HIRED

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

For The Years Ended
June 30, 2020 and 2019

- This page intentionally left blank -

HIRED

TABLE OF CONTENTS

	Reference	Page Numbers
Independent Auditor's Report		1
Management Discussion and Analysis		3
FINANCIAL STATEMENTS		
Statements of Financial Position	Statement 1	8
Statements of Activities	Statement 2	9
Statements of Functional Expenses	Statement 3	10
Statements of Cash Flows	Statement 4	12
Notes to Financial Statements		13

- This page intentionally left blank -

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, 2020 and 2019, 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 opinions on these 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.

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, 2020 and 2019, 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 October 6, 2020 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 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

October 6, 2020

Purpose

HIRED's management has prepared this analysis of HIRED's financial position to accompany our fiscal year 2020 and 2019 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 nurture purpose and advance economic opportunity for all through individualized employment and career services. Our vision is to empower people and families, have a prepared workforce and an inclusive economy.* Our employment counselors partner with participants to set goals and activate a plan to achieve greater economic stability for themselves and their families. **In fiscal year 2020, HIRED served 6,313 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 2020 by the Numbers:

- **6,313** youth and adults received career coaching and support to find, prepare for and secure family-sustaining employment
- **1,300** individuals gained marketable skills and/or credentials through trainings, internships, and relevant work experiences
- **1,985** people supported to secure employment at an average hourly wage of $22.16

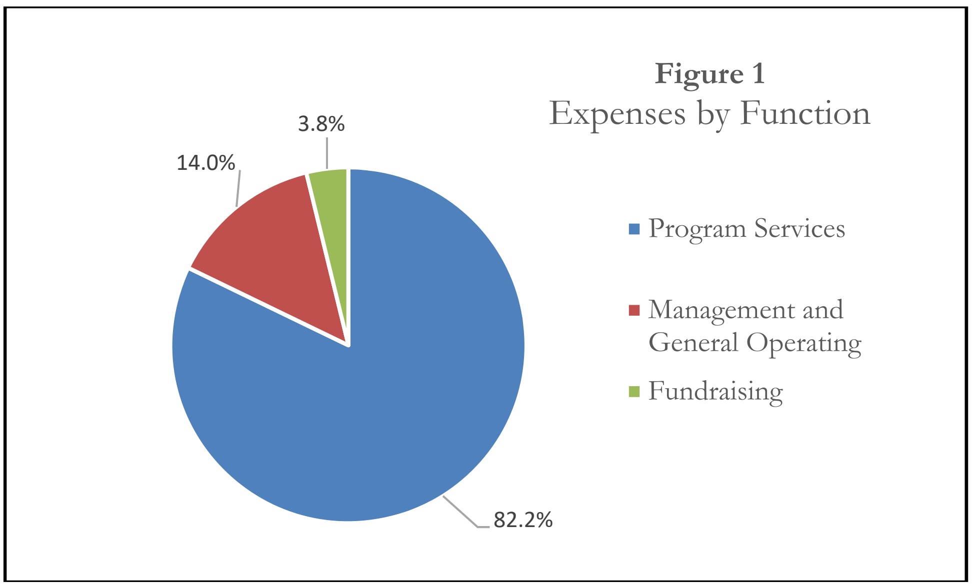
Financial Position

HIRED ended 2020 with $1,235,780 in net assets; an increase of $83,137 from 2019, due to growing philanthropic resources. Total assets at June 30 were $2,698,692 and $2,199,135 in 2020 and 2019, respectively, an increase of $499,557 (23%).

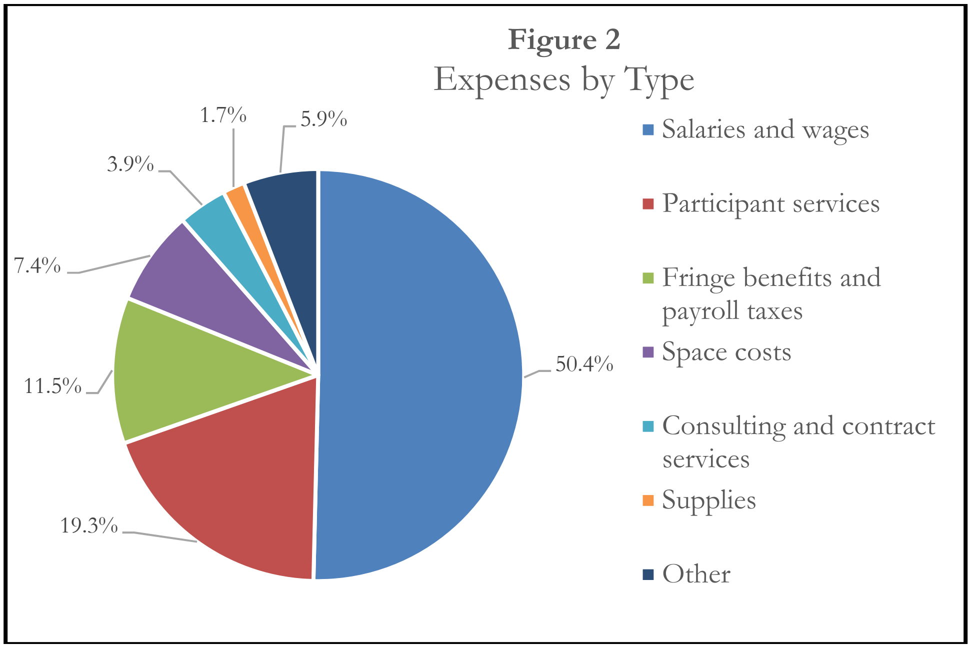
HIRED's total liabilities increased $416,420 from $1,046,492 in 2019 to $1,462,912 in 2020. This increase in liabilities is primarily due to HIRED's unused PPP loan proceeds of $703,861, a decrease in receivables of $517,659 and a decrease in accounts payable of $248,568. HIRED's working capital was positive for both 2020 and 2019, with a Current Ratio (calculated by taking current assets divided by current liabilities) of 1.78 in 2020 and 1.97 in 2019. This indicates HIRED has the ability to liquidate all current liabilities with current assets without difficulty.

Financial Activities

Total revenue in 2020 was $10,569,844, an increase of $346,793 (3%) from $10,223,051 in 2019. This increase was driven by recognition of PPP loan forgiveness revenues of $461,239 in 2020. Offsetting this increase, was a decrease in contributions of $101,251 (13%) from $803,796 in 2019 to $702,545 in 2020.



HIRED's total expenses increased $160,779 from $10,325,928 in 2019 to $10,486,707 in 2020. Program services expenses made up 82.2% of expenditures in 2020 and 82.4% in 2019, and increased by $103,862 (See Figure 1). This increase was primarily due to increased salaries and wages expenses. 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 $1,470,484 in 2020 increased $4,578 from $1,465,906 in 2019. Management and General operating expenses comprised 14.0% and 14.2% of all expenses in 2020 and 2019, respectively (See Figure 1). Such expenses include administration, accounting, marketing and communications, information technology, and human resources. Fundraising expenses were 3.8% and 3.4% of all expenses in 2020 and 2019, 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 $5,281,767 and $4,988,509 in 2020 and 2019, respectively. The majority of HIRED's staff provide direct services to our clients. Salaries and wages reflect an increase of $293,258 (5.9%), resulting principally from increased headcount.

Participant services were also impacted predominantly by decreased funding within Dislocated Worker programs. Participant services decreased overall by $357,430 (15%) in 2020. Participant services were $2,019,847 and $2,377,277 in 2020 and 2019, respectively. Participant services include client supported work, training and support services.

Consulting and contract services expense increased $99,016 (32.5%) from $304,805 in 2019 to $403,821 in 2020, predominantly from the hiring of a CFO consultant during transitioning of the CFO role in 2020.

Looking Forward

Whatever the post-COVID economy brings, HIRED expects to take a leadership role in preparing workers to succeed. The astounding confluence of factors we saw in 2020 – disease, recession, renewed demand for racial justice, and more – gives us equally astounding opportunities **to do different and do better**. We will continue to give our participants greater flexibility and choice in how to interact with us: in person, online, or a combination of both. We continue to diversify our funding sources, to build partnerships with community organizations and employers alike, and to seek out and use the voices of participants to guide programs. Racial equity will continue to be the driving force behind our work, as we fight for the rights of all people to participate in Minnesota's economy.

- This page intentionally left blank -

FINANCIAL STATEMENTS

HIRED
STATEMENTS OF FINANCIAL POSITION **Statement 1**
June 30, 2020 and 2019

	2020	2019
Assets:		
Current assets:		
Cash	$1,166,002	$156,187
Contracts receivable - billed	955,183	1,448,829
Contracts receivable - unbilled	984	-
Contributions receivable	232,181	159,658
Accounts receivable - other	16,349	-
Inventory	33,032	32,531
Prepaid expenses	63,049	71,997
Total current assets	2,466,780	1,869,202
Property and equipment:		
Office equipment and leasehold improvements	377,053	367,053
Less: accumulated depreciation and amortization	(304,581)	(281,083)
Total property and equipment	72,472	85,970
Noncurrent assets:		
Unemployment trust	125,597	103,418
Contributions receivable	-	113,869
Annuity contract	33,843	26,676
Total noncurrent assets	159,440	243,963
Total assets	$2,698,692	$2,199,135
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	$214,765	$541,798
Accrued payroll, vacation and related taxes	375,530	340,143
Other accrued expenses	93,711	57,800
PPP loan (refundable advance)	703,861	-
Loan payable	-	11,137
Total current liabilities	1,387,867	950,878
Noncurrent liabilities:		
Annuity contract	33,843	26,676
Deferred rent	41,202	68,938
Total noncurrent liabilities	75,045	95,614
Total liabilities	1,462,912	1,046,492
Net assets:		
Net assets without donor restrictions:		
Undesignated	745,030	699,279
Designated by the Board - racial equity and DEI expenses	30,000	-
Total without donor restrictions	775,030	699,279
Net assets with donor restrictions	460,750	453,364
Total net assets	1,235,780	1,152,643
Total liabilities and net assets	$2,698,692	$2,199,135

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

HIRED
STATEMENTS OF ACTIVITIES
For the Years Ended June 30, 2020 and 2019

Statement 2

	2020			2019		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Governmental grants and contracts	$9,390,484	$ -	$9,390,484	$9,415,527	$ -	$9,415,527
PPP loan forgiveness	461,239	-	461,239	-	-	-
Contributions	410,295	292,250	702,545	317,063	486,733	803,796
Other	15,576	-	15,576	3,728	-	3,728
Net assets released from restrictions:						
Satisfaction of program restrictions	284,864	(284,864)	-	564,333	(564,333)	-
Total support and revenue	10,562,458	7,386	10,569,844	10,300,651	(77,600)	10,223,051
Expenses:						
Program services - employment services and training	8,617,085	-	8,617,085	8,513,223	-	8,513,223
Supporting services:						
Management and general	1,470,484	-	1,470,484	1,465,906	-	1,465,906
Fundraising	399,138	-	399,138	346,799	-	346,799
Total expenses	10,486,707	0	10,486,707	10,325,928	0	10,325,928
Change in net assets	75,751	7,386	83,137	(25,277)	(77,600)	(102,877)
Net assets - beginning of year	699,279	453,364	1,152,643	724,556	530,964	1,255,520
Net assets - end of year	$775,030	$460,750	$1,235,780	$699,279	$453,364	$1,152,643

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

	2020			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$2,014,525	$5,322	$ -	$2,019,847
Salaries and wages	4,425,629	590,344	265,794	5,281,767
Fringe benefits and payroll taxes	954,351	203,264	46,891	1,204,506
Space costs	634,482	106,171	38,550	779,203
Supplies	100,679	76,319	4,836	181,834
Telephone and networking	105,231	79,287	2,122	186,640
Depreciation and amortization	-	23,500	-	23,500
Equipment rent and maintenance	44,534	11,247	1,898	57,679
Small equipment	67,566	10,086	7,375	85,027
Travel	38,828	1,587	332	40,747
Postage	7,383	1,018	508	8,909
Audit and tax services	-	36,290	-	36,290
Insurance	35,879	4,138	1,471	41,488
Payroll processing	-	21,666	-	21,666
Consulting and contract services	179,616	212,937	11,268	403,821
Meeting and conferences	2,829	3,073	9,534	15,436
Other	5,553	84,235	8,559	98,347
Total expenses	$8,617,085	$1,470,484	$399,138	$10,486,707

	2019			
	Program Services - Employment Services and Training	Management and General	Fundraising	Total
Expenses:				
Participant services	$2,377,277	$ -	$ -	$2,377,277
Salaries and wages	3,935,978	841,136	211,395	4,988,509
Fringe benefits and payroll taxes	884,972	196,615	47,223	1,128,810
Space costs	651,660	94,100	36,082	781,842
Supplies	94,025	74,445	2,606	171,076
Telephone and networking	119,326	21,999	2,518	143,843
Depreciation and amortization	-	19,333	-	19,333
Equipment rent and maintenance	46,095	13,606	1,845	61,546
Small equipment	66,690	13,244	193	80,127
Travel	46,183	1,143	111	47,437
Postage	5,325	1,221	799	7,345
Audit and tax services	-	34,960	-	34,960
Insurance	23,907	10,803	905	35,615
Payroll processing	-	23,051	-	23,051
Consulting and contract services	231,563	46,806	26,436	304,805
Meeting and conferences	21,882	4,621	9,144	35,647
Other	8,340	68,823	7,542	84,705
Total expenses	$8,513,223	$1,465,906	$346,799	$10,325,928

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

HIRED
STATEMENTS OF CASH FLOWS **Statement 4**
For the Years Ended June 30, 2020 and 2019

	2020	2019
Cash flows from operating activities:		
Change in net assets	$83,137	($102,877)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,500	19,333
Changes in assets and liabilities:		
Receivables	517,659	(621,315)
Annuity contract	(7,167)	(18,794)
Unemployment trust	(22,179)	25,634
Prepaid expenses	8,948	2,452
Inventory	(501)	15,277
Accounts payable and accrued liabilities	(248,568)	520,082
Deferred rent	(27,736)	(21,958)
PPP loan (refundable advance)	703,861	-
Net cash provided by (used in) operating activities	1,030,954	(182,166)
Cash flows from investing activities:		
Purchase of equipment	(10,002)	(2,499)
Cash flows from financing activities:		
Payments on loan payable	(11,137)	(43,419)
Increase (decrease) in cash	1,009,815	(228,084)
Cash - beginning of year	156,187	384,271
Cash - end of year	$1,166,002	$156,187
Supplemental disclosure of cash flow information:		
Interest paid	$4,704	$3,691

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. See note 6 for treatment of the PPP loan received in 2020.

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. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions 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.

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). 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.

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. 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.

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:

	2020	2019
Cash	$1,166,002	$156,187
Contracts receivable	956,167	1,448,829
Less net assets with donor restrictions included in cash	(228,569)	(179,837)
	$1,893,600	$1,425,179

Due to the nature of the restrictions from contributions received from donors, HIRED has omitted all restricted contributions. As of June 30, 2020, net assets with donor restrictions included in cash subtracted above is total net assets with donor restrictions ($460,750) less amounts included as contributions receivable ($232,181). As of June 30, 2019, net assets with donor restrictions included in cash subtracted above is total net assets with donor restrictions ($453,364) less amounts included as contributions receivable ($273,527). HIRED has a line of credit of $340,000 as disclosed in Note 7, as well as a monthly credit facility limit of $150,000. 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:

	2020	2019
Multi-year pledges-employment services and training	$3,750	$11,140
Career pathways and capacity building	111,000	-
Youth	2,000	10,000
Adult	15,000	143,974
Money matters pilot	218,500	230,000
Time restrictions	110,500	55,000
Other	-	3,250
Total	$460,750	$453,364

Note 4 CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of the following at June 30:

	2020	2019
Contribution payments due in less than 1 year	$235,250	$161,774
Contribution payments due in 1-5 years	-	115,000
Total contributions receivable	235,250	276,774
Present value discount	-	(178)
Allowance for doubtful accounts	(3,069)	(3,069)
Net contributions receivable	$232,181	$273,527

The discount rate used 1.79% for 2019.

Note 5 PROPERTY AND EQUIPMENT

The Organization owns the following at June 30:

	2020	2019
Office equipment and furniture	$327,398	$327,398
Leasehold improvements	37,155	37,155
Website redesign and rebranding	12,500	2,500
	377,053	367,053
Less accumulated depreciation and amortization	(304,581)	(281,083)
Net fixed assets	$72,472	$85,970

Note 6 PPP LOAN

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 75% of the amount to be used for payroll costs. The Organization believes a significant portion of the loan will be forgiven and is recognizing the transaction as a conditional grant. Revenue is recognized as eligible expenditures are incurred. Any amount not forgiven would be repayable at 1.0% interest over a two-year term. As of June 30, 2020, $461,239 of the loan proceeds have been recognized as revenue without donor restrictions (PPP loan forgiveness), with the remaining balance of $703,861 recognized as a refundable advance liability (PPP loan).

Note 7 LINE OF CREDIT

The Organization has $340,000 available under a revolving line of credit agreement with Wells Fargo Bank, which expires on December 31, 2020. The interest rate is the higher of 5.00% or 1.50% over the bank's prime rate. The rate at June 30, 2020 and 2019 was approximately 6.25% and 6.00%, respectively. The line of credit is collateralized by the assets of the Organization. Borrowings are due on demand. During 2020 and 2019 respectively, the Organization incurred $4,612 and $2,257 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, 2020 and 2019.

Note 8 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:	2019
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.	$11,137
Less current portion	(11,137)
Long-term portion	$ -

For the years ended 2020 and 2019, interest expense on this loan totaled $77 and $1,434, respectively.

Note 9 CONTRIBUTED EQUIPMENT AND SERVICES

In 2020, there were contributions of $24,753 that included parking and donated goods. In 2019, there were contributions of $45,743 that included parking, tickets, vouchers and training. Tickets, vouchers, and donated goods are distributed to the people enrolled in the Organization's programs.

Note 10 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 11 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. As of June 30, 2020, the minimum future lease commitments for the Organization are as follows:

Year ending June 30,	Office Space	Equipment	Total
2021	$350,275	$48,686	$398,961
2022	305,597	23,239	328,836
2023	259,979	-	259,979
2024	203,182	-	203,182
2025	207,226	-	207,226
Thereafter	246,726	-	246,726
Total	$1,572,985	$71,925	$1,644,910

Space lease cost for the Organization was $773,224 and $775,827 in 2020 and 2019, respectively. Equipment lease costs were $51,879 and $52,781 in 2020 and 2019, 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 $41,202 and $68,938 at June 30, 2020 and 2019, respectively.

Note 12 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 2020 and 2019. Total Organization contributions to the plan were $120,156 and $156,626 for 2020 and 2019, 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 $7,167 and $18,794 for 2020 and 2019, respectively. The plan is funded by an annuity contract held by the Organization. The deferred compensation asset and liability amounted to $33,843 and $26,676 at June 30, 2020 and 2019, respectively.

Note 13 CONCENTRATIONS

SIGNIFICANT CONCENTRATIONS OF SUPPORT AND REVENUE

The Organization provides services primarily within the Twin Cities metropolitan area. In 2020, 59% of the Organization's revenues provided are primarily from two local government agencies: Hennepin and Ramsey Counties. In 2019, 68% 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 14 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	
	2020	2019
Annuity contract	$33,843	$26,676

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

Note 15 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, 2020 and 2019 was $125,597 and $103,418, respectively. The unemployment claims liability was $0 at June 30, 2020 and 2019.

Note 16 PRIOR PERIOD ADJUSTMENT

Certain errors resulting in an understatement of previously reported accounts payable and expenses were discovered during 2020. Accordingly, an adjustment of $155,944 was made during 2020 to record additional accounts payable as of July 1, 2019. A corresponding entry was made to reduce previously reported unrestricted net assets by $155,944 and to record the additional expenses. Additionally, 2019 amounts related to accrued expenses were reclassified from accounts payable to confirm with 2020 presentation.

The following summarizes the prior period adjustment and reclassification referred to above:

	As Previously Reported	Prior Period Adjustment	Reclassification	As Restated
Statements of Financial Position, as of June 30, 2019:				
Accounts payable	$443,654	$155,944	($57,800)	541,798
Other accrued expenses	-	-	57,800	57,800
Net assets without donor restrictions	855,223	(155,944)	-	699,279
Statements of activities, for the year ended June 30, 2019:				
Expenses, management and general	1,309,962	155,944	-	1,465,906
Change in net assets, without donor restrictions	130,667	(155,944)	-	(25,277)
Statements of Functional Expenses, for the year ended June 30, 2019:				
Salaries and wages (management and general)	725,362	115,774	-	841,136
Other expenses (management and general)	28,653	40,170	-	68,823
Statements of Cash Flows, for the year ended June 30, 2019:				
Cash flows from operating activities:				
Change in net assets, total	53,067	(155,944)	-	(102,877)
Changes in assets and liabilities:				
Accounts payable and accrued liabilities	364,138	155,944	-	520,082

Note 17 CHANGE IN ACCOUNTING PRINCIPLE

The Organization implemented the provisions of Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, and ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The intent of the new standards is to improve the usefulness and understandability of the Organization's financial reporting.

ASU 2014-09 provides new revenue recognition standards, eliminating the transaction- and industry-specific revenue recognition guidance and replaces it with a principle-based approach for determining revenue recognition. ASU 2018-08 clarifies and improves existing guidance related to contributions received and contributions made. The presentation and disclosures of revenue have been enhanced in accordance with this standard. Analysis of the various provisions of these two ASU's resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the Organization's 2019 Financial Statements were required on a retrospective basis.

Note 18 SUBSEQUENT EVENTS AND UNCERTAINTIES

Management has evaluated subsequent events through October 6, 2020, the date that the financial statements were available to be issued.

The COVID-19 pandemic continues to cause rapidly changing disruptions worldwide. Management has evaluated these conditions and believes that it is not possible to reasonably estimate the financial impact of COVID-19 on the Organization's future operations.

- This page intentionally left blank -