HIRED

<u>FINANCIAL STATEMENTS AND</u>
<u>INDEPENDENT AUDITOR'S REPORT</u>

For The Years Ended
June 30, 2018 and 2017

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HIRED
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REDPATH AND COMPANY

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
HIRED
Minneapolis, Minnesota

We have audited the accompanying financial statements of HIRED (a nonprofit organization) which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

4810 White Bear Parkway, St. Paul, MN, 55110 651.426.7000 www.redpathcpas.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of HIRED as of June 30, 2018 and 2017, 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.

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 December 4, 2018 on our consideration of HIRED's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

December 4, 2018

Purpose

HIRED's management has prepared this analysis of HIRED's financial position to accompany our fiscal year 2018 and 2017 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 allows people to believe in themselves."
–Bibian, Disconnected Youth, Impacted by Homelessness, Hopeful

Founded in 1968, to create a path to employment and economic stability for previously incarcerated individuals, HIRED has since grown to become a "go to" workforce development nonprofit for disadvantaged jobseekers and adults and young people facing distinct challenges. HIRED's mission is: *to provide personalized and innovative workforce solutions* that help disadvantaged jobseekers develop meaningful careers that foster long-term family stability and strengthen regional economic equity. Our employment counselors partner with participants to set goals and activate a plan to achieve greater economic stability for themselves and their families. **In FY18, HIRED served 6,937 people through our continuum of life-changing work-readiness, education, and career training programs across four departments:**

- **Career Pathways Job Training:** Prepare low-income jobseekers for positions in high growth job sectors—manufacturing, hospitality, healthcare and others—that offer a living wage and 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 at-risk 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 a segment is transitioning from the foster system.

- **Dislocated Worker & Adult WIOA—Re-Tool & Job Placement:** HIRED offers one-to-one coaching and wraparound supports designed to help laid-off individuals and adults with distinct employment barriers, re-train, re-energize, and re-enter the workforce.

Fiscal Year 2018 by the Numbers:

- Served **6,937 people** across the twin cities region.
- Assisted **2,424 individuals** with securing family sustainable employment.
- Participants earned an average hourly wage of **$17.76** at placement.
- Provided **498 youth** with work-readiness and employment programs to help them enter the workforce.
- Facilitated the transition from welfare to work for **4,296 families** through integrated employment services.
- Trained **382 low-income individuals** for jobs in career pathway programs in high-growth industries, including 911/safety dispatch, health care, office administrative support, advanced manufacturing, transportation, and construction.
- Provided re-employment and training services for **1,761 dislocated workers.**

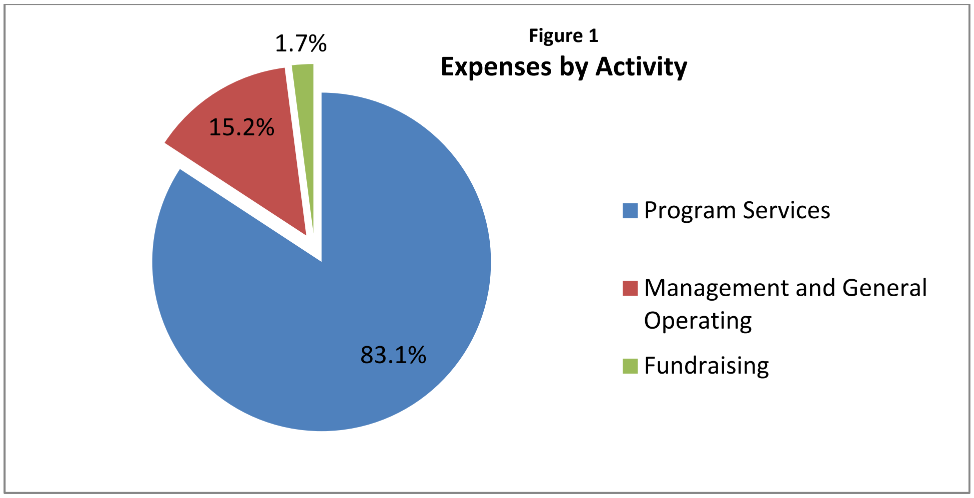
Financial Position

HIRED ended 2018 with $1,255,520 in net assets; an increase of $141,309 from 2017, due to growing philanthropic resources. Total assets at June 30 were $1,847,307 and $1,983,207 in 2018 and 2017, respectively, a decline of $135,900 (7%).

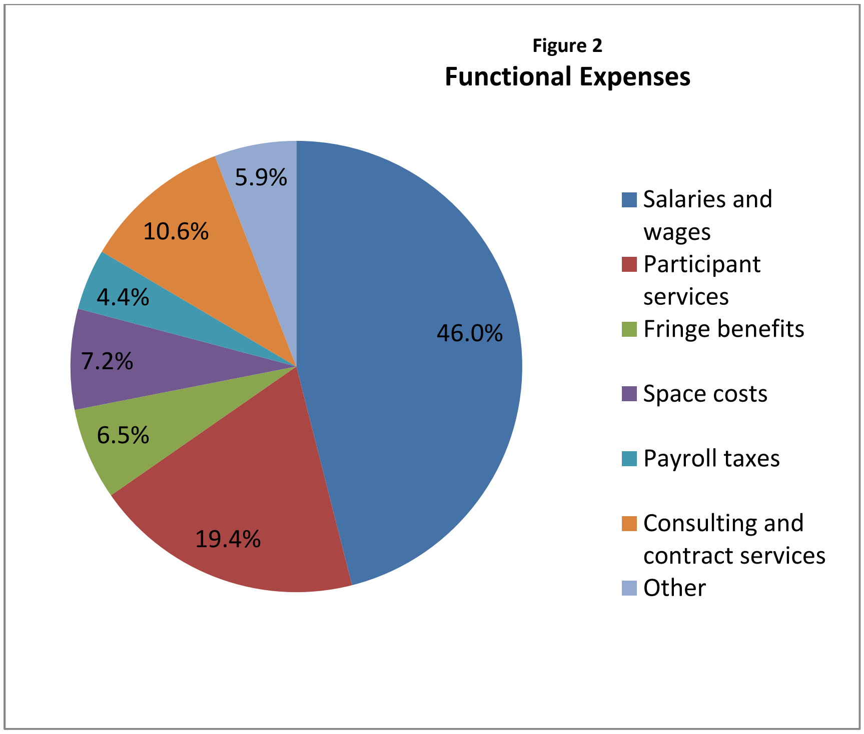
HIRED's total liabilities decreased $277,209 from $868,996 in 2017 to $591,787 in 2018. This decrease in liabilities is offset by HIRED's decrease in Contracts Receivable, which decreased from $1,233,800 in 2017 to $798,823 in 2018. HIRED's working capital was positive for both 2018 and 2017, with a Current Ratio (calculated by taking current assets divided by current liabilities) of 3.3 in 2018 and 2.4 in 2017. This indicates HIRED has the ability to liquidate all current liabilities with current assets without difficulty.

Financial Activities

Total revenue in 2018 was $10,139,034, a decrease of $862,907 (8%) from $11,001,941 in 2017. This decrease was driven by a decrease in government contract revenues of $1,175,659 from $10,363,902 in 2017 to $9,188,243 in 2018. Additionally, there was also an increase in contributions of $312,313 (50%) from $625,966 in 2017 to $938,279 in 2018.



HIRED's total expenses decreased $1,316,414 from $11,314,139 in 2017 to $9,997,725 in 2018. Program services expenses made up 83.1% of expenditures in 2018 and 84.3% in 2017, and declined by $1,234,054 (See Figure 1). This decrease was primarily due to a decrease in government funds available for staffing and client supported work wages and taxes as well as training and support services. Program services expenses relate directly to HIRED's mission and include individual employment counseling, training, support services, job development (which serves clients and employers), and program operating costs (space, supplies, postage, mileage, etc.). Management and General operating expenses of $1,517,800 in 2018 decreased $36,927 from $1,554,727 in 2017, due to administrative restructuring. Management and General operating expenses comprised 15.2% and 13.7% of all expenses in 2018 and 2017, respectively (See Figure 1). Such expenses include administration, accounting, marketing and communications, information technology, and human resources. Fundraising expenses were 1.7% and 2.0% of all expenses in 2018 and 2017, respectively. These percentages are well below the 30% maximum suggested by the Charities Review Council.



Functional Expenses (See Figure 2)

Salaries and wages, HIRED's largest expense, was $4,828,395 and $5,201,663 in 2018 and 2017, respectively. The majority of HIRED's staff provide direct services to our clients. Salaries and wages reflect a decrease of $373,268 (7%), resulting principally from changes in government funding.

Participant services were also impacted by the reduced government funding, decreasing $455,250 (21%) in 2018. Participant services were $1,741,345 and $2,196,595 in 2018 and 2017, respectively. Participant services include client supported work, training and support services.

Space costs decreased $39,638 (5%), from $816,270 in 2017 to $776,632 in 2018, resulting from consolidating office location.

Consulting and contract services expense increased $331,424 (28%) from $1,203,845 in 2017 to $872,421 in 2018. The largest portion of this expense is for payments to our subcontractors on the Hennepin County MFIP Northwest Hub contract of $633,018 and $1,033,572 in 2018 and 2017, respectively.

Looking Forward

For nearly five decades, HIRED has been active at the intersection of disadvantaged jobseekers and employers to improve economic equity for all in our community. Our strengths-driven approach empowers jobseekers at every experience level to build confidence, 21st century skills, and achieve family living wage employment. Today, with new leadership and a renewed commitment to those we serve, HIRED is at a transformative moment in its history. We seek to build a culture of action and partnership that will result in a more integrated and sustainable approach to workforce development. Ramping-up philanthropic giving, building stronger brand awareness and affinity, expanding service delivery partnerships, and leveraging in-house expertise more broadly, are all key elements to increasing community impact and driving forward a more fiscally diverse and sustainable revenue model. In the coming year, HIRED will complete a strategic planning process that will set the tenor for a vibrant and strong future.

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FINANCIAL STATEMENTS

HIRED
STATEMENTS OF FINANCIAL POSITION **Statement 1**
June 30, 2018 and 2017

	2018	2017
Assets:		
Current assets:		
Cash	$384,271	$63,554
Contracts receivable - billed	788,388	1,233,800
Contracts receivable - unbilled	10,435	-
Contributions receivable	297,432	238,109
Card inventory	47,808	70,347
Prepaid expenses	74,449	80,733
Total current assets	1,602,783	1,686,543
Property and equipment:		
Office equipment and leasehold improvements	364,553	578,866
Less: accumulated depreciation and amortization	(261,749)	(461,960)
Total property and equipment	102,804	116,906
Noncurrent assets:		
Unemployment trust	129,052	174,972
Contributions receivable	4,786	4,786
Annuity contract	7,882	-
Total noncurrent assets	141,720	179,758
Total assets	$1,847,307	$1,983,207
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	$84,776	$330,345
Accrued payroll, vacation and related taxes	353,677	333,493
Loan payable	43,419	41,670
Total current liabilities	481,872	705,508
Noncurrent liabilities:		
Annuity contract	7,882	-
Loan payable	11,137	54,556
Deferred rent	90,896	108,932
Total noncurrent liabilities	109,915	163,488
Total liabilities	591,787	868,996
Net assets:		
Unrestricted	724,556	761,972
Temporarily restricted	530,964	352,239
Total net assets	1,255,520	1,114,211
Total liabilities and net assets	$1,847,307	$1,983,207

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

HIRED

STATEMENTS OF ACTIVITIES **Statement 2**

For the Years Ended June 30, 2018 and 2017

	2018			2017		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
Support and revenue:						
Governmental grants and contracts	$9,185,243	$3,000	$9,188,243	$10,363,902	$ -	$10,363,902
Contributions	410,811	527,468	938,279	91,466	534,500	625,966
Other	12,512	-	12,512	12,073	-	12,073
Net assets released from restrictions:						
Satisfaction of program restrictions	351,743	(351,743)	-	536,040	(536,040)	-
Total support and revenue	9,960,309	178,725	10,139,034	11,003,481	(1,540)	11,001,941
Expenses:						
Program services - employment services and training	8,305,558	-	8,305,558	9,539,612	-	9,539,612
Supporting services:						
Management and general	1,517,800	-	1,517,800	1,554,727	-	1,554,727
Fundraising	174,367	-	174,367	219,800	-	219,800
Total expenses	9,997,725	0	9,997,725	11,314,139	0	11,314,139
Change in net assets	(37,416)	178,725	141,309	(310,658)	(1,540)	(312,198)
Net assets - beginning of year	761,972	352,239	1,114,211	1,072,630	353,779	1,426,409
Net assets - end of year	$724,556	$530,964	$1,255,520	$761,972	$352,239	$1,114,211

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

	2018			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$1,741,251	$94	$ -	$1,741,345
Salaries and wages	3,854,133	869,285	104,977	4,828,395
Fringe benefits and payroll taxes	1,009,448	163,346	17,122	1,189,916
Space costs	618,116	144,548	13,968	776,632
Supplies	81,903	18,491	1,450	101,844
Telephone and networking	107,528	15,608	875	124,011
Depreciation and amortization	-	19,747	-	19,747
Equipment rent and maintenance	45,277	33,739	731	79,747
Small equipment	26,940	3,509	-	30,449
Travel	41,616	1,375	21	43,012
Postage	8,319	1,165	435	9,919
Audit and tax services	-	27,614	-	27,614
Insurance	20,641	11,529	350	32,520
Payroll processing	-	22,762	-	22,762
Consulting and contract services	729,532	125,177	17,712	872,421
Meeting and conferences	2,039	6,401	7,610	16,050
Other	18,815	53,410	9,116	81,341
Total expenses	$8,305,558	$1,517,800	$174,367	$9,997,725

	2017			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$2,196,535	$60	$ -	$2,196,595
Salaries and wages	4,144,264	942,934	114,465	5,201,663
Fringe benefits and payroll taxes	1,030,345	179,619	21,199	1,231,163
Space costs	666,826	132,335	17,109	816,270
Supplies	89,006	18,288	3,325	110,619
Telephone and networking	115,668	15,306	1,296	132,270
Depreciation and amortization	-	17,838	-	17,838
Equipment rent and maintenance	42,966	28,164	707	71,837
Small equipment	50,177	7,245	-	57,422
Travel	46,230	465	100	46,795
Postage	9,208	1,663	735	11,606
Audit and tax services	-	32,320	-	32,320
Insurance	26,817	9,906	477	37,200
Payroll processing	-	21,123	-	21,123
Consulting and contract services	1,073,075	88,436	42,334	1,203,845
Meeting and conferences	6,538	3,794	17,044	27,376
Other	41,957	55,231	1,009	98,197
Total expenses	$9,539,612	$1,554,727	$219,800	$11,314,139

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

HIRED

STATEMENTS OF CASH FLOWS **Statement 4**

For the Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	$141,309	($312,198)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,747	17,838
Changes in assets and liabilities:		
Receivables	375,654	(60,326)
Annuity contract	(7,882)	60,098
Unemployment trust	45,920	21,251
Prepaid expenses	6,284	(31,611)
Card inventory	22,539	29,223
Accounts payable and accrued liabilities	(217,503)	57,403
Deferred rent	(18,036)	108,932
Net cash provided by (used in) operating activities	368,032	(109,390)
Cash flows from investing activities:		
Purchase of equipment	(5,645)	(128,752)
Cash flows from financing activities:		
Proceeds from loan payable	-	126,373
Payments on loan payable	(41,670)	(30,147)
Net cash provided by (used in) financing activities	(41,670)	96,226
Increase (decrease) in cash	320,717	(141,916)
Cash - beginning of year	63,554	205,470
Cash - end of year	$384,271	$63,554
Supplemental disclosure of cash flow information:		
Interest paid	$6,476	$3,661

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

Note 1 SUMMARY OF ACCOUNTING POLICIES

A. NATURE OF ACTIVITIES

HIRED (the Organization), was founded in 1968 to create a path to employment and economic stability for previously incarcerated individuals. HIRED has since grown to become a "go to" workforce development nonprofit for disadvantaged jobseekers and adults and young people facing distinct challenges. HIRED's mission is: *to provide personalized and innovative workforce solutions* that help disadvantaged jobseekers develop meaningful careers that foster long-term family stability and strengthen regional economic equity. Our employment counselors partner with participants to set goals and activate a plan to achieve greater economic stability for themselves and their families.

- Career Pathways Job Training: Prepare low-income jobseekers for positions in high growth job sectors—manufacturing, hospitality, healthcare—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 at-risk 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 a segment is transitioning from the foster system.
- Dislocated Worker & Adult WIOA—Re-Tool & Job Placement: HIRED offers one-to-one coaching and wraparound supports designed to help laid-off individuals and adults with distinct employment barriers, re-train, re-energize, and re-enter the workforce.

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:

- Unrestricted net assets – net assets that are not subject to donor-imposed restrictions.
- Temporarily restricted net assets – 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. BASIS OF ACCOUNTING

Support and revenue and expenses are recorded on the accrual basis of accounting. Revenues from cost reimbursement governmental contract are recognized as costs are incurred. Governmental contract expenditures in excess of the related contract monies received result in the recording of governmental contracts receivable.

Revenues from other sources including 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. Expenses are recognized when the related liability is incurred.

D. CONTRIBUTIONS RECEIVED

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 temporarily restricted support if they are received with donor stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Pledges are restricted when made and released from restriction in the year funds are received.

E. 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 restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

F. 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.

G. 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.

H. 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). The allowance for doubtful accounts 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.

I. INVENTORY

Inventory consists of prepaid gas cards, gift cards, and bus passes for client support. Inventory is valued at cost on a first-in, first-out basis.

J. PROPERTY AND EQUIPMENT

The Organization capitalizes property and equipment acquisitions in excess of $5,000. 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.

K. 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.

L. 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.

M. 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.

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. RECLASSIFICATION

Certain prior year amounts were reclassified to conform with current year presentation.

Note 2 TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes at June 30:

	2018	2017
Multi-year pledges-employment services and training	$17,971	$17,142
Expansion of sector initiatives	120,500	6,248
Youth employment and training purposes	33,000	72,636
Adult	359,493	234,213
Other - strategic plan	-	22,000
Total	$530,964	$352,239

Note 3 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	2018	2017
Contribution payments due in less than 1 year	$299,548	$240,225
Contribution payments due in 1-5 years	5,917	5,917
Total contributions receivable	305,465	246,142
Present value discount	(178)	(178)
Allowance for doubtful accounts	(3,069)	(3,069)
Net contributions receivable	$302,218	$242,895

The discount rate used was 2.49% and 1.35% for 2018 and 2017, respectively.

Note 4 PROPERTY AND EQUIPMENT

The Organization owns the following at June 30:

	2018	2017
Office equipment and furniture	$327,398	$541,711
Leasehold improvements	37,155	37,155
	364,553	578,866
Less accumulated depreciation and amortization	(261,749)	(461,960)
Net fixed assets	$102,804	$116,906

Note 5 LINE OF CREDIT

The Organization has $150,000 available under a revolving line of credit agreement with Wells Fargo Bank, which expires on December 19, 2018. The interest rate is the higher of 5% or 1% over the bank's prime rate. The rate at June 30, 2018 and 2017 was 6.0% and 4.75% , respectively. The line of credit is collateralized by the assets of the Organization. Borrowings are due on demand. During 2018 and 2017 respectively, the Organization incurred $3,292 and $168 in interest expense due to the usage of the line of credit. There were no amounts outstanding under this line of credit as of June 30, 2018 and 2017.

Beginning in 2018, the Organization has $50,000 available under a discretionary line of credit agreement with Propel Nonprofits, which expires on March 31, 2019 and has an annual interest rate of 6.5%. The line of credit is collateralized by the assets of the organization as stated in a security agreement dated March 29, 2018. There were no amounts outstanding under this line of credit as of June 30, 2018.

Note 6 LONG-TERM DEBT

In September 2016, the Organization entered into a loan agreement with Wells Fargo for $126,373. The proceeds were used to purchase office furniture and electronic equipment. The following is a summary of long-term debt outstanding at June 30:

Description:	2018	2017
4.12% loan payable issued September 2016, payable in monthly installments of $3,737, maturing September 2019. Secured by the equipment purchased by the loan.	$54,556	$96,226
Less current portion	(43,419)	(41,670)
Long-term portion	$11,137	$54,556

For the years ended 2018 and 2017, interest expense totaled $3,184 and $3,493, respectively. Future maturities on long-term debt are as follows:

Year ending June 30,	Amount
2019	$43,419
2020	11,137
Total	$54,556

Note 7 CONTRIBUTED EQUIPMENT AND SERVICES

In 2018, there were contributions of $34,968 that included parking, tickets, vouchers and training. In 2017, there were contributions of $8,940 that included parking, software and supplies. Tickets and vouchers are distributed to the people enrolled in the Organization's programs.

Note 8 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.

Note 9 LEASED FACILITIES AND EQUIPMENT

The Organization leases certain office facilities at several locations with options to renew. Leases resulting in 98 percent of lease payments include provisions for termination should government funding become unavailable. The Organization had operating leases for certain office equipment at several locations as well. Under current agreements, the minimum future lease commitments for the Organization are as follows:

Year ending June 30,	Office Space	Equipment	Total
2019	$502,997	$66,205	$569,202
2020	463,186	52,184	515,370
2021	306,646	50,316	356,962
2022	300,066	24,462	324,528
2023	304,966	-	304,966
Thereafter	848,003	-	848,003
Total	$2,725,864	$193,167	$2,919,031

Space lease cost for the Organization was $770,672 and $810,529 in 2018 and 2017, respectively. Equipment lease costs were $74,026 and $62,565 in 2018 and 2017, respectively.

Deferred rent resulted from a 2017 rent holiday at one location that is being recognized over the term of the lease. The amount of deferred rent was $90,896 and $108,932 at June 30, 2018 and 2017, respectively.

Note 10 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 2018 and 2017. Total Organization contributions to the plan were $111,960 and $141,360 in 2018 and 2017, 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 $7,882 and $1,499 for 2018 and 2017, respectively. The plan is funded by an annuity contract held by the Organization. The deferred compensation asset and liability amounted to $7,882 and $0 at June 30, 2018 and 2017, respectively.

Note 11 CONCENTRATIONS

SIGNIFICANT CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization provides services primarily within the Twin Cities metropolitan area. In 2018, 86% of the Organization's revenues provided are primarily from five local and state government agencies: Ramsey, Hennepin, and Dakota Counties, the City of Minneapolis and the State of Minnesota. In 2017, 87% 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 12 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	
	2018	2017
Annuity contract	$7,882	$0

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

Note 13 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, 2018 and 2017 was $129,052 and $174,972, respectively. The unemployment claims liability was $0 at June 30, 2018 and 2017.

Note 14 SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 4, 2018, the date that this report was available to be issued, and concluded that there are no subsequent events that require disclosure.