



*Reports of Independent Auditors and
Financial Statements with
Federal Awards Supplementary Information*

Playworks Education Energized

June 30, 2022 and 2021

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Report of Independent Auditors

To the Board of Directors
Playworks Education Energized

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Playworks Education Energized (“Playworks”), 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 accompanying financial statements present fairly, in all material respects, the financial position of Playworks Education Energized 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* (“*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 Playworks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Playworks’ ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the 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 *Government 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 Playworks' 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 Playworks' 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2022 on our consideration of Playworks' 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 Playworks' 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 Playworks' internal control over financial reporting and compliance.

Moss Adams LLP

San Francisco, California
September 27, 2022

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 18,689,038	\$ 4,588,586
Accounts receivable, net	1,191,592	1,800,194
Grants and pledges receivable, current portion	3,772,801	806,239
Prepaid expenses and other assets	<u>454,342</u>	<u>441,060</u>
Total current assets	<u>24,107,773</u>	<u>7,636,079</u>
Grants and pledges receivable, net of discount and current portion	-	118,146
Other long-term assets	<u>18,765</u>	<u>20,612</u>
TOTAL ASSETS	<u>\$ 24,126,538</u>	<u>\$ 7,774,837</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 720,134	\$ 332,912
Payroll and accrued benefits	824,530	647,511
Contract liability	<u>1,346,996</u>	<u>942,962</u>
Total current liabilities	<u>2,891,660</u>	<u>1,923,385</u>
Total liabilities	<u>2,891,660</u>	<u>1,923,385</u>
NET ASSETS		
Without donor restrictions	18,366,695	3,228,597
With donor restrictions	<u>2,868,183</u>	<u>2,622,855</u>
Total net assets	<u>21,234,878</u>	<u>5,851,452</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 24,126,538</u>	<u>\$ 7,774,837</u>

Playworks Education Energized
Statements of Activities
Years Ended June 30, 2022 and 2021

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT						
Contributions	\$ 876,206	\$ 5,315,316	\$ 6,191,522	\$ 1,613,863	\$ 3,557,703	\$ 5,171,566
Corporate support	10,851,781	2,218,402	13,070,183	1,070,873	957,500	2,028,373
Contributions in-kind	108,924	-	108,924	194,048	-	194,048
Net assets released from restriction	7,367,964	(7,367,964)	-	5,967,032	(5,967,032)	-
Total support	19,204,875	165,754	19,370,629	8,845,816	(1,451,829)	7,393,987
REVENUE						
Direct service fees	7,579,241	-	7,579,241	4,258,934	-	4,258,934
Government grants	4,982,202	-	4,982,202	3,289,092	-	3,289,092
Training fees	6,033,498	-	6,033,498	2,593,752	(2,975)	2,590,777
Special events	272,716	79,574	352,290	68,461	47	68,508
Other revenue	73,861	-	73,861	12,224	-	12,224
Total revenue	18,941,518	79,574	19,021,092	10,222,463	(2,928)	10,219,535
Total support and revenue	38,146,393	245,328	38,391,721	19,068,279	(1,454,757)	17,613,522
EXPENSES						
Program services:						
Direct services	15,467,017	-	15,467,017	10,039,538	-	10,039,538
Training services	3,625,329	-	3,625,329	2,671,926	-	2,671,926
Total program services	19,092,346	-	19,092,346	12,711,464	-	12,711,464
Support services:						
Management and general	1,929,126	-	1,929,126	1,510,857	-	1,510,857
Fundraising	1,986,823	-	1,986,823	1,747,251	-	1,747,251
Total support services	3,915,949	-	3,915,949	3,258,108	-	3,258,108
Total expenses	23,008,295	-	23,008,295	15,969,572	-	15,969,572
CHANGES IN NET ASSETS	15,138,098	245,328	15,383,426	3,098,707	(1,454,757)	1,643,950
NET ASSETS, beginning of year	3,228,597	2,622,855	5,851,452	129,890	4,077,612	4,207,502
NET ASSETS, end of year	\$ 18,366,695	\$ 2,868,183	\$ 21,234,878	\$ 3,228,597	\$ 2,622,855	\$ 5,851,452

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2022

EXPENSES	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
Salaries and wages	\$ 10,449,542	\$ 2,449,278	\$ 12,898,820	\$ 1,303,321	\$ 1,342,301	\$ 2,645,622	\$ 15,544,442
Employee benefits	972,001	227,828	1,199,829	121,233	124,859	246,092	1,445,921
Payroll tax	781,682	183,219	964,901	97,495	100,411	197,906	1,162,807
Total salaries and related expenses	12,203,225	2,860,325	15,063,550	1,522,049	1,567,571	3,089,620	18,153,170
Travel and related expenses	394,296	92,419	486,715	49,179	50,649	99,828	586,543
Rent and occupancy, including in-kind	201,868	47,316	249,184	25,178	25,931	51,109	300,293
Legal and professional, including in-kind	1,157,714	271,358	1,429,072	144,396	148,714	293,110	1,722,182
Dues, licenses, and service fees	392,930	92,099	485,029	49,008	50,474	99,482	584,511
Staff recruitment and training	139,495	32,696	172,191	17,399	17,919	35,318	207,509
Telephone	89,745	21,036	110,781	11,193	11,528	22,721	133,502
School supplies	176,559	41,384	217,943	22,021	22,680	44,701	262,644
Printing and publications	61,856	14,498	76,354	7,715	7,946	15,661	92,015
Insurance	117,548	27,552	145,100	14,661	15,100	29,761	174,861
Marketing and advertising	78,168	18,322	96,490	9,750	10,041	19,791	116,281
Meetings and conferences	92,475	21,675	114,150	11,534	11,879	23,413	137,563
Fundraising events, including in-kind	195,927	45,924	241,851	24,437	25,168	49,605	291,456
Small equipment and maintenance	99,572	23,339	122,911	12,419	12,790	25,209	148,120
Supplies	42,121	9,873	51,994	5,254	5,411	10,665	62,659
Postage	18,954	4,443	23,397	2,364	2,435	4,799	28,196
Utilities	387	91	478	48	50	98	576
Government grant commission	4,177	979	5,156	521	537	1,058	6,214
Total expenses	\$ 15,467,017	\$ 3,625,329	\$ 19,092,346	\$ 1,929,126	\$ 1,986,823	\$ 3,915,949	\$ 23,008,295

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2021

EXPENSES	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
Salaries and wages	\$ 6,667,856	\$ 1,831,264	\$ 8,499,120	\$ 977,604	\$ 1,247,492	\$ 2,225,096	\$ 10,724,216
Employee benefits	749,951	205,967	955,918	109,954	140,308	250,262	1,206,180
Payroll tax	515,984	141,710	657,694	75,651	96,536	172,187	829,881
Total salaries and related expenses	7,933,791	2,178,941	10,112,732	1,163,209	1,484,336	2,647,545	12,760,277
Travel and related expenses	34,438	9,458	43,896	5,049	6,443	11,492	55,388
Rent and occupancy, including in-kind	81,768	22,457	104,225	111,989	15,298	127,287	231,512
Legal and professional, including in-kind	914,430	251,139	1,165,569	134,070	66,544	200,614	1,366,183
Dues, licenses, and service fees	257,892	70,828	328,720	37,811	48,249	86,060	414,780
Staff recruitment and training	42,422	11,651	54,073	6,220	7,937	14,157	68,230
Interest	20,709	5,687	26,396	3,036	3,874	6,910	33,306
Telephone	48,215	13,242	61,457	7,069	9,021	16,090	77,547
School supplies	49,251	37,560	86,811	4,518	5,765	10,283	97,094
Printing and publications	8,661	2,379	11,040	1,270	1,620	2,890	13,930
Insurance	103,986	28,559	132,545	15,246	19,455	34,701	167,246
Marketing and advertising	57,812	15,877	73,689	8,476	10,816	19,292	92,981
Meetings and conferences	18,373	5,046	23,419	2,694	3,437	6,131	29,550
Fundraising events, including in-kind	-	-	-	-	51,443	51,443	51,443
Small equipment and maintenance	29,188	8,016	37,204	4,279	5,461	9,740	46,944
Supplies	18,642	5,120	23,762	2,736	3,487	6,223	29,985
Postage	14,955	4,107	19,062	2,193	2,798	4,991	24,053
Utilities	1,522	418	1,940	223	285	508	2,448
Government grant commission	11,481	-	11,481	-	-	-	11,481
Bad debt expense	386,755	-	386,755	-	-	-	386,755
Total expenses before depreciation and amortization	10,034,291	2,670,485	12,704,776	1,510,088	1,746,269	3,256,357	15,961,133
Depreciation and amortization	5,247	1,441	6,688	769	982	1,751	8,439
Total expenses	\$ 10,039,538	\$ 2,671,926	\$ 12,711,464	\$ 1,510,857	\$ 1,747,251	\$ 3,258,108	\$ 15,969,572

See accompanying notes.

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 15,383,426	\$ 1,643,950
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	-	8,439
(Reversal of) provision for bad debt	(44,409)	386,755
Discount on pledges receivable	(1,854)	(4,532)
Changes in assets and liabilities:		
Accounts receivable	653,011	(315,861)
Grants and pledges receivable	(2,846,562)	819,419
Prepaid expenses and other assets	(11,435)	(172,670)
Accounts payable and accrued expenses	387,222	33,575
Payroll and employee benefits	177,019	(1,052,789)
Refundable advance - PPP	-	(1,511,571)
Contract liability	404,034	(797,074)
Other long-term liabilities	-	(136,183)
Net cash provided by (used in) by operating activities	<u>14,100,452</u>	<u>(1,098,542)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on line of credit and loan agreements	<u>-</u>	<u>(2,500,000)</u>
Net cash used in financing activities	<u>-</u>	<u>(2,500,000)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	14,100,452	(3,598,542)
CASH AND CASH EQUIVALENTS, beginning of year	<u>4,588,586</u>	<u>8,187,128</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 18,689,038</u>	<u>\$ 4,588,586</u>

NOTE 1 – ORGANIZATION

General – Playworks Education Energized (“Playworks”) is a nonprofit public benefit corporation founded in 1996 that changes school culture by leveraging the power of safe, fun, and healthy play at school every day. Playworks creates a place for every kid on the playground to feel included, be active, and build valuable social and emotional skills. Playworks partners with schools, districts, and after-school programs to provide a service or mix of services including on-site coaches, professional training for school staff who support recess, and consultative partnerships.

Playworks operates full-time, direct service programs in the following regions: Arizona, Colorado, Illinois, Indiana, Massachusetts, Michigan, Minnesota, New Jersey, New York, North Carolina, Northern California (East Bay, San Francisco, and Silicon Valley), Pacific Northwest, Pennsylvania, Southern California (Los Angeles), Utah, and Wisconsin.

Playworks is primarily funded by direct service fees, contributions, and government contracts. Playworks partners with individual elementary schools, school districts, and outside-of-school programs, where the approach begins with an assessment of needs as well as resources in order to provide the right mix of Playworks services and offerings.

Playworks Services:

Playworks Coach – Playworks addresses the physical, emotional, and cognitive needs of children by coordinating full-day play and physical activity programming during lunchtime, recess, and after school. At each school Playworks coaches:

- Create a safe, active, and inclusive environment on the playground by coordinating a variety of schoolyard sports and games during recess and lunch;
- Work with individual classes and with classroom teachers to introduce games and physical activities into school curriculum;
- Develop and coordinate before or after school physical activity programs;
- Coordinate interscholastic developmental sports leagues such as basketball, volleyball, soccer, and others;
- Implement a youth leadership program at each site;
- Employ play as a tool for generating more community and family involvement.

Each Playworks coach works at their school five days a week, throughout the school day and during non-school hours, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

Playworks partners with elementary schools by providing an on-site coordinator to teach, model, and empower a sustainable recess program.

Playworks Education Energized

Notes to Financial Statements

Playworks Pro – Playworks Pro provides professional training and ongoing development to school staff, paraprofessionals, after-school care providers, employees in school districts, summer camps, and other youth serving organizations to create and maintain a great play environment. Playworks Pro teaches group management, conflict resolution, games facilitation, and other essential skills that transform playgrounds. Playworks Pro is provided on a fee-for-service basis, customized depending on the number of trainings requested, the number of participants, and the length of each training.

Playworks TeamUp – A fusion of Playworks Coach and Playworks Pro, Playworks TeamUp provides a single site coordinator to four partner schools. The site coordinator spends one week each month at each school leading, supporting, and empowering the recess team – including a lead recess coach – to create a safe, inclusive playground for all students.

Playworks Recess Reboot – Playworks partners with elementary schools by providing an on-site trainer for four days to teach, model, and empower a sustainable recess. This was a service being piloted during the fiscal year ended June 30, 2020, and is ongoing.

PlayworksU – Playworks staff developed PlayworksU, a new tool offering online courses to help school staff use effective, research-backed practices to help play support learning.

Playworks Keep Playing – Playworks offers an online subscription to weekly curated video content that assists educators and families in offering play to children at school and home.

NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation and description of net assets – The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Playworks reports information regarding its financial position and activities according to the class of net assets:

Net assets without donor restrictions – The portion of net assets that is not restricted by donor-imposed stipulations. As of June 30, 2022 and 2021, Playworks had no board designated net assets.

Net assets with donor restrictions – The portion of net assets whose use by Playworks is either (1) limited by donor-imposed stipulations that may expire either by passage of time or can be fulfilled and removed by actions of Playworks, or (2) limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of Playworks and are held in perpetuity. As of June 30, 2022 and 2021, Playworks does not have any net assets held in perpetuity.

Cash and cash equivalents – Cash and cash equivalents include money market accounts with a maturity of three months or less, and include donor restricted receipts and amounts designated for long-term purposes.

Playworks Education Energized

Notes to Financial Statements

Accounts receivable – Accounts receivable represent uncollateralized obligations due from schools and other youth development organizations and are stated at the amount Playworks billed and expects to collect for contract services. Accounts receivable are due under normal trade terms requiring payments within 30 days from the invoice date. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices. Playworks extends credit to the schools and other youth development organizations in the normal course of business and performs ongoing credit evaluations of them, maintaining allowances, when applicable, for potential credit losses, which, when realized, have been within management's expectations. The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's estimate of the amounts that will not be collected. Receivables are charged against the allowance when Playworks determines that payments will not be received. Any subsequent receipts are credited to the allowance.

Bad debt expense for the years ended June 30, 2022 and 2021, amounted to \$0 and \$386,755, respectively. The bad debt expense in 2021 resulted from the school shutdown caused by the COVID-19 pandemic (see Note 8), during which services could not be delivered to Playworks' customers.

Property and equipment – Property and equipment are recorded at cost or estimated fair value for donated items. Equipment purchases over \$3,000 are capitalized. The cost of repairs and maintenance which do not improve or extend the lives of the respective assets are expensed currently. Depreciation is computed on the straight-line method based on the estimated useful lives of the assets, which range from three to five years. Depreciation is charged to the activity benefiting from the use of the property or equipment.

Playworks periodically evaluates the carrying values of its long-lived assets for impairment. The evaluations address the estimated recoverability of the assets' carrying value, which is principally determined based on projected undiscounted cash flows generated by the underlying tangible assets. When the carrying value of an asset exceeds estimated recoverability, an asset impairment is recognized. No asset impairment was recognized for the years ended June 30, 2022 and 2021, respectively.

Revenue recognition – Contributions and grants are recognized at their fair value when the donor/grantor makes an unconditional promise to give to Playworks. Conditional promises to give, if any, are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Restricted contributions and grants 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.

Long-term receivables are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using market rates applicable in the years in which those promises are received. Playworks considers all unconditional promises to give to be fully collectible; accordingly, no allowance for doubtful accounts is considered necessary.

Government grants and revenue are recognized when Playworks incurs expenditures related to the required services. Amounts billed and received in advance are recorded as deferred revenue until the related services are performed. Government grants and revenue include recognition of Employee Retention Credit, see Note 3. It is Playworks' policy to account for this type of government grant in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 958-605, *Not-for-Profit Entities: Revenue Recognition*, in which conditional contributions received shall be recognized as revenues in the period when the barrier preventing revenue recognition is overcome.

Playworks Education Energized

Notes to Financial Statements

Direct service fees, which are generated from contracts with school districts, and program fees are recognized at the time the service is performed. Contract liability represents amounts paid in advance for school site programs and exchange transactions. The change in contract liability during the years ended June 30, 2022 and 2021, consists of the following activity:

	<u>2022</u>	<u>2021</u>
Balance, beginning of the year	\$ 942,962	\$ 1,740,036
Revenue recognized	(942,962)	(1,740,036)
Payment received for future performance obligation	<u>1,346,996</u>	<u>942,962</u>
Balance, end of year	<u>\$ 1,346,996</u>	<u>\$ 942,962</u>

Contributions in-kind – Donated equipment, donated office space, and other donated goods are recorded at their estimated fair value as of the date of the donation. Contributed services, which require a specialized skill and which Playworks would have paid for if not donated, are recorded at the estimated fair value at the time the services are rendered. Playworks also receives donated services that do not require specific expertise but which are nonetheless central to Playworks' operations. These services are not recorded in the financial statements (see Note 7).

Functional expense allocation – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management's estimate of indirect salary expense allocation is based on individual employee timesheets and/or estimated time spent by function. Management's estimate of other indirect costs is based on salary expense and/or headcount. The bad debt expense was allocated directly to program services since most of the write-offs made pertains to the school fees.

Income taxes – Playworks is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and exempt from state income taxes under various state codes. Accordingly, no provision for income taxes has been made in the accompanying statements. Playworks is, however, subject to federal and state income tax on unrelated business income and no provision for any such taxes is included in the accompanying financial statements. In addition, Playworks qualifies for the charitable contribution deduction under Section 170(b)(1)(A) of the Internal Revenue Code and has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code.

Playworks follows the guidelines of the FASB ASC Topic 740 for accounting for uncertainty in income taxes. As of June 30, 2022 and 2021, management evaluated Playworks' tax positions and concluded that Playworks had maintained its tax-exempt status and has taken no uncertain tax positions that require adjustment to the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements.

Marketing and advertising – Playworks' policy is to expense marketing and advertising costs as the costs are incurred. Marketing and advertising expenses for the years ended June 30, 2022 and 2021, were \$116,281 and \$92,981, respectively.

Playworks Education Energized Notes to Financial Statements

Use of estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

New accounting pronouncements – During 2022, Playworks adopted FASB Accounting Standards Update (“ASU”) No. 2020-07, *Not-For-Profit Entities (Topic 958): Presentation and Disclosures by Not-For-Profit Entities for Contributed Nonfinancial Assets* (“ASU 2020-07”), which increases the transparency of contributed nonfinancial assets for not-for-profit organizations through enhancements to presentation and disclosure. The update addresses certain stakeholders’ concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by not-for-profit organizations, as well as the amount of those contributions used in a not-for-profit organization’s programs and other activities. The adoption of ASU 2020-07 did not have a significant impact on Playworks’ financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)* (“ASU 2016-02”), to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The effective date of ASU No. 2016-02 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, to annual periods beginning after December 15, 2021. The adoption of ASU 2016-02 is effective for Playworks beginning July 1, 2022. Management is currently evaluating the impact of the provisions of ASU 2016-02 on Playworks’ financial statements.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE, NET

Grants and pledges receivable, net consist of the following at June 30:

	2022	2021
Foundation grants	\$ 100,700	\$ 193,356
Individuals	56,161	42,236
Corporate grants	217,946	231,371
Government contracts	3,397,994	457,422
Total	<u>\$ 3,772,801</u>	<u>\$ 924,385</u>

Gross contributions receivable as of June 30, 2022, are expected to be received as follows: \$3,772,801, within one year and \$0 within two to five years. Gross contributions receivable as of June 30, 2021, are expected to be received as follows: \$804,385, within one year and \$120,000 within two to five years. Net contributions receivable as of June 30, 2021, within two to five years is \$118,146, which is net of \$1,854 in discount for present value.

Playworks is eligible for the Employee Retention Credit (“ERC”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), subject to certain criteria. During the year ended June 30, 2022, Playworks recognized \$3,001,217 of ERC and is included in the government contracts portion of grants and pledges receivable. Playworks did not recognize ERC during the year ended June 30, 2021. Amended tax returns or claims for refund were filed to Internal Revenue Service in May 2022.

Playworks Education Energized

Notes to Financial Statements

Beginning in January 2016, Playworks secured six conditional foundation grants totaling \$26,820,000 to support the strategic plan to scale Playworks services in order to expand safe and healthy play to hundreds of thousands more children through training, digital content and strategic partnerships.

Of the \$26,820,000 in grants awarded, \$0 and \$250,000 (less present value discount) was recognized as revenue in the years ended June 30, 2022 and 2021, respectively. As of June 30, 2022, no conditional grants receivable are still outstanding. No new conditional grants were received during the years ended June 30, 2022 and 2021.

NOTE 4 – PROPERTY AND EQUIPMENT

Property and equipment costs consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Website design	\$ 244,006	\$ 244,006
Furniture and equipment	40,933	40,933
Tenant improvements	<u>3,252</u>	<u>3,252</u>
	288,191	288,191
Less: accumulated depreciation and amortization	<u>(288,191)</u>	<u>(288,191)</u>
Total property and equipment	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Depreciation and amortization expense for the years ended June 30, 2022 and 2021, were \$0 and \$8,439, respectively.

Playworks Education Energized
Notes to Financial Statements

NOTE 5 – NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions as of June 30, consisted of the following:

	<u>2022</u>	<u>2021</u>
Purpose and time restrictions:		
National expansion	\$ 560,291	\$ 655,645
Arizona	51,325	-
California - Northern	189,500	248,600
California - Southern	223,792	105,000
Colorado	322,548	74,000
Illinois	125,281	31,623
Indiana	-	150,000
New England	375,332	252,503
Michigan	253,037	180,992
Minnesota	185,923	243,000
New York / New Jersey	66,000	95,000
Pacific Northwest	180,621	109,492
Pennsylvania	132,033	50,000
Utah	182,500	377,500
Wisconsin	<u>20,000</u>	<u>49,500</u>
Total	<u>\$ 2,868,183</u>	<u>\$ 2,622,855</u>

All net assets with donor restrictions as of June 30, 2022 and 2021, are expected to be released from restriction within one year of the fiscal year end.

Playworks Education Energized

Notes to Financial Statements

NOTE 6 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from restrictions during the year by incurring expenses satisfying the restricted purpose or by the expiration of time as follows:

	<u>2022</u>	<u>2021</u>
National expansion	\$ 1,084,709	\$ 1,863,909
Arizona	197,500	-
California - Northern	660,265	421,400
California - Southern	234,363	139,800
Colorado	831,500	28,770
Illinois	198,750	173,177
Indiana	338,750	157,000
New England	819,752	887,400
Michigan	642,456	550,508
Minnesota	237,500	7,500
North Carolina	50,000	50,000
New York / New Jersey	549,877	726,568
Pacific Northwest	338,445	80,000
Pennsylvania	282,597	68,500
Utah	796,000	802,500
Wisconsin	105,500	10,000
	<u>\$ 7,367,964</u>	<u>\$ 5,967,032</u>
Total		

NOTE 7 – CONTRIBUTIONS IN-KIND

The estimated fair value of donated space and expert services are recorded as contributions. The following in-kind contributions were received by Playworks during the years ended June 30:

	<u>2022</u>	<u>2021</u>
Legal and accounting services	\$ 62,184	\$ 194,048
Office space	46,740	-
	<u>\$ 108,924</u>	<u>\$ 194,048</u>
Total		

Legal and accounting services are valued based on the current rates of legal and accounting services provided by the law firm and accountant. Office spaces are valued based on the current rent in the building. All in-kind contributions are not restricted.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating leases – Playworks entered into several lease agreements for its headquarters and regional offices in the current years. The future aggregate lease payments for its regional offices as follows:

<u>Year Ending June 30,</u>	
2023	\$ 118,476
2024	<u>80,620</u>
Total future minimum lease payments	<u>\$ 199,096</u>

Rent expense for the years ended June 30, 2022 and 2021, was \$249,393 and \$84,139, respectively, and includes \$46,740 and \$0 of donated office space in Oakland, California, and Michigan, for the years ended June 30, 2022 and 2021, respectively. Total rent and occupancy expense for the years ended June 30, 2022 and 2021, was \$300,293 and \$231,512, respectively.

Contingencies – Grants and contracts awarded to Playworks are subject to the funding agencies' criteria, contract terms and regulations under which expenditures may be charged and are subject to audit under such terms, regulations and criteria. Occasionally, such audits may determine that certain costs incurred in connection with the grants do not comply with the established criteria that govern them.

In such cases, Playworks could be held responsible for repayments to the funding agency for the costs or be subject to a reduction of future funding in the amount of the costs. Management does not anticipate any material questioned costs for the contracts and grants administered during the period. Playworks would be responsible for the absorption of any over-expenditure of its restricted grants which cannot be covered by additional grant funds or contributions from other sources.

COVID-19 pandemic – In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. The related adverse public health developments, including orders to shelter-in-place, travel restrictions, and mandated business and school closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including Playworks' operations.

Playworks management has been closely monitoring the impact of the ongoing COVID-19 pandemic on Playworks' operations, including the impact on its customers and employees. The duration and intensity of the pandemic is uncertain but may influence customer decisions, donor decisions, and may also negatively impact collections of Playworks' receivables.

NOTE 9 – CONCENTRATIONS OF RISK

Playworks has defined its financial instruments which are potentially subject to credit risk. The financial instruments consist principally of cash and receivables.

Playworks Education Energized

Notes to Financial Statements

Periodically, throughout the year, Playworks has maintained balances in various operating and money market accounts in excess of federally insured limits.

Grants and pledges receivable consist primarily of unsecured amounts due from individuals, corporations, foundations, and government agencies. As of June 30, 2022, approximately 86% of grants and pledges receivable were from three organizations. As of June 30, 2021, approximately 65% of grants and pledges receivable were from three organizations.

NOTE 10 – RELATED-PARTY TRANSACTIONS

Included among Playworks' Board of Directors and officers are volunteers from the community who provide governance and valuable assistance to Playworks in the development of policies, programs, and in the evaluation of business transactions. Playworks has adopted a conflict of interest policy whereby board members are disqualified from participation in the final decisions regarding any action affecting their related company or agency.

A board member is a principal at a company that owns the building in which Playworks rents office space in 638 3rd Street Oakland, California. The rent for each of the years ended June 30, 2022 and 2021, was \$45,250 and \$0, respectively, and is included in office space per Note 7.

Jill Violet, founder, received compensation from Playworks and Substantial Classrooms ("Substantial") for the year ended June 30, 2022. Playworks is the fiscal sponsor for Substantial (See Note 13).

NOTE 11 – RETIREMENT PLAN

Playworks sponsors a defined contribution plan under Internal Revenue Code Section 401(k) (the "Plan"). Under the provisions of the Plan, participating employees may make voluntary contributions through salary deductions up to the maximum amount allowed by law. Playworks is authorized under the Plan to make employer contributions on behalf of its eligible employees. On May 1, 2018, Playworks' Board of Directors approved the reduction of employer match from 3% to 1% of employee contributions. On July 1, 2019, Playworks decided to stop the employer contributions. During the years ended June 30, 2022 and 2021, Playworks made no employer contributions.

NOTE 12 – HEALTH INSURANCE PROGRAM

Playworks sponsors the Comprehensive Preferred Medical and Prescription Drug Benefit Plan (the "Benefit Plan") with Aetna. Effective August 1, 2020, United Health Care ("UHC") replaced Aetna as the provider of Health and Dental insurance for employees. During the years ended June 30, 2022 and 2021, Playworks incurred \$969,296 and \$909,808, respectively, of expenses related to the Benefit Plan, of which \$10,748 and \$24,493 was accrued at June 30, 2022 and 2021, respectively.

Playworks Education Energized

Notes to Financial Statements

NOTE 13 – FISCAL SPONSORSHIP

In December 2015, Playworks' Board of Directors authorized management to create a fiscal sponsorship arrangement with Substantial. Substantial became a fiscally sponsored project within Playworks as of January 15, 2016. Substantial is partnering with schools and districts to help re-design the way they recruit, train and support substitute teachers, ensuring the time spent in classroom is engaging for students and rewarding for adults. Playworks accepts restricted contributions for this project and provides all support functions as it launches into a new social enterprise. As of June 30, 2022 and 2021, \$200,291 and \$220,000, respectively, is included in net assets with donor restrictions related to Substantial, and is included in national expansion per Note 5.

NOTE 14 – LIQUIDITY AND AVAILABILITY

The following table reflects Playworks' financial assets as of June 30, reduced by amounts not available for general expenditure within one year:

	<u>2022</u>	<u>2021</u>
Financial assets		
Cash and cash equivalents	\$ 18,689,038	\$ 4,588,586
Accounts receivable, net of allowance for doubtful accounts	1,191,592	1,800,194
Grants and pledges receivable	<u>3,772,801</u>	<u>806,239</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 23,653,431</u>	<u>\$ 7,195,019</u>

As of June 30, 2022 and 2021, Playworks has approximately \$2.9 million and \$2.6 million, respectively, of net assets with donor restrictions. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the statement of financial position date. Playworks has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. Playworks recognized in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including estimates inherent in the process of preparing financial statements. Playworks' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date before the financial statements were available to be issued.

Playworks has evaluated subsequent events through September 27, 2022, which is the date the financial statements were available to be issued.

Schedule of Expenditures of Federal Awards

Playworks Education Energized
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2022

<u>Federal Grantor/Pass-Through Grantor Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
Corporation for National Community Services Direct Award AmeriCorps	94.006	17NDHCA002	\$ 963,727
Corporation for National Community Services Pass through Program from the state of California - AmeriCorps	94.006	18ACHCA0010004	55,164
Pass through Program from the state of Massachusetts - AmeriCorps	94.006	18ACHMA0010006	295,277
Pass through Program from the state of Utah - AmeriCorps	94.006	16ACHUT0010003	<u>75,807</u>
TOTAL EXPENDITURES FOR ALN 94.006 AND TOTAL EXPENDITURES FOR FEDERAL AWARDS			<u>\$ 1,389,975</u>

Playworks Education Energized
Notes to Schedule of Expenditures of Federal Awards
June 30, 2022

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Playworks Education Energized (“Playworks”) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of Playworks, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Playworks.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursements.

Playworks did not provide any federal awards to subrecipients during the year ended June 30, 2022.

Playworks has elected not to use the 10-percent de minimis cost rate allowed under the Uniform Guidance.

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Playworks Education Energized

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* (“*Government Auditing Standards*”) issued by the Comptroller General of the United States, the financial statements of Playworks Education Energized (“Playworks”), which comprise the statement of financial position as of and for the year ended June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated September 27, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Playworks’ internal control over financial reporting (“internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Playworks’ internal control. Accordingly, we do not express an opinion on the effectiveness of Playworks’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Playworks' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Playworks' Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Playworks' response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Playworks' response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Moss Adams LLP".

San Francisco, California
September 27, 2022

Report of Independent Auditors on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Board of Directors
Playworks Education Energized

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Playworks Education Energized's ("Playworks") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Playworks' major federal program for the year ended June 30, 2022. Playworks' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Playworks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards* ("Government Auditing Standards") issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Playworks and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of Playworks' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Playworks' federal program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Playworks' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Playworks' compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Playworks' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Playworks' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Playworks' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

San Francisco, California
September 27, 2022

**Playworks Education Energized
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022**

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified? Yes None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? Yes No

Identification of major federal programs and type of auditor's report issued on compliance for major federal program:

<i>Federal Assistance Listing Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Program</i>
94.006	AmeriCorps	<i>Unmodified</i>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

Finding 2022-001 – Reconciliation of Grant Revenue – Significant Deficiency

Criteria – Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 958-605, *Not-for-Profit: Revenue Recognition*, establishes accounting standards for the recognition and measurement of grant revenue for not-for-profit organizations, including assessment of the collectability of grants receivable.

Condition/Context – Grant revenue and deferred revenue were not reconciled on a consistent or timely basis, resulting in certain grant agreement balances incorrectly being included as deferred revenue as of year-end.

Playworks Education Energized
Schedule of Findings and Questioned Costs
Year Ended June 30, 2022

Effect – Grant revenue was not appropriately recognized in accordance with generally accepted accounting principles in the United States during the fiscal year.

Cause – Grant revenue and deferred revenue were not reconciled on a consistent or timely basis during the fiscal year, which resulted in error in data input and automated gift processing and posting.

Repeat finding – This is not a repeat finding.

Recommendation – We recommend that Playworks’ management continue to improve its process of performing a detailed analysis and reconciliation of grant revenue billed and revenue deferred on a monthly basis to ensure that grant billings are appropriately recorded. We also recommend Playworks to ensure appropriate staffing to ensure the process are performed consistently, even when the turnover of employees occurs.

Management’s response – Management agrees with the recommendation and has implemented additional controls and reporting standards to ensure all contributions are recognized as revenue within the appropriate period, and will continue coaching and training all finance and grants staff. Additionally, management has increased its accounting staff headcount to handle the increasing number of grants and will continue to ensure appropriate cross-training of accounting staff to perform the analysis and reconciliation. The balances of grant revenue and deferred revenue were corrected as of year-end.

Section III – Federal Award Findings and Questioned Costs

None reported.

Playworks Education Energized
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2022

No prior audit findings noted.



PLAYWORKS
for every kid

September 27, 2022

To Whom It May Concern,

Playworks National Office

638 3rd Street
Oakland, CA 94607
o: 510.893.4180
f: 510.893.4378

playworks.org

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), we have provided below our responses and corrective action plan addressing the finding noted in Playworks Education Energized's Single Audit reporting package for the year ended June 30, 2022.

Response and Corrective Action Plan

Current Findings on the Schedule of Findings and Questioned Costs

Finding 2022-001 – Reconciliation of Grant Revenue – Significant Deficiency

Response and Corrective Action Plan: Management agrees with the recommendation and has implemented additional controls and reporting standards to ensure all contributions are recognized as revenue within the appropriate period, and will continue coaching and training all finance and grants staff. Additionally, management has increased its accounting staff headcount to handle the increasing number of grants and will continue to ensure appropriate cross-training of accounting staff to perform the analysis and reconciliation. The balances of grant revenue and deferred revenue were corrected as of year-end and the additional controls have been implemented as of the date of the plan.

Responsible Person: Satoshi Steimetz, Chief Financial Officer

Sincerely,

Satoshi Steimetz
Chief Financial Officer
Playworks Education Energized

