

HIRED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
June 30, 2022 and 2021

HIRED
TABLE OF CONTENTS

	<u>Reference</u>	<u>Page Numbers</u>
Independent Auditor's Report		1
Management Discussion and Analysis		4
FINANCIAL STATEMENTS		
Statements of Financial Position	Statement 1	9
Statements of Activities	Statement 2	10
Statements of Functional Expenses	Statement 3	11
Statements of Cash Flows	Statement 4	13
Notes to Financial Statements		14



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, 2022 and 2021, 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, 2022 and 2021, 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 (GAAS) 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 related 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 GAAS 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 GAAS 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 10, 2022 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, LTD.
St. Paul, Minnesota

October 10, 2022

Hired Management Discussion & Analysis Fiscal Years 2022 and 2021

Purpose

Hired's management has prepared this analysis of Hired's financial position to accompany our fiscal year 2022 and 2021 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 has kept me afloat and helped me to transform my life.
It feels good when you don't have to get through things by yourself." – Brianna*

At Hired, we know and believe that every individual is one good job away from a hopeful and prosperous future. Hired was founded in 1968 to address inequities in the ability of Twin Cities residents to secure employment. Hired continues its singular focus of preparing our participants for successful participation in the economy with family-sustaining jobs that offer benefits and the potential for building a career and equitable wealth.

Hired specializes in serving:

- Job seekers ages 18-26 who are disconnected from education and employment and often coming out of the justice and, or the foster care systems
- Parents on public assistance seeking employment support and training
- Low-income unemployed and underemployed individuals as well as those who have been laid off due to no fault of their own
- People of color, live in poverty, and face lifelong or generational barriers to family sustaining employment.

Among the 5,278 people received job coaching to find, prepare for and secure family-sustaining employment our 2022 program year; of those people:

- 68% self-identified their race as BIPOC (Black, Indigenous, People of Color)
- 72% self-identified as women
- and 5,668 children benefited from increased parent employment and career stability

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 2022:

- 5,205 individuals received career coaching to find, prepare for, and secure family-sustaining employment.
- Nearly 5,000 children benefited from more predictable home lives as a result of their parents taking active steps toward their career goals, including stable employment.
- 1,232 people secured employment at an average wage of \$22.57/hour
- 38,977 outreach touchpoints (calls/video conferences/communications) were made to participants by staff
- \$1,347,803 in total support services were distributed to participants

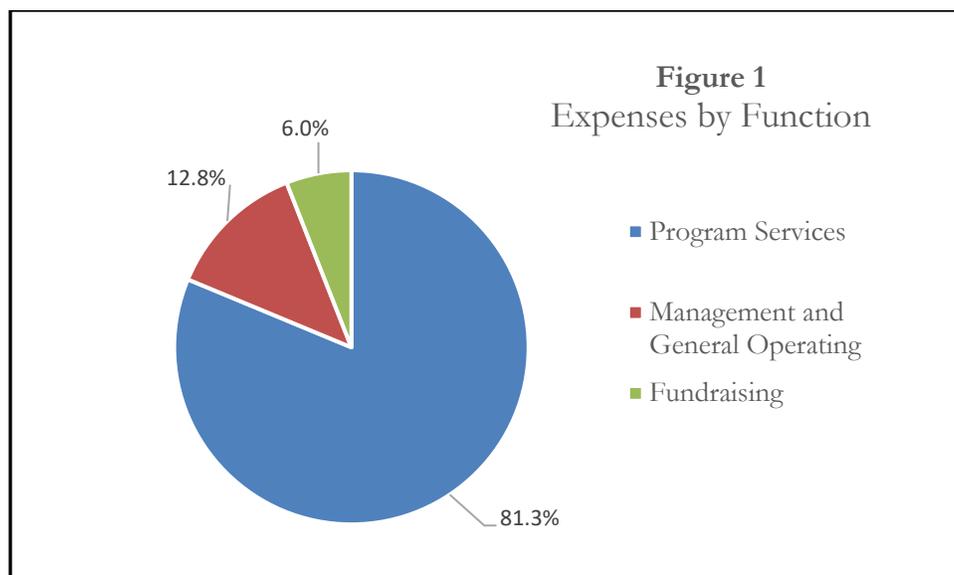
Financial Position

Hired ended 2022 with \$1,088,543 in net assets; a decrease of \$364,780 from 2021, due to a reduction in contributions with donor restrictions received in 2022. Total assets at June 30 were \$1,685,532 and \$2,193,476 in 2022 and 2021, respectively, a decrease of \$507,944 (23%). This decrease in assets is primarily due to a decrease in cash used in operating activities.

Hired's total liabilities decreased \$143,164 from \$740,153 in 2021 to \$596,989 in 2022. This decrease in liabilities is primarily due to a reduction in Accrued payroll and other accrued expenses. Hired's working capital was positive for both 2022 and 2021, with a Current Ratio (calculated by taking current assets divided by current liabilities) of 2.75 in 2022 and 2.83 in 2021. This indicates Hired has the ability to liquidate all current liabilities with current assets without difficulty.

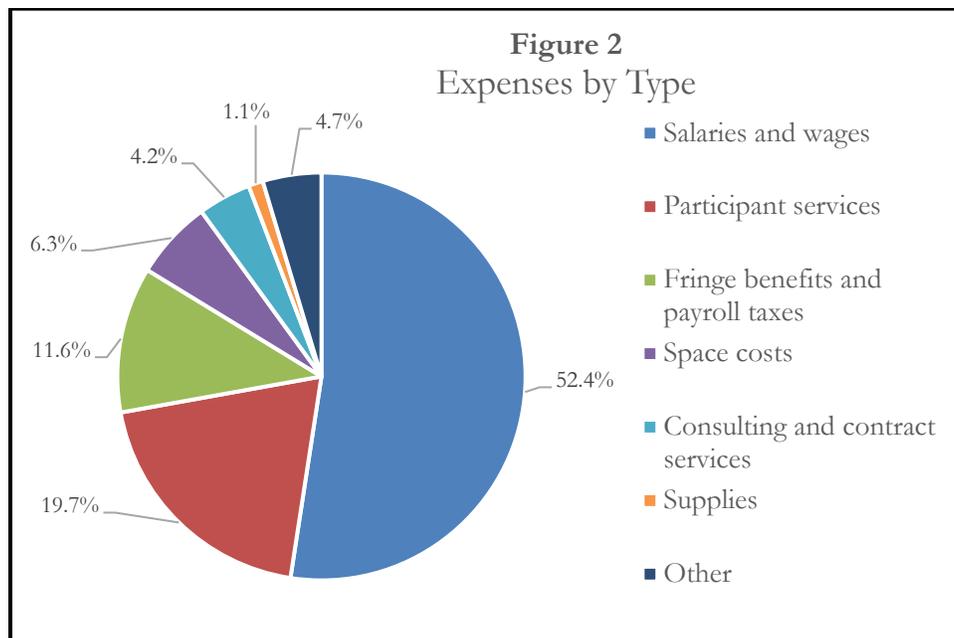
Financial Activities

Total revenue in 2022 was \$8,771,542, a decrease of \$1,735,349 (17%) from \$10,506,891 in 2021. This decrease was primarily driven by a decrease in governmental grants and contracts of \$988,042 (11%). Additionally, there was a decrease in contributions of \$381,438 (38%) from \$998,523 in 2021 to \$617,085 in 2022.



Hired's total expenses decreased \$1,153,026 from \$10,289,348 in 2021 to \$9,136,322 in 2022. Program services expenses made up 81.3% of expenditures in 2022 and 80.7% in 2021, and decreased by \$879,087 (See Figure 1). This decrease was primarily due to a decrease in participant services consulting and contract services in 2022 due to a reduction in cost

reimbursable governmental grants and contracts. 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 \$1,166,330 in 2022 decreased \$328,392 from \$1,495,262 in 2021. Management and General operating expenses comprised 12.8% and 14.5% of all expenses in 2022 and 2021, respectively (See Figure 1). Such expenses include administration, accounting, marketing and communications, information technology, and human resources. Fundraising expenses were 6.0% and 4.8% of all expenses in 2022 and 2021, 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 \$4,790,813 and \$4,896,432 in 2022 and 2021, respectively. The majority of Hired’s staff provide direct services to our participants. Salaries and wages reflect a decrease of \$105,619 (2.2%), resulting from decreased headcount in our Career Pathway program due to the timing of funding opportunities.

Participant services decreased overall by \$282,999 (13.6%) in 2022, primarily due to a decrease in cost reimbursable governmental grants and contracts. Participant services were \$2,086,082 and \$1,803,383 in 2022 and 2021, 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 decreased \$222,285 (38.9%) from \$571,408 in 2021 to \$349,123 in 2022, due to a decrease in consultants funded through CARES Act grants, used to meet community technology needs, transition classroom instruction to digital platforms, and address co-parenting and self-care and wellness needs exacerbated by the isolation of the pandemic during 2021.

Building on our Strengths

The 2022 economic landscape was defined by employer need for workers at all levels juxtaposed against a worker shortage, a result of workers leaving the workforce (retirement, family care, etc.) and a need to expand employer outreach to non-traditional workers. Additionally, employers recognized the value of workers with a durable and transferrable skill set marked by digital acuity. To ensure employment entry and upward mobility, many job seekers faced the necessity of adding targeted training to their skills toolbox.

In this complex scenario, Hired responded in FY2022 by diversifying our programming to include deepened services to non-traditional workers, increased durable skills training, and expanded partnerships.

To support this response, Hired diversified our government funding to include new programs focused on non-traditional workers: Vocational Rehabilitation Services and Internationally Trained Healthcare Professionals. We increased our community partnerships from 130 to 160+. This included expanded collaboration with culturally focused partners: *Network for Development of Children of African Descent (NdCAD)*, *Center for Asians and Pacific Islanders (CAPI)*, and *African Career Readiness and Resource (ACER)*.

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.

Hired also increased our employer partners from 60 to over 75. As a newly 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 response to the isolating effects of the pandemic on social connections, Hired sought and received new funding for creative and targeted participant recruitment that fosters a renewed sense of community and connectedness. The initial results exceed expectations.

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 capital we look forward to developing our *Data for Impact* initiative to new levels in FY2023 and applying the results to respond even more effectively to job seekers and their future employers.

Our Hired team carried out our mission with intensity in FY2022. We strengthened our outreach and established the groundwork for FY2023 to be a year of deepening even further our work of advancing economic opportunity for all through individual employment and career services.

FINANCIAL STATEMENTS

HIRED
STATEMENTS OF FINANCIAL POSITION
June 30, 2022 and 2021

Statement 1

	2022	2021
Assets:		
Current assets:		
Cash	\$260,881	\$648,023
Contracts receivable - billed	992,846	925,524
Contracts receivable - unbilled	2,075	2,120
Contributions receivable	101,500	180,000
Inventory	50,973	68,057
Prepaid expenses	23,493	56,018
Total current assets	<u>1,431,768</u>	<u>1,879,742</u>
Property and equipment:		
Office equipment and leasehold improvements	400,839	377,053
Less: accumulated depreciation and amortization	<u>(344,953)</u>	<u>(326,982)</u>
Total property and equipment	<u>55,886</u>	<u>50,071</u>
Noncurrent assets:		
Unemployment trust reserve	130,751	198,719
Annuity contract	<u>67,127</u>	<u>64,944</u>
Total noncurrent assets	<u>197,878</u>	<u>263,663</u>
Total assets	<u><u>\$1,685,532</u></u>	<u><u>\$2,193,476</u></u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$126,528	\$119,986
Accrued payroll, vacation and related taxes	375,826	373,254
Unemployment trust claims liability	7,130	101,099
Other accrued expenses	10,378	69,683
Refundable advance	10,000	-
Deferred rent	-	11,187
Total current liabilities	<u>529,862</u>	<u>675,209</u>
Noncurrent liabilities:		
Annuity contract	<u>67,127</u>	<u>64,944</u>
Total liabilities	<u>596,989</u>	<u>740,153</u>
Net assets:		
Net assets without donor restrictions:		
Undesignated	870,939	846,941
Net assets with donor restrictions	<u>217,604</u>	<u>606,382</u>
Total net assets	<u>1,088,543</u>	<u>1,453,323</u>
Total liabilities and net assets	<u><u>\$1,685,532</u></u>	<u><u>\$2,193,476</u></u>

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

HIRED

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2022 and 2021

Statement 2

	2022			2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Governmental grants and contracts	\$8,089,213	\$ -	\$8,089,213	\$9,077,255	\$ -	\$9,077,255
PPP loan forgiveness	-	-	-	327,898	-	327,898
Contributions	574,727	27,358	602,085	499,049	499,474	998,523
Gifts in-kind	26,050	-	26,050	28,500	-	28,500
Other	54,194	-	54,194	74,715	-	74,715
Net assets released from restrictions:						
Satisfaction of program restrictions	416,136	(416,136)	-	353,842	(353,842)	-
Total support and revenue	<u>9,160,320</u>	<u>(388,778)</u>	<u>8,771,542</u>	<u>10,361,259</u>	<u>145,632</u>	<u>10,506,891</u>
Expenses:						
Program services - employment services and training	7,424,781	-	7,424,781	8,303,868	-	8,303,868
Supporting services:						
Management and general	1,166,330	-	1,166,330	1,495,262	-	1,495,262
Fundraising	545,211	-	545,211	490,218	-	490,218
Total expenses	<u>9,136,322</u>	<u>0</u>	<u>9,136,322</u>	<u>10,289,348</u>	<u>0</u>	<u>10,289,348</u>
Change in net assets	23,998	(388,778)	(364,780)	71,911	145,632	217,543
Net assets - beginning of year	<u>846,941</u>	<u>606,382</u>	<u>1,453,323</u>	<u>775,030</u>	<u>460,750</u>	<u>1,235,780</u>
Net assets - end of year	<u>\$870,939</u>	<u>\$217,604</u>	<u>\$1,088,543</u>	<u>\$846,941</u>	<u>\$606,382</u>	<u>\$1,453,323</u>

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

HIRED

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2022 and 2021

Statement 3

Page 1 of 2

	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	<u>\$7,424,781</u>	<u>\$1,166,330</u>	<u>\$545,211</u>	<u>\$9,136,322</u>

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

HIRED

STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2022 and 2021

Statement 3

Page 2 of 2

	2021			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	\$2,086,082	\$ -	\$ -	\$2,086,082
Salaries and wages	3,878,378	715,548	302,506	4,896,432
Fringe benefits and payroll taxes	968,150	206,960	49,808	1,224,918
Space costs	633,727	117,516	48,920	800,163
Supplies	76,341	53,320	10,547	140,208
Telephone and networking	80,869	46,336	2,677	129,882
Depreciation and amortization	-	22,401	-	22,401
Equipment rent and maintenance	42,738	7,141	2,229	52,108
Small equipment	94,030	4,750	1,911	100,691
Travel	12,297	926	82	13,305
Postage	8,326	1,930	164	10,420
Audit and tax services	-	48,158	-	48,158
Insurance	26,670	2,616	1,400	30,686
Payroll processing	-	8,732	-	8,732
Consulting and contract services	374,268	178,376	18,764	571,408
Meeting and conferences	3,351	2,014	3,881	9,246
Other	18,641	78,538	47,329	144,508
	<u>\$8,303,868</u>	<u>\$1,495,262</u>	<u>\$490,218</u>	<u>\$10,289,348</u>
Total expenses	<u>\$8,303,868</u>	<u>\$1,495,262</u>	<u>\$490,218</u>	<u>\$10,289,348</u>

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

HIRED

STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2022 and 2021

Statement 4

	<u>2022</u>	<u>2021</u>
Cash flows from operating activities:		
Change in net assets	(\$364,780)	\$217,543
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	17,971	22,401
Changes in assets and liabilities:		
Receivables	11,223	97,053
Inventory	17,084	(35,025)
Prepaid expenses	32,525	7,031
Unemployment trust reserve	67,968	(73,122)
Annuity contract asset	(2,183)	(31,101)
Accounts payable	6,542	(94,779)
Accrued payroll, vacation and related taxes	2,572	(2,276)
Unemployment trust claims liability	(93,969)	101,099
Other accrued expenses	(59,305)	(24,028)
Refundable advance	10,000	-
Deferred rent	(11,187)	(30,015)
Annuity contract liability	2,183	31,101
PPP loan (refundable advance)	-	(703,861)
Net cash provided by (used in) operating activities	<u>(363,356)</u>	<u>(517,979)</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(23,786)</u>	<u>-</u>
Increase (decrease) in cash	(387,142)	(517,979)
Cash - beginning of year	<u>648,023</u>	<u>1,166,002</u>
Cash - end of year	<u><u>\$260,881</u></u>	<u><u>\$648,023</u></u>
Supplemental disclosure of cash flow information:		
Interest paid	<u><u>\$729</u></u>	<u><u>\$8,406</u></u>

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.

HIRED

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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 a 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.

HIRED

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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, 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, 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.

HIRED**NOTES TO FINANCIAL STATEMENTS**

June 30, 2022 and 2021

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. 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.

N. RECLASSIFICATIONS

Certain amounts have been reclassified in the 2021 financial statements to conform to the presentation of the 2022 financial statements.

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:

	<u>2022</u>	<u>2021</u>
Cash	\$260,881	\$648,023
Contracts receivable	994,921	927,644
Contributions receivable	101,500	180,000
Less net assets with donor restrictions	<u>(217,604)</u>	<u>(606,382)</u>
	<u>\$1,139,698</u>	<u>\$1,149,285</u>

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 7, 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.

HIRED
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

Note 3 NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2022</u>	<u>2021</u>
Career pathways	\$ 7,374	\$ 75,000
Youth	-	24,474
Family Stability	40,247	202,890
Capacity building	64,983	139,018
Time restrictions	<u>105,000</u>	<u>165,000</u>
Total	<u>\$217,604</u>	<u>\$606,382</u>

Note 4 PROPERTY AND EQUIPMENT

The Organization owns the following at June 30:

	<u>2022</u>	<u>2021</u>
Office equipment and furniture	\$351,184	\$327,398
Leasehold improvements	37,155	37,155
Website redesign and rebranding	<u>12,500</u>	<u>12,500</u>
	400,839	377,053
Less accumulated depreciation and amortization	<u>(344,953)</u>	<u>(326,982)</u>
Net fixed assets	<u>\$55,886</u>	<u>\$50,071</u>

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, 2022. The interest rate is the higher of 3.25% or the current index rate, based on the prime rate of interest as published in the Wall Street Journal. The rate at June 30, 2022 and 2021 was approximately 4.75% and 5.00%, respectively. The line of credit is collateralized by the assets of the Organization. Borrowings are due on demand. During 2022 and 2021 respectively, the Organization incurred \$729 and \$4,863 in interest expense due to the usage of its line of credit. As of June 30, 2022 and 2021, there was \$1,031 and \$0 outstanding under this line of credit, respectively. The balance of \$1,031 at June 30, 2022 was considered immaterial and not recorded.

HIRED

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 6 CONTRIBUTED GIFTS-IN-KIND

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

	<u>2022</u>	<u>2021</u>
Parking	\$22,500	\$22,500
Computers	-	6,000
Other	<u>3,550</u>	<u>-</u>
Total	<u>\$26,050</u>	<u>\$28,500</u>

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 CONTINGENCIESPROGRAM 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 entered into an unsecured loan agreement with Highland Bank (the Lender) on April 27, 2020 for \$1,165,100, pursuant to the Paycheck Protection Program (PPP) created by Section 1102 of the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"). The loan proceeds are to be used for payroll costs, payments on mortgage interest, rent, utilities and interest on other debt obligations, with at least 60% of the amount to be used for payroll costs.

HIRED was notified by the Small Business Association (SBA) of forgiveness on March 31, 2021. The loan forgiveness amount was \$796,380 for eligible expenditures of \$789,137 plus accrued interest of \$7,243. The remaining \$375,963 of principal and \$3,543 of accrued interest owed on the loan was returned to the Lender on April 19, 2021.

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.

HIRED

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

Note 8 LEASED FACILITIES AND EQUIPMENT

The Organization leases certain office facilities at several locations with options to renew. The Organization had operating leases for certain office equipment at several locations as well. As of June 30, 2022, the minimum future lease commitments for the Organization are as follows:

Year ending June 30,	Office Space	Equipment	Total
2023	316,113	20,266	336,379
2024	231,770	20,266	252,036
2025	210,074	20,266	230,340
2026	213,551	20,266	233,817
2027	35,346	-	35,346
Total	<u>\$1,006,854</u>	<u>\$81,064</u>	<u>\$1,087,918</u>

Space lease cost for the Organization was \$611,153 and \$748,803 in 2022 and 2021, respectively. Equipment lease costs were \$18,459 and \$49,184 in 2022 and 2021, respectively.

Deferred rent in 2021 resulted from a 2017 rent holiday at one location recognized over the term of the lease. The amount of deferred rent was \$0 and \$11,187 at June 30, 2022 and 2021, respectively.

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 2022 and 2021. Total Organization contributions to the plan were \$105,690 and \$129,060 for 2022 and 2021, 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 \$16,175 and \$16,023 for 2022 and 2021, respectively. The plan is funded by an annuity contract held by the Organization. The deferred compensation asset and liability amounted to \$67,127 and \$64,944 at June 30, 2022 and 2021, respectively.

Note 10 CONCENTRATIONS**SIGNIFICANT CONCENTRATIONS OF SUPPORT AND REVENUE**

The Organization provides services primarily within the Twin Cities metropolitan area. In 2022, 64% of the Organization's revenues provided are primarily from two local government agencies: Hennepin and Ramsey Counties. In 2021, 57% of revenues were provided by these agencies.

HIRED

NOTES TO FINANCIAL STATEMENTS

June 30, 2022 and 2021

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	
	2022	2021
Annuity contract	<u>\$67,127</u>	<u>\$64,944</u>

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, 2022 and 2021 was \$130,751 and \$198,719, respectively. The unemployment claims liability was \$7,130 and \$101,099 at June 30, 2022 and 2021, respectively.

Note 13 CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2021, the Organization changed its accounting policy for recognizing in-kind contributions under FASB Accounting Standards Update (ASU) 2020-07, Not-for-Profit Entities (Topic 958): *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance is intended to increase the transparency of contributed nonfinancial assets for not-for-profit entities through enhanced presentation and disclosure. This ASU requires that nonfinancial assets are presented as separate line items in the statements of activities and disclosures include a disaggregation of the amount contributed by category, a description of donor restrictions (if any), and valuation techniques for the nonfinancial assets received. This change does not change the prior-period net assets reported; however, it did result in a reclassification to adhere to the presentation requirements in the statements of activities.

HIRED
NOTES TO FINANCIAL STATEMENTS
June 30, 2022 and 2021

Note 14 **SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 10, 2022, the date that the financial statements were available to be issued.