

**HIRED**

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITOR'S REPORT

For The Years Ended  
June 30, 2019 and 2018

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**HIRED**  
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## 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, 2019 and 2018, 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, 2019 and 2018, 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.

### ***Emphasis of Matter – Change in Accounting Principle***

As discussed in Note 15 to the financial statements, HIRED implemented the provisions of Accounting Standards Update (ASU) 2016-14 Not-For-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-For-Profit Entities*. Our opinion is not modified with respect to this matter.


### ***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 1, 2019 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.  
St. Paul, Minnesota

October 1, 2019

**Management Discussion & Analysis**  
**Fiscal Years 2019 and 2018**

## Purpose

HIRED’s management has prepared this analysis of HIRED’s financial position to accompany our fiscal year 2019 and 2018 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 2019, HIRED served 6,242 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 2019 by the Numbers:

- Served **6,242 people** across the twin cities region.
- Assisted **2,172 individuals** with securing family sustainable employment.
- Participants earned an average hourly wage of **\$22.31** at placement.
- Provided **563 youth** with work-readiness and employment programs to help them enter the workforce.
- Facilitated the transition from welfare to work for **4,069 families** through integrated employment services.
- Trained **506 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 **1,104 dislocated workers**.

## Financial Position

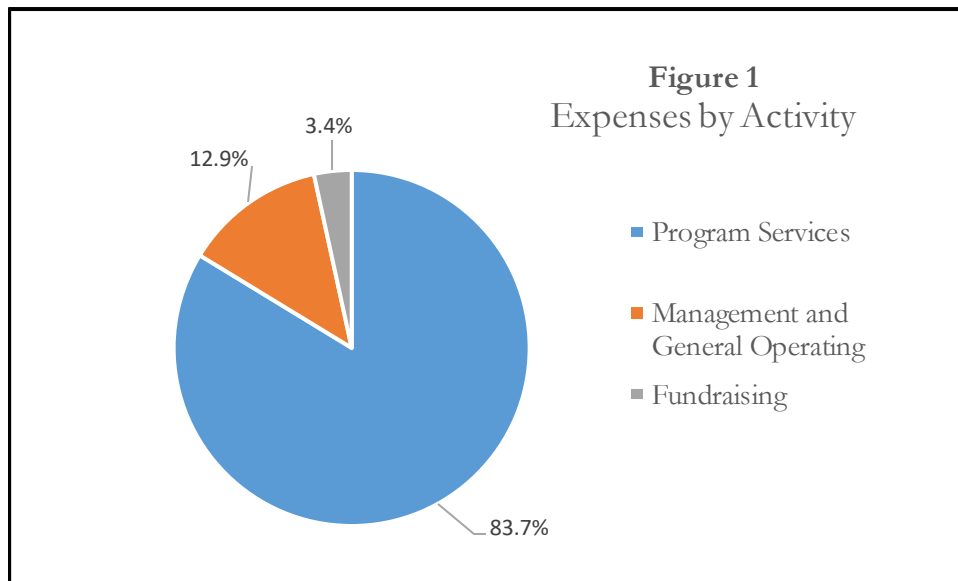
HIRED ended 2019 with \$1,308,587 in net assets; an increase of \$53,067 from 2018, due to growing philanthropic resources. Total assets at June 30 were \$2,199,135 and \$1,847,307 in 2019 and 2018, respectively, an increase of \$351,828 (19%).

HIRED's total liabilities increased \$298,761 from \$591,787 in 2018 to \$890,548 in 2019. This increase in liabilities is offset by HIRED's increase in Contracts Receivable, which increased from \$798,823 in 2018 to \$1,448,829 in 2019. HIRED's working capital was positive for both 2019 and 2018, with a Current Ratio (calculated by taking current assets divided by current liabilities) of 2.4 in 2019 and 3.3 in 2018. This indicates HIRED has the ability to liquidate all current liabilities with current assets without difficulty.

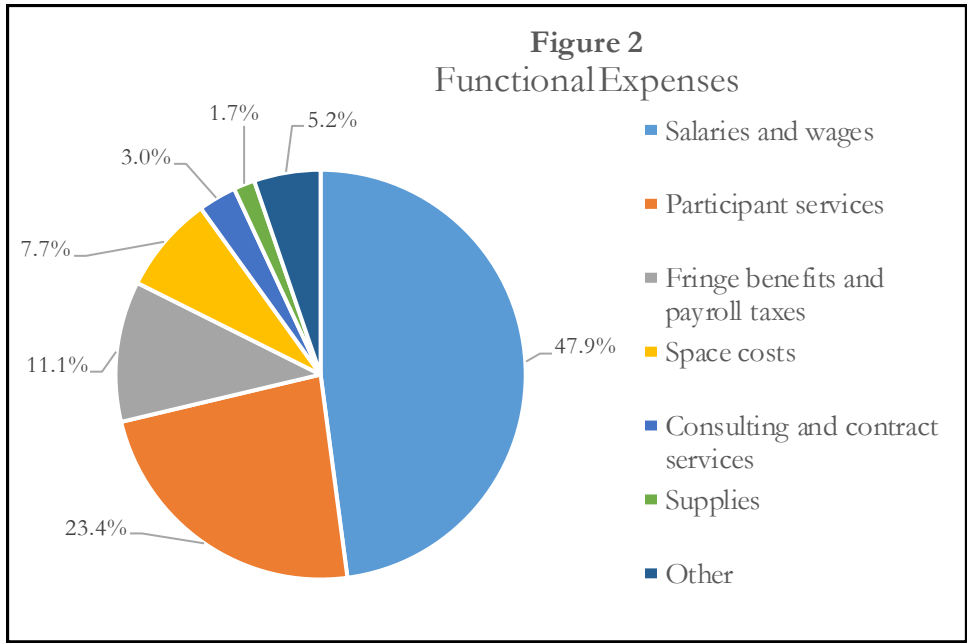


## Financial Activities

Total revenue in 2019 was \$10,223,051, an increase of \$84,017 (1%) from \$10,139,034 in 2018. This increase was driven by an increase in government contract revenues of \$227,284 from \$9,188,243 in 2018 to \$9,415,527 in 2019. Offsetting this increase, was a decrease in contributions of \$134,483 (14%) from \$938,279 in 2018 to \$803,796 in 2019.



HIRED's total expenses increased \$172,259 from \$9,997,725 in 2018 to \$10,169,984 in 2019. Program services expenses made up 83.7% of expenditures in 2019 and 83.1% in 2018, and increased by \$207,665 (See Figure 1). This increase was primarily due to increased program services and the investment in IT infrastructure. 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 \$1,309,962 in 2019 decreased \$207,838 from \$1,517,800 in 2018, due to increased efficiencies and cost reduction efforts. Management and General operating expenses comprised 12.9% and 15.2% of all expenses in 2019 and 2018, respectively (See Figure 1). Such expenses include administration, accounting, marketing and communications, information technology, and human resources. Fundraising expenses were 3.4% and 1.7% of all expenses in 2019 and 2018, respectively. Management, general and fundraising 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 \$4,872,735 and \$4,828,395 in 2019 and 2018, respectively. The majority of HIRED’s staff provide direct services to our clients. Salaries and wages reflect an increase of \$44,340 (0.9%), resulting principally from increased headcount.

Participant services were also impacted predominantly by increased funding within Dislocated Worker programs, increasing \$635,932 (37%) in 2019. Participant services were \$2,377,277 and \$1,741,345 in 2019 and 2018, respectively. Participant services include client supported work, training and support services.

Consulting and contract services expense decreased \$567,616 (65%) from \$872,421 in 2018 to \$304,805 in 2019. The largest portion of this expense in 2018 was for payments to HIRED’s subcontractors on the Hennepin County MFIP Northwest Hub contract of \$633,018 in 2018, which ended December 31, 2017.

## **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, 21<sup>st</sup> 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

June 30, 2019 and 2018

**Statement 1**

	2019	2018
Assets:		
Current assets:		
Cash	\$156,187	\$384,271
Contracts receivable - billed	1,448,829	788,388
Contracts receivable - unbilled	-	10,435
Contributions receivable	159,658	297,432
Card inventory	32,531	47,808
Prepaid expenses	71,997	74,449
Total current assets	<u>1,869,202</u>	<u>1,602,783</u>
Property and equipment:		
Office equipment and leasehold improvements	367,053	364,553
Less: accumulated depreciation and amortization	(281,083)	(261,749)
Total property and equipment	<u>85,970</u>	<u>102,804</u>
Noncurrent assets:		
Unemployment trust	103,418	129,052
Contributions receivable	113,869	4,786
Annuity contract	26,676	7,882
Total noncurrent assets	<u>243,963</u>	<u>141,720</u>
Total assets	<u>\$2,199,135</u>	<u>\$1,847,307</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable	\$443,654	\$84,776
Accrued payroll, vacation and related taxes	340,143	353,677
Loan payable	11,137	43,419
Total current liabilities	<u>794,934</u>	<u>481,872</u>
Noncurrent liabilities:		
Annuity contract	26,676	7,882
Loan payable	-	11,137
Deferred rent	68,938	90,896
Total noncurrent liabilities	<u>95,614</u>	<u>109,915</u>
Total liabilities	<u>890,548</u>	<u>591,787</u>
Net assets:		
Net assets without donor restrictions	855,223	724,556
Net assets with donor restrictions	453,364	530,964
Total net assets	<u>1,308,587</u>	<u>1,255,520</u>
Total liabilities and net assets	<u>\$2,199,135</u>	<u>\$1,847,307</u>

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

**HIRED**

## STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2019 and 2018

**Statement 2**

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and revenue:						
Governmental grants and contracts	\$9,415,527	\$ -	\$9,415,527	\$9,185,243	\$3,000	\$9,188,243
Contributions	317,063	486,733	803,796	410,811	527,468	938,279
Other	3,728	-	3,728	12,512	-	12,512
Net assets released from restrictions:						
Satisfaction of program restrictions	564,333	(564,333)	-	351,743	(351,743)	-
Total support and revenue	<u>10,300,651</u>	<u>(77,600)</u>	<u>10,223,051</u>	<u>9,960,309</u>	<u>178,725</u>	<u>10,139,034</u>
Expenses:						
Program services - employment services and training	8,513,223	-	8,513,223	8,305,558	-	8,305,558
Supporting services:						
Management and general	1,309,962	-	1,309,962	1,517,800	-	1,517,800
Fundraising	346,799	-	346,799	174,367	-	174,367
Total expenses	<u>10,169,984</u>	<u>0</u>	<u>10,169,984</u>	<u>9,997,725</u>	<u>0</u>	<u>9,997,725</u>
Change in net assets	130,667	(77,600)	53,067	(37,416)	178,725	141,309
Net assets - beginning of year	<u>724,556</u>	<u>530,964</u>	<u>1,255,520</u>	<u>761,972</u>	<u>352,239</u>	<u>1,114,211</u>
Net assets - end of year	<u>\$855,223</u>	<u>\$453,364</u>	<u>\$1,308,587</u>	<u>\$724,556</u>	<u>\$530,964</u>	<u>\$1,255,520</u>

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

**HIRED**

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

Statement 3

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	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	725,362	211,395	4,872,735
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	28,653	7,542	44,535
Total expenses	<u>\$8,513,223</u>	<u>\$1,309,962</u>	<u>\$346,799</u>	<u>\$10,169,984</u>

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



**HIRED**

## STATEMENTS OF FUNCTIONAL EXPENSES

For the Years Ended June 30, 2019 and 2018

Statement 3

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	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	<u>\$8,305,558</u>	<u>\$1,517,800</u>	<u>\$174,367</u>	<u>\$9,997,725</u>

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

**HIRED**

## STATEMENTS OF CASH FLOWS

For the Years Ended June 30, 2019 and 2018

Statement 4

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Change in net assets	\$53,067	\$141,309
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	19,333	19,747
Changes in assets and liabilities:		
Receivables	(621,315)	375,654
Annuity contract	(18,794)	(7,882)
Unemployment trust	25,634	45,920
Prepaid expenses	2,452	6,284
Card inventory	15,277	22,539
Accounts payable and accrued liabilities	364,138	(217,503)
Deferred rent	(21,958)	(18,036)
Net cash provided by (used in) operating activities	<u>(182,166)</u>	<u>368,032</u>
Cash flows from investing activities:		
Purchase of equipment	<u>(2,499)</u>	<u>(5,645)</u>
Cash flows from financing activities:		
Payments on loan payable	<u>(43,419)</u>	<u>(41,670)</u>
Increase (decrease) in cash	(228,084)	320,717
Cash - beginning of year	<u>384,271</u>	<u>63,554</u>
Cash - end of year	<u>\$156,187</u>	<u>\$384,271</u>
Supplemental disclosure of cash flow information:		
Interest paid	<u>\$3,691</u>	<u>\$6,476</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 jobseekers 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. BASIS OF ACCOUNTING**

Support and revenue and expenses are recorded on the accrual basis of accounting. Revenues from cost reimbursement governmental contracts 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 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.

**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 support with donor restrictions. In the absence of such stipulations, contributions of property and equipment are recorded as support without donor restrictions.

**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 the lower of cost or net realizable value on a first-in, first-out basis.

**HIRED**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

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**J. 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.

**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.

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 on a monthly basis by the Accounting Manager and/or CFO 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.

**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. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through October 1, 2019, the date that the financial statements were available to be issued.

**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 June 30, 2019 are presented below.

Cash	\$156,187
Contracts receivable	1,448,829
Less net assets with donor restrictions included in cash	(179,837)
	<u><u>\$1,425,179</u></u>

Due to the nature of the restrictions from contributions received from donors, HIRED has omitted all restricted contributions. 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 \$200,000 as disclosed in Note 6, 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.

**HIRED**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

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**Note 3 NET ASSETS WITH DONOR RESTRICTIONS**

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

	<u>2019</u>	<u>2018</u>
Multi-year pledges-employment services and training	\$11,140	\$17,971
Expansion of sector initiatives	-	120,500
Youth employment and training purposes	10,000	33,000
Adult	143,974	359,493
Money matters pilot	230,000	-
Time restrictions	55,000	-
Other	<u>3,250</u>	<u>-</u>
Total	<u><u>\$453,364</u></u>	<u><u>\$530,964</u></u>

**Note 4 CONTRIBUTIONS RECEIVABLE**

Contributions receivable consist of the following at June 30:

	<u>2019</u>	<u>2018</u>
Contribution payments due in less than 1 year	\$161,774	\$299,548
Contribution payments due in 1-5 years	<u>115,000</u>	<u>5,917</u>
Total contributions receivable	276,774	305,465
Present value discount	(178)	(178)
Allowance for doubtful accounts	<u>(3,069)</u>	<u>(3,069)</u>
Net contributions receivable	<u><u>\$273,527</u></u>	<u><u>\$302,218</u></u>

The discount rate used was 1.79% and 2.49% for 2019 and 2018, respectively.

**HIRED**  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

**Note 5 PROPERTY AND EQUIPMENT**

The Organization owns the following at June 30:

	<u>2019</u>	<u>2018</u>
Office equipment and furniture	\$327,398	\$327,398
Leasehold improvements	37,155	37,155
Website redesign in process	2,500	-
	<u>367,053</u>	<u>364,553</u>
Less accumulated depreciation and amortization	<u>(281,083)</u>	<u>(261,749)</u>
Net fixed assets	<u>\$85,970</u>	<u>\$102,804</u>

**Note 6 LINE OF CREDIT**

The Organization has \$200,000 available under a revolving line of credit agreement with Wells Fargo Bank, which expires on December 31, 2019. The interest rate is the higher of 5.00% or 0.75% over the bank's prime rate. The rate at June 30, 2019 and 2018 was 6.0 % and 6.0 % , respectively. The line of credit is collateralized by the assets of the Organization. Borrowings are due on demand. During 2019 and 2018 respectively, the Organization incurred \$2,257 and \$3,292 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, 2019 and 2018.

The Organization had \$50,000 available under a discretionary line of credit agreement with Propel Nonprofits, which expired on March 31, 2019 and had an annual interest rate of 6.5%. The line of credit was 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, and the line of credit was not renewed upon expiration.

**Note 7 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:

<b>Description:</b>	<u>2019</u>	<u>2018</u>
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	\$54,556
Less current portion	<u>(11,137)</u>	<u>(43,419)</u>
Long-term portion	<u>\$ -</u>	<u>\$11,137</u>



**HIRED**NOTES TO FINANCIAL STATEMENTS  
June 30, 2019 and 2018

For the years ended 2019 and 2018, interest expense on this loan totaled \$1,434 and \$3,184, respectively. Future maturities on long-term debt are as follows:

Year ending June 30,	Amount
2020	<u>\$11,137</u>
Total	<u><u>\$11,137</u></u>

**Note 8 CONTRIBUTED EQUIPMENT AND SERVICES**

In 2019, there were contributions of \$45,743 that included parking, tickets and training. In 2018, there were contributions of \$34,968 that included parking, tickets, vouchers and training. Tickets and vouchers are distributed to the people enrolled in the Organization's programs.

**Note 9 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 10 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
2020	\$478,599	\$52,184	\$530,783
2021	311,778	48,686	360,464
2022	300,072	23,239	323,311
2023	304,968	-	304,968
2024	301,974	-	301,974
Thereafter	<u>299,292</u>	<u>-</u>	<u>299,292</u>
Total	<u><u>\$1,996,683</u></u>	<u><u>\$124,109</u></u>	<u><u>\$2,120,792</u></u>

## **HIRED**

### **NOTES TO FINANCIAL STATEMENTS**

June 30, 2019 and 2018

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Space lease cost for the Organization was \$775,827 and \$770,672 in 2019 and 2018, respectively. Equipment lease costs were \$52,781 and \$74,026 in 2019 and 2018, 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 \$68,938 and \$90,896 at June 30, 2019 and 2018, respectively.

#### **Note 11 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 2019 and 2018. Total Organization contributions to the plan were \$156,626 and \$111,960 for 2019 and 2018, 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 \$18,794 and \$7,882 for 2019 and 2018, respectively. The plan is funded by an annuity contract held by the Organization. The deferred compensation asset and liability amounted to \$26,676 and \$7,882 at June 30, 2019 and 2018, respectively.

#### **Note 12 CONCENTRATIONS**

##### **SIGNIFICANT CONCENTRATIONS OF SUPPORT AND REVENUE**

The Organization provides services primarily within the Twin Cities metropolitan area. In 2019, 85% 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 2018, 86% 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.

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**Note 13 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	
	2019	2018
Annuity contract	\$26,676	\$7,882

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

**Note 14 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, 2019 and 2018 was \$103,418 and \$129,052, respectively. The unemployment claims liability was \$0 at June 30, 2019 and 2018.

**Note 15 CHANGE IN ACCOUNTING PRINCIPLE**

The Organization implemented the provisions of Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. This update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The presentation in these financial statements has been adjusted accordingly.

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