previously incarcerated individuals to gain employment, economic stability and avoid recidivism. Over fifty years, HIRED has grown to become a responsive workforce development nonprofit who partners with employers, government agencies, nonprofit peers, and funders to deliver on workforce development objectives and regional priorities. HIRED's mission is to nurture purpose and advance economic opportunity for all through individualized employment and career services. We do this across four program areas:

- Career Pathways Job Training: Prepare low-income job seekers for positions in high growth job sectors that offer career laddering opportunities. Our pathways programs include post-secondary and/or employer-recognized credentials.

- Family Stability: We help families gain stability, transition from public assistance, and prepare for and enter the workforce. Our team creates a safety net for families with tremendous life barriers to personal and economic equity that empowers them to gain skills, education, and jobs.

- Youth Achievement: Youth voice guides our work to help disadvantaged youth overcome barriers to academic, economic, and housing stability. The majority of young people we serve are disconnected from school, many have been impacted by homelessness, and are transitioning from the juvenile justice and/or foster care systems.

- Rapid Re-Tool & Job Placement: HIRED offers one-to-one coaching and wraparound supports designed to help recently laid-off individuals and adults with distinct employment barriers, re-train, reenergize, and re-enter the workforce.

HIRED supports individuals by removing barriers to their employability; supports young people in achieving academic goals and developing the work habits necessary to find and hold a job; and connects job seekers to employment opportunities with the guidance of knowledgeable employment counselors.

B. BASIS OF PRESENTATION

Net assets, revenues, expenses, gains, and losses of the Organization are classified based on the existence or absence of donor-imposed restrictions. Accordingly, 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 restrictions.
- Net assets with donor restrictions – net assets subject to donor-imposed restrictions that may or will be met either by actions of the Organization and/or the passage of time.

C. REVENUE AND REVENUE RECOGNITION

Substantially all of the Organization’s revenue and support is non-exchange transactions in the form of governmental grants and contracts, and other contributions.

GOVERNMENTAL GRANTS AND CONTRACTS

Governmental grants and contracts are treated as conditional contributions with revenue recognized as the conditions are met.

Revenues from cost reimbursement grants and contracts are recognized as eligible costs are incurred. Expenditures in excess of the related contract monies received are recorded as contracts receivable, either billed or unbilled. Funds received in excess of expenditures are recorded as a refundable advance liability.

Revenues from performance-based contracts are recognized when the performance measures are achieved. The Organization receives funds per enrollment for a portion of performance-based contracts, and these revenues are recognized when the specific event occurs.

CONTRIBUTIONS

Contributions received are measured at fair value and reported as an increase in net assets. The Organization reports gifts of cash and other assets as support with donor restrictions if they are received with donor stipulations that limit their use. The Organization reports contributions restricted by donors as increases in net assets without donor restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Pledges are restricted when made and released from restriction in the year funds are received.

D. CONTRIBUTED PROPERTY AND EQUIPMENT

Contributed property and equipment is recorded at fair value at the date of donation. If a donor stipulates how or how long the assets must be used, the contributions are recorded as support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

E. CONTRIBUTED SERVICES AND MATERIALS

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received.

F. CONTRACTS RECEIVABLE

Contracts receivable relate primarily to governmental contracts. Credit is also granted to local businesses and organizations as part of certain program services. An allowance is provided for accounts when payment is more than 180 days past due and it is likely that an account is uncollectible. The Organization’s policy is to write off an uncollectible government account when the agency confirms that the invoice has been disallowed.

G. CONTRIBUTIONS RECEIVABLE (PROMISES TO GIVE)

Unconditional promises to give greater than or equal to $1,000 per year are recognized in the period the promises are made. Promises to give less than $1,000 per year are recognized as contributions when the cash is received. Pledges receivable are discounted at present value (based on the average rate of 1, 2, and 3 year treasuries during the year). All pledges receivables at June 30, 2023 and 2022 are scheduled for collection within one year. The allowance for doubtful accounts for individual pledges has been set at 5%. An additional allowance for doubtful contributions is given if management determines that it is likely that a pledge is uncollectible. A pledge is written off when management determines that it will no longer attempt to collect the pledge. There is no allowance for pledges at June 30, 2023 or 2022.

H. INVENTORY

Inventory consists of prepaid gas cards, gift cards, and bus passes for client support, supplies and non-capitalizable equipment on hand. Inventory is valued at the lower of cost or net realizable value on a first-in, first-out basis.

I. PROPERTY AND EQUIPMENT

The Organization capitalizes property and equipment acquisitions in excess of $2,500. Property and equipment acquired are capitalized and carried at cost, if purchased, or at fair market value on date of donation, if donated. Depreciation is provided in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of between three to eight years using the straight-line method.

Property and equipment acquired with governmental contracts, which remain the property of the Organization upon termination of the contracts, are capitalized and carried at cost. Property and equipment acquired with governmental contracts, which revert to the funding government upon termination of the program, are treated as expenses for the year in which the liability is incurred. As such, depreciation is not provided. Title to these assets remains with the government funder.

J. INCOME TAXES

The Internal Revenue Service, in a letter dated August 2, 1991, has determined that the Organization is exempt from federal income tax under Section 501(a) of the Internal Revenue Code, as a public charity as described in Section 501(c)(3). Similar exemptions exist under Minnesota statutes.

A tax expense or benefit from an uncertain income tax position (including tax-exempt status) may be recognized only when it is more likely than not that the position will be sustained upon examination by taxing authorities. Management believes the Organization has no uncertain income tax positions that would result in an accrual, expense or benefit under the more likely than not standard.

K. ACCRUED VACATION PAY

Employees accrue vacation time throughout the year and the maximum total accrual allowed per employee is equivalent to one year’s accrual of vacation time. Most employees’ vacation pay is reimbursable through various governmental contracts.

L. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing program services and other activities have been summarized on a functional basis in the accompanying financial statements. Accordingly, certain expenses have been allocated among the programs and supporting services that received benefit.

Expenses that are not directly identifiable by program or support service are allocated based on a shared cost method. Under the shared cost method, the number of full-time equivalents (FTEs) within a department are divided by the total number of FTEs at the organization to determine the percentage of shared costs they should bear. These allocations are done monthly based on actual payroll data (how employees charge their time). Expense allocations include costs such as rent and equipment rental, telephone and network communications, and insurance.

M. LEASES

For leases with an initial term in excess of 12 months, the related leased asset and liability are recognized on the balance sheet as operating or finance leases at the inception of an agreement where it is determined that a lease exists. The Organization has elected to exclude short-term leases for all classes of underlying assets from balance sheet recognition. A lease is considered to be short-term if it contains a lease term of 12 months or less. Lease expense related to short term leases is recognized on a straight-line basis over the term of the lease. The Organization may enter into leases that contain both lease and non-lease components. The Organization did not elect the practical expedient to combine lease and non-lease components when feasible.

N. USE OF ESTIMATES

In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The Organization adopted the provisions of ASC 842, Leases, using the modified retrospective approach with July 1, 2022 as the date of initial adoption. The Organization elected the package of practical expedients permitted under the transition guidance within the new standard. In addition, the Organization elected the practical expedient to use hindsight in determining the lease term for existing leases, which resulted in shortening the lease terms for certain existing leases. Upon implementation, right-of-use operating lease assets and liabilities increased by $1,551,741, which resulted in no change in net assets as of July 1, 2022. Adoption of the new standard did not materially impact the Organization's net income and had no impact on cash flows.

Note 2 LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date of at June 30:

	2023	2022
Cash	$475,412	$260,881
Contracts receivable	1,284,312	994,921
Contributions receivable	151,592	101,500
Less net assets with donor restrictions	(203,923)	(217,604)
	$1,707,393	$1,139,698

Due to the nature of the restrictions from contributions received from donors, HIRED has omitted all restricted contributions. HIRED has a line of credit of $340,000 as disclosed in Note 5, as well as a monthly credit facility limit of $200,000. HIRED monitors its cash balance, as well as the availability of the line of credit, very closely.

Note 3 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes at June 30:

	2023	2022
Capacity building	$96,407	$64,983
Family stability	56,325	40,247
Career pathways	24,157	7,374
Other	27,034	-
Time restrictions	-	105,000
Total	$203,923	$217,604

Note 4 PROPERTY AND EQUIPMENT

The Organization owns the following at June 30:

	2023	2022
Office equipment and furniture	$351,184	$351,184
Leasehold improvements	37,155	37,155
Website redesign and rebranding	12,500	12,500
	400,839	400,839
Less accumulated depreciation and amortization	(358,009)	(344,953)
Net fixed assets	$42,830	$55,886

Note 5 LINE OF CREDIT

The Organization has $340,000 available under a revolving line of credit agreement with Bremer Bank, which expires on November 1, 2023. The interest rate is the higher of 6.25% or the current index rate, based on the prime rate of interest as published in the JPMorgan Chase & Co. The rate at June 30, 2023 and 2022 was approximately 8.25% and 4.75%, respectively. The line of credit is collateralized by the assets of the Organization. Borrowings are due on demand. During 2023 and 2022 respectively, the Organization incurred $3,888 and $729 in interest expense due to the usage of its line of credit. As of June 30, 2023 and 2022, there was $0 and $1,031 outstanding under this line of credit, respectively.

Note 6 CONTRIBUTED GIFTS-IN-KIND

The Organization received the following contributed gifts-in-kind for fiscal year ending June 30:

	2023	2022
Parking	$22,500	$22,500
Other	3,865	3,550
Total	$26,365	$26,050

The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Donated parking is utilized during the reporting period by the Organization. Donated goods are distributed to the people enrolled in the Organization's programs. There were no donor-imposed restrictions associated with the contributed gifts-in-kind.

Note 7 COMMITMENTS AND CONTINGENCIES

PROGRAM COMPLIANCE

Federal and state contracts are subject to financial and compliance regulation. To the extent that any expenditure is disallowed, a liability to the respective funding government could result.

PPP LOANS AND LOAN FORGIVENESS

The Organization received a Paycheck Protection Program (PPP) loan, of which $796,380 was fully forgiven in March 2021, and the balance was repaid. The expenditures under the PPP loan program are subject to review and audit by the SBA for six years from the date the loan was forgiven or paid in full. Management believes that any liability for disallowances, which may arise as a result of an audit, would not be material.

Note 8 LEASES

The Organization leases certain office facilities at various terms under long-term non-cancelable operating leases. The leases expire at various dates through 2028 and provide renewal options ranging from 1 to 5 years. The Organization includes in the termination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised. The Organization's operating leases provide for increases in future minimum annual rental payments. Additionally, some of the operating lease agreements requires the Organization to pay real estate taxes, insurance, and repairs.

Total lease expense for the year ended June 30, 2023 are as follows:

Lease expense:	
Operating lease expense	$373,959
Short-term lease expense	254,586
Total lease expense	$628,545

Space lease expense for the year ended June 30, 2022 was $611,153. As of June 30, 2023, the weighted average remaining lease term was 36.75 months, and the weighted average discount rate was 5.24%.

The following table summarizes the supplemental cash flow information for the year ended June 30, 2023:

	2023
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$362,390
Right-of-use assets obtained in exchange for lease liabilities:	
Operating leases	$1,551,741

The future minimum lease payments under noncancelable operating leases with terms greater than one year are listed below as of June 30, 2023:

Year ending June 30,	Operating
2024	$386,624
2025	396,599
2026	394,933
2027	190,647
2028	106,263
Total lease payments	1,475,066
Less: Present value discount	(154,543)
Present value of lease liabilities	$1,320,523

Note 9 EMPLOYEE BENEFIT PLANS

The Organization sponsors a 401(k) plan for the benefit of all employees who meet certain service requirements. Contributions to the plan are made by the Organization and are equal to 3% of the participants' compensation in 2023 and 2022. Total Organization contributions to the plan were $125,078 and $105,690 for 2023 and 2022, respectively.

The Organization has a deferred compensation annuity contract for key employees under Section 457(b) of the Internal Revenue Code. The Organization's contributions to the deferred compensation plan were $16,398 and $16,175 for 2023 and 2022, respectively. The plan is funded by an annuity contract held by the Organization. The deferred compensation asset and liability amounted to $95,127 and $67,127 at June 30, 2023 and 2022, respectively.

Note 10 CONCENTRATIONS

SIGNIFICANT CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization provides services primarily within the Twin Cities metropolitan area. In 2023, 66% of the Organization's revenues provided are primarily from three local government agencies: Hennepin County, Ramsey County, and the Minnesota Department of Employment and Economic Development. In 2022, 74% of revenues were provided by these agencies.

CONCENTRATION OF CREDIT RISK

At times, bank balances may be in excess of the Federal Deposit Insurance Corporation (FDIC) limit. The Organization has not experienced any losses in such accounts. Management believes it is not exposed to any significant credit risk on cash and cash equivalents.

Note 11 FAIR VALUE MEASUREMENTS

Under Generally Accepted Accounting Principles in the United States of America (GAAP), fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. GAAP establishes a fair value hierarchy categorized into three levels based on the inputs used. Generally, the three levels are as follows:

- Level 1 – Quoted prices in active markets for identical assets.
- Level 2 – Significant other observable inputs.
- Level 3 – Significant unobservable inputs.

Assets and liabilities that are measured at fair value on a recurring basis are as follows:

	Level 2	
	2023	2022
Annuity contract	$95,217	$67,127

The annuity contract is valued using the fair value of the underlying investments.

Note 12 UNEMPLOYMENT TRUST

The Organization pays actual Minnesota Unemployment claims via the Unemployment Services Trust in lieu of paying unemployment taxes directly to the State of Minnesota. The Organization's unemployment trust balance per contract would be fully refunded to the Organization upon payment of all outstanding unemployment claims. The balance of the unemployment trust is based on the amount contributed net of HIRED's prorated share of income and expenses incurred by the trust and actual unemployment claims paid. The reserve balance at June 30, 2023 and 2022 was $109,483 and $130,751, respectively. The unemployment claims liability was $13,000 and $7,130 at June 30, 2023 and 2022, respectively.

Note 13 SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 9, 2023, the date that the financial statements were available to be issued.

On October 5, 2023, HIRED entered into a new operating lease agreement in Brooklyn Center for 37 months, commencing on December 1, 2023. The monthly minimum rental is $3,109 with annual increases of approximately 4.5%, plus real estate taxes and operating expenses.