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

Playworks Education Energized

June 30, 2020 and 2019

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Report of Independent Auditors

The Board of Directors
Playworks Education Energized

Report on the Financial Statements

We have audited the accompanying financial statements of Playworks Education Energized ("Playworks") which comprise the statements of financial position as of June 30, 2020 and 2019, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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 audits 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 financial position of Playworks Education Energized as of June 30, 2020 and 2019, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were 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 information 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 December 18, 2020, on our consideration of Playworks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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
December 18, 2020

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 8,187,128	$ 774,268
Accounts receivable, net of allowance for doubtful accounts of $250,000 and $115,821 in 2020 and 2019, respectively	1,871,088	1,774,677
Grants and pledges receivable, net of allowance of $0 and $5,000 in 2020 and 2019, respectively	1,315,658	3,624,765
Prepaid expenses and other assets	238,916	386,810
Total current assets	11,612,790	6,560,520
Property and equipment, net	8,439	1,801,352
Grants and pledges receivable, net of discount and current portion	423,614	1,864,711
Other long-term assets	50,086	64,829
TOTAL ASSETS	$ 12,094,929	$ 10,291,412
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	$ 299,337	$ 596,916
Line of credit and loan agreements	2,500,000	-
Loan payable - PPP	1,511,571	-
Payroll and accrued benefits	1,700,300	1,979,089
Deferred revenue	1,740,036	1,021,346
Total current liabilities	7,751,244	3,597,351
Long-term liabilities	136,183	73,489
Total liabilities	7,887,427	3,670,840
NET ASSETS		
Without donor restrictions	129,890	(410,759)
With donor restrictions	4,077,612	7,031,331
Total net assets	4,207,502	6,620,572
TOTAL LIABILITIES AND NET ASSETS	$ 12,094,929	$ 10,291,412

 See accompanying notes.

Playworks Education Energized
Statements of Activities
Years Ended June 30, 2020 and 2019

	2020			2019		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT						
Contributions	$ 1,250,714	$ 3,987,432	$ 5,238,146	$ 992,309	$ 10,502,804	$ 11,495,113
Corporate support	1,145,424	2,613,262	3,758,686	2,029,722	2,509,395	4,539,117
Contributions in-kind	351,301	-	351,301	697,483	-	697,483
Net assets released from restriction	9,554,413	(9,554,413)	-	14,223,791	(14,223,791)	-
Total support	12,301,852	(2,953,719)	9,348,133	17,943,305	(1,211,592)	16,731,713
REVENUE						
Direct service fees	12,583,268	-	12,583,268	14,468,502	-	14,468,502
Government grants	5,936,245	-	5,936,245	3,272,860	-	3,272,860
Training fees	3,877,685	-	3,877,685	3,656,063	-	3,656,063
Special events (net of direct expenses of $0 and $634,265 in 2020 and 2019, respectively)	1,114,475	-	1,114,475	1,068,193	-	1,068,193
Other revenue	188,237	-	188,237	58,039	-	58,039
Total revenue	23,699,910	-	23,699,910	22,523,657	-	22,523,657
Total support and revenue	36,001,762	(2,953,719)	33,048,043	40,466,962	(1,211,592)	39,255,370
EXPENSES						
Program services:						
Direct services	24,371,351	-	24,371,351	27,532,378	-	27,532,378
Training services	4,431,154	-	4,431,154	5,399,282	-	5,399,282
Total program services	28,802,505	-	28,802,505	32,931,660	-	32,931,660
Support services:						
Management and general	3,180,149	-	3,180,149	4,103,023	-	4,103,023
Fundraising	3,478,459	-	3,478,459	3,955,761	-	3,955,761
Total support services	6,658,608	-	6,658,608	8,058,784	-	8,058,784
Total expenses	35,461,113	-	35,461,113	40,990,444	-	40,990,444
CHANGES IN NET ASSETS	540,649	(2,953,719)	(2,413,070)	(523,482)	(1,211,592)	(1,735,074)
NET ASSETS, beginning of year	(410,759)	7,031,331	6,620,572	112,723	8,242,923	8,355,646
NET ASSETS, end of year	$ 129,890	$ 4,077,612	$ 4,207,502	$ (410,759)	$ 7,031,331	$ 6,620,572

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2020

	Program Services			Supporting Services			
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	Total
EXPENSES							
Salaries and wages	$ 15,599,021	$ 2,997,672	$ 18,596,693	$ 2,156,270	$ 2,152,148	$ 4,308,418	$ 22,905,111
Employee benefits	996,486	191,495	1,187,981	137,745	137,482	275,227	1,463,208
Payroll tax	1,147,239	220,465	1,367,704	158,584	158,281	316,865	1,684,569
Total salaries and related expenses	17,742,746	3,409,632	21,152,378	2,452,599	2,447,911	4,900,510	26,052,888
Travel and related expenses	243,349	46,765	290,114	33,639	33,574	67,213	357,327
Rent and occupancy, including in-kind	1,149,105	220,825	1,369,930	158,842	158,538	317,380	1,687,310
Legal and professional, including in-kind	1,064,250	204,517	1,268,767	147,112	146,831	293,943	1,562,710
Dues, licenses, service fees	372,201	71,526	443,727	51,450	51,352	102,802	546,529
Staff recruitment and training	134,540	25,855	160,395	18,598	18,562	37,160	197,555
Interest	40,810	7,842	48,652	5,641	5,630	11,271	59,923
Telephone	116,723	22,431	139,154	16,135	16,104	32,239	171,393
School supplies	167,105	33,540	200,645	16,880	16,848	33,728	234,373
Printing and publications	55,105	10,590	65,695	7,617	7,603	15,220	80,915
Insurance	119,700	23,003	142,703	16,546	16,515	33,061	175,764
Marketing and advertising	56,320	10,823	67,143	7,785	7,770	15,555	82,698
Meetings and conferences	69,565	13,368	82,933	9,616	9,598	19,214	102,147
Fundraising events, including in-kind	-	-	-	-	304,389	304,389	304,389
Small equipment and maintenance	28,481	5,473	33,954	3,937	3,929	7,866	41,820
Supplies	117,757	22,629	140,386	16,278	16,247	32,525	172,911
Postage	19,505	3,748	23,253	2,696	2,691	5,387	28,640
Utilities	32,149	6,178	38,327	4,444	4,435	8,879	47,206
Government grant commission	20,796	-	20,796	-	-	-	20,796
Impairment of property and equipment	1,314,844	252,674	1,567,518	181,752	181,405	363,157	1,930,675
Bad debt expense	1,299,533	-	1,299,533	-	-	-	1,299,533
Total expenses before depreciation and amortization	24,164,584	4,391,419	28,556,003	3,151,567	3,449,932	6,601,499	35,157,502
Depreciation and amortization	206,767	39,735	246,502	28,582	28,527	57,109	303,611
Total expenses	$ 24,371,351	$ 4,431,154	$ 28,802,505	$ 3,180,149	$ 3,478,459	$ 6,658,608	$ 35,461,113

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2019

	Program Services			Supporting Services			
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	Total
EXPENSES							
Salaries and wages	$ 18,872,921	$ 3,671,668	$ 22,544,589	$ 2,842,159	$ 2,517,621	$ 5,359,780	$ 27,904,369
Employee benefits	2,306,100	448,645	2,754,745	347,286	307,630	654,916	3,409,661
Payroll tax	1,397,272	271,835	1,669,107	210,422	186,394	396,816	2,065,923
Total salaries and related expenses	22,576,293	4,392,148	26,968,441	3,399,867	3,011,645	6,411,512	33,379,953
Travel and related expenses	499,806	97,236	597,042	75,268	66,673	141,941	738,983
Rent and occupancy, including in-kind	1,211,950	235,781	1,447,731	182,513	161,672	344,185	1,791,916
Legal and professional, including in-kind	1,306,541	254,184	1,560,725	196,758	174,291	371,049	1,931,774
Dues, licenses, service fees	372,871	72,541	445,412	56,152	49,740	105,892	551,304
Staff recruitment and training	232,832	45,297	278,129	35,063	31,060	66,123	344,252
Interest	33,523	6,522	40,045	5,048	4,472	9,520	49,565
Telephone	162,736	31,660	194,396	24,507	21,709	46,216	240,612
School supplies	143,107	55,521	198,628	10,745	9,518	20,263	218,891
Printing and publications	61,499	11,964	73,463	9,261	8,204	17,465	90,928
Insurance	123,209	23,970	147,179	18,555	16,436	34,991	182,170
Marketing and advertising	97,352	18,939	116,291	14,661	12,987	27,648	143,939
Meetings and conferences	140,163	27,268	167,431	21,108	18,698	39,806	207,237
Fundraising events, including in-kind	-	-	-	-	321,250	321,250	321,250
Small equipment and maintenance	63,035	12,263	75,298	9,493	8,409	17,902	93,200
Supplies	93,319	18,155	111,474	14,053	12,449	26,502	137,976
Postage	71,849	13,978	85,827	10,820	9,584	20,404	106,231
Utilities	28,612	5,566	34,178	4,309	3,817	8,126	42,304
Government grant commission	21,058	-	21,058	-	-	-	21,058
Bad debt expense	194,070	57,116	251,186	-	-	-	251,186
Total expenses before depreciation and amortization	27,433,825	5,380,109	32,813,934	4,088,181	3,942,614	8,030,795	40,844,729
Depreciation and amortization	98,553	19,173	117,726	14,842	13,147	27,989	145,715
Total expenses	$ 27,532,378	$ 5,399,282	$ 32,931,660	$ 4,103,023	$ 3,955,761	$ 8,058,784	$ 40,990,444

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (2,413,070)	$ (1,735,074)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	303,611	145,715
Loss on disposal of assets	-	11,910
Impairment of property and equipment	1,930,675	-
Provision for bad debt	1,299,533	251,186
Discount on pledges receivable	(48,903)	(18,207)
Changes in assets and liabilities:		
Accounts receivable	(1,400,944)	879,402
Grants and pledges receivable	3,804,107	224,123
Prepaid expenses and other assets	162,637	66,864
Accounts payable and accrued expenses	(297,579)	(385,339)
Payroll and employee benefits	(278,789)	(128,738)
Deferred revenue	718,690	484,068
Other long-term liabilities	62,694	35,705
Net cash provided by (used in) operating activities	3,842,662	(168,385)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(441,373)	(1,489,375)
Net cash used in investing activities	(441,373)	(1,489,375)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from line of credit and loan agreements	2,500,000	-
Proceeds from loan payable - PPP	1,511,571	-
Net cash provided by financing activities	4,011,571	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	7,412,860	(1,657,760)
CASH AND CASH EQUIVALENTS, beginning of year	774,268	2,432,028
CASH AND CASH EQUIVALENTS, end of year	$ 8,187,128	$ 774,268
SUPPLEMENTAL DISCLOSURE OF CASH FLOWS		
Cash paid for interest	$ 59,923	$ 49,565
SUPPLEMENTAL DISCLOSURE OF NONCASH INVESTING ACTIVITIES		
Additions to property and equipment included in accounts payable	$ -	$ 67,750

See accompanying notes.

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, Georgia, Illinois, Indiana, Maryland, Massachusetts, Michigan, Minnesota, New Jersey, New Mexico, New York, North Carolina, Northern California (East Bay, San Francisco, and Silicon Valley), Pacific Northwest, Pennsylvania, Southern California (Los Angeles), Texas, Utah, Washington D.C., 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 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 Part-Time Coach – Playworks provides elementary schools with a part-time coach, throughout the school day and after school.

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.

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.

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.
>
> *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, 2020 and 2019, 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.

Accounts receivable – Accounts receivable represent amounts due from schools and other youth development organizations and are stated at the amount Playworks expects to collect for contract services. Provisions for losses on receivables are made when considered necessary to maintain an adequate allowance to cover bad debts. Receivables are charged against the allowance when Playworks determines that payments will not be received. Any subsequent receipts are credited to the allowance. As of June 30, 2020 and 2019, Playworks had an allowance for doubtful accounts of $250,000 and $115,821, respectively. As of June 30, 2020, this allowance included $160,000 representing a portion of the receivables from March to June 2020, the period of nonservice attributed to the nationwide school shutdown. This is the first time that the organization set up this type of provision due to the pandemic (see Note 10).

Bad debt expense for the years ended June 30, 2020 and 2019, amounted to $1,299,533 and $251,186, respectively. The increase in bad debt expense in 2020 was in response to the understandable but material adverse impacts from the on-going COVID-19 pandemic and the ensuing economic recession, factors entirely beyond Playworks' control. As a result, all pre-2020 invoices were considered doubtful, as well as some invoices for the shutdown period from March to June 2020, during which services could not be delivered to Playworks' school customers. Most of these schools suffered severe disruption to their operations. They incurred incremental costs in retrofitting the schools to be CDC-compliant, and they anticipate that district and school budgets are likely to be adversely impacted by expected reductions in local and state taxes from reduced business activity during the pandemic. Playworks operates as a strategic partner in primarily low-income children's school systems. It is considered to be neither feasible nor desirable to adopt a severe commercial policy to enforce payment of these invoices against its own customers in the extraordinary adverse circumstances of the on-going COVID-19 pandemic (see Note 10).

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. Asset impairment of $1,930,675 and $0 was recognized for the years ended June 30, 2020 and 2019, respectively (see Note 4).

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 partial loan forgiveness related to the loan payable – PPP, see Note 6. It is Playworks' policy to account for this loan as a conditional contribution in accordance with Financial Accounting Standards Board ("FASB") 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.

Direct service fees, which are generated from contracts with school districts, and program fees are recognized at the time the service is performed. Deferred revenue represents amounts paid in advance for school site programs and exchange transactions.

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 9).

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, 2020 and 2019, 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, 2020 and 2019, were $82,698 and $143,939, respectively.

Reclassifications – Certain reclassifications have been made to the 2019 financial statements to conform to the 2020 financial statement presentation. These reclassifications had no impact on the change in nets assets or net asset balances.

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 – In May 2014, the FASB issued Accounting Standards Updates ("ASU") No. 2014-09, *Revenue from Contracts with Customers* ("ASU No. 2014-09"). As compared to existing guidance on revenue recognition, ASU No. 2014-09 will significantly enhance comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 will provide a framework for addressing revenue recognition issues comprehensively for entities that apply U.S. Generally Accepted Accounting Principles ("GAAP") in addition to those entities that apply International Financial Reporting Standards. The guidance in ASU No. 2014-09 also improves U.S. GAAP by reducing the number of requirements to which an entity must consider in recognizing revenue, as well as requires improved disclosures to help users of financial statements better understand the nature, amount, timing, and uncertainty of revenue that is recognized. The effective date of ASU No. 2014-09 was deferred by ASU No. 2020-05, *Revenue from Contracts with Customers (Topic 606) and Leases (Topic 842)*, to fiscal years beginning after December 15, 2019. The adoption is effective for Playworks beginning July 1, 2020. Playworks is currently evaluating the impact of the provisions of ASU No. 2014-09 on the 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 balance sheet 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.

During 2020, Playworks adopted FASB ASU No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* ("ASU 2018-08"), to clarify and improve the scope and accounting guidance around contributions of cash and other assets received and made by not-for-profit organizations (NFPs) and business enterprises. The ASU clarifies and improves current guidance about whether a transfer of assets, or the reduction, settlement, or cancellation of liabilities, is a contribution or an exchange transaction. It provides criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The adoption of ASU 2018-08 did not have a significant impact on Playworks' financial statements.

In September 2020, the FASB issued 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 is effective for Playworks beginning July 1, 2021. Management is currently evaluating the impact of the provisions of ASU 2020-07 on Playworks' financial statements.

NOTE 3 – GRANTS AND PLEDGES RECEIVABLE, NET

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

	2020	2019
Foundation grants	$ 1,181,988	$ 3,758,456
Individuals	17,236	477,388
Corporate grants	440,333	530,440
Government contracts	99,715	723,192
Total	$ 1,739,272	$ 5,489,476

Gross contributions receivable as of June 30, 2020, are expected to be received as follows: $1,315,658, within one year and $430,000 within two to five years. Net contributions receivable as of June 30, 2020, within two to five years is $423,614, which is net of $6,386 in discount for present value. Gross contributions receivable as of June 30, 2019, are expected to be received as follows: $3,624,765, within one year and $1,920,000 within two to five years. Net contributions receivable as of June 30, 2019, within two to five years is $1,864,711, which is net of $55,289 in discount for present value.

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 reach the organization’s aim of ensuring that 3.5 million children in 7,000 elementary schools will experience safe and healthy play every day.

To achieve this goal, Playworks plans to expand existing services, develop new services, and build organizational capacity to engage school districts and other youth development organizations in multi-year partnerships that result in their ownership of the Playworks innovation. Therefore, Playworks is investing in and building the infrastructure to support the scaling plan that will ensure our capacity to reach even more children in the long term.

Of the $26,820,000 in grants awarded, $990,000 and $4,996,409 (less present value discount) was recognized as revenue in the years ended June 30, 2020 and 2019, respectively. As of June 30, 2020, $990,000 of conditional grants receivable are still outstanding. No new conditional grants were received during the year ended June 30, 2020.

NOTE 4 – PROPERTY AND EQUIPMENT

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

	2020	2019
Website design	$ 244,006	$ 244,006
Furniture and equipment	40,933	400,153
Tenant improvements	3,252	1,579,320
	288,191	2,223,479
Less: accumulated depreciation and amortization	(279,752)	(422,127)
Total property and equipment	$ 8,439	$ 1,801,352

Depreciation and amortization expense for the years ended June 30, 2020 and 2019, were $303,611 and $145,715 respectively.

In June 2020, Playworks terminated its lease agreement for its national office in Oakland, California; and as such, Playworks deemed that certain property and equipment were impaired. Asset impairment recognized in June 30, 2020, for the cost of furniture and equipment and tenant improvements were $223,908 and $1,706,767, respectively.

NOTE 5 – LINE OF CREDIT AND LOAN AGREEMENTS

On June 1, 2019, Playworks entered into a $1,000,000 line of credit with Jenesis Group for twelve months. This line of credit has an interest rate of 4.41% and is to be used for cash flow for operations. On October 1, 2019, Jenesis Group increased the line to $2,000,000 and extended the maturity date to September 30, 2020. As of June 30, 2020, Playworks had an outstanding amount drawn of $2,000,000. In August 2020, Playworks paid off 100% of the $2,000,000 loan to Jenesis Group (see Note 17).

On December 5, 2019, and May 20, 2020, Playworks entered into two loan agreements with Open Road amounting to $250,000 each for a total of $500,000. The maturity date is on December 31, 2020, and June 30, 2021, respectively. The interest rate is 5% and is to be used for cash flow for operations. As of June 30, 2020, Playworks had an outstanding amount of $500,000.

NOTE 6 – LOAN PAYABLE – PPP

Playworks received a promissory note through the Paycheck Protection Program ("PPP") of the U.S. Small Business Administration ("SBA"). The note was issued on April 17, 2020, through First Republic Bank in the amount of $4,918,500. In the event that Playworks elects to not repay the loan in full, principal and interest on the note would be payable commencing April 2021, and will be amortized over a two-year period and bears interest at 1.0% per annum. The principal amount of the loan is subject to forgiveness under the Paycheck Protection Program upon Playworks' request to the extent the proceeds are used to pay permitted expenses. It is Playworks' policy to account for this loan as a conditional contribution in accordance with FASB 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 is eligible for loan forgiveness in an amount equal to payments made during the 8-week period beginning on the loan issuance date, or sooner, with the exception that no more than 40% of the amount of loan forgiveness may be spent for expenses other than payroll expenses. Playworks applied for loan forgiveness with First Republic Bank on October 11, 2020. Loan forgiveness is subject to the sole approval of the SBA. Playworks believes that all of the conditions for partial loan forgiveness were met as of June 30, 2020, and an amount of $3,406,929, was recognized as government grants revenue in the accompanying statements of activities. As such, the remaining amount of $1,511,571 is outstanding as loan payable to First Republic Bank as of June 30, 2020.

Aggregate annual maturities of the loan payable – PPP is as follows:

Year Ending June 30,	
2021	$ 336,656
2022	1,174,915
	$ 1,511,571

NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	2020	2019
Purpose and time restrictions:		
National expansion	$ 1,760,324	$ 1,612,949
Arizona	-	17,500
California - Northern	117,500	435,000
California - Southern	-	176,500
Colorado	28,770	144,000
Illinois	35,000	50,000
Indiana	80,000	8,250
New England	563,025	1,278,525
Michigan	320,000	774,365
Minnesota	-	114,000
New York / New Jersey	554,493	1,229,142
Pacific Northwest	35,000	-
Pennsylvania	33,500	124,500
Texas	-	10,000
Utah	540,000	1,000,000
Wisconsin	10,000	56,600
Total	$ 4,077,612	$ 7,031,331

All net assets with donor restrictions as of June 30, 2020 and 2019, are expected to be released from restriction within one year.

NOTE 8 – 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:

	2020	2019
National expansion	$ 3,131,887	$ 8,370,982
Arizona	17,500	189,250
California - Northern	990,913	903,687
California - Southern	409,850	299,500
Colorado	290,520	331,750
Georgia	42,500	150,000
Illinois	186,700	195,000
Indiana	127,650	-
Maryland	171,000	207,285
New England	1,362,925	1,023,622
Michigan	735,864	857,889
Minnesota	130,000	75,850
North Carolina	130,000	40,800
New York / New Jersey	396,254	271,644
Pacific Northwest	269,000	101,075
Pennsylvania	212,500	275,357
Texas	30,000	37,500
Utah	610,000	621,500
Washington, D.C.	82,000	67,500
Wisconsin	227,350	203,600
Total	$ 9,554,413	$ 14,223,791

NOTE 9 – 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:

	2020	2019
Legal and accounting services	$ 157,237	$ 38,006
Office space	194,064	426,397
Auction items	-	57,900
Other	-	175,180
Total	$ 351,301	$ 697,483

NOTE 10 – COMMITMENTS AND CONTINGENCIES

Operating leases – Playworks entered into several lease agreements for its headquarters and regional offices; in addition, Playworks also maintains lease agreements for office equipment.

Future aggregate lease payments are as follows:

Year Ending June 30,		
2021	$	316,999
2022		111,873
Total future minimum lease payments	$	428,872

Rent expense for the years ended June 30, 2020 and 2019, was $1,369,485 and $1,622,765, respectively, and includes $194,064 of donated office space in Oakland and San Francisco for the year ended June 30, 2020, and $426,397 of donated office space in Oakland, San Francisco, and Wisconsin for the year ended June 30, 2019. Total rent and occupancy expense for the years ended June 30, 2020 and 2019, was $1,687,310 and $1,791,916, respectively. The decrease in the future aggregate lease payments is driven by the termination of the lease agreements as a result of the on-going COVID-19 pandemic.

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 COVID-19 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 11 – 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.

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, 2020, approximately 49% of grants and pledges receivable were from three organizations. As of June 30, 2019, approximately 55% of grants and pledges receivable were from three organizations and 19% of total support and revenue receivable was from one organization.

NOTE 12 – 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 term of the lease was terminated in June 2020, due to the on-going COVID-19 pandemic. The rent for each of the years ended June 30, 2020 and 2019, was $570,488 and $426,961, respectively.

Jill Vialet, Founder/unpaid volunteer is receiving compensation for Substantial Classrooms (“Substantial”). Playworks is the fiscal agent for Substantial.

NOTE 13 – 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, 2020 and 2019, Playworks contributed $1,207 and $163,993, respectively.

NOTE 14 – HEALTH INSURANCE PROGRAM

Playworks sponsors the Comprehensive Preferred Medical and Prescription Drug Benefit Plan (the Benefit Plan) with Aetna. The Benefit Plan is a self-funded employee health benefits plan for eligible expenses and their dependents. Aetna provides administrative services only under the operating agreement and assumes no liability for funding any benefit payments under the Benefit Plan. During the years ended June 30, 2020 and 2019, Playworks incurred $1,636,753 and $2,389,676, respectively, of expenses related to the Benefit Plan of which $73,214 and $144,612 was accrued at June 30, 2020 and 2019, respectively.

Effective August 1, 2020, United Health Care (“UHC”) replaced Aetna as the provider of Health and Dental insurance for employees.

NOTE 15 – 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, 2020 and 2019, $348,500 and $11,927, respectively, is included in net assets with donor restrictions related to Substantial, and is included in national expansion per Note 7.

NOTE 16 – 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:

	2020	2019
Financial assets		
Cash and cash equivalents	$ 8,187,128	$ 774,268
Accounts receivable, net of allowance for doubtful accounts	1,871,088	1,774,677
Grants and pledges receivable	1,315,658	3,624,765
Financial assets available to meet cash needs for general expenditure within one year	$ 11,373,874	$ 6,173,710

As of June 30, 2020 and 2019, Playworks has approximately $4 million and $7 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. Playworks also has available for general expenditures the line of credit with Jenesis Group, with outstanding amounts drawn of $2,000,000 and $0, as of June 30, 2020 and 2019, respectively (see Note 5).

NOTE 17 – 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.

In August 2020, Playworks paid off the $2,000,000 outstanding line of credit with Jenesis Group, see Note 5.

In October 2020, Playworks applied for partial loan forgiveness for its PPP notes payable with First Republic Bank. Loan forgiveness is subject to the sole approval of the SBA. Playworks believes that all of the conditions for forgiveness were met as of June 30, 2020, for the partial amount of $3,406,929, see Note 6.

Playworks has evaluated subsequent events through December 18, 2020, 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, 2020

Federal Grantor/Pass-Through Grantor Program Title	CFDA	Pass-Through Entity Identifying Number	Federal Expenditures
Corporation for National Community Services			
Direct Award			
AmeriCorps	94.006	17NDHCA001	$ 966,972
Corporation for National Community Services			
Pass through Program from the state of California -			
AmeriCorps	94.006	18ACHCA0010004	554,500
Pass through Program from the state of Maryland -			
AmeriCorps	94.006	16AFHMD0010007	277
Pass through Program from the state of Pennsylvania -			
AmeriCorps	94.006	16AFHPA0010003	3,542
Pass through Program from the state of Michigan -			
AmeriCorps	94.006	E20183160-00	3,436
Pass through Program from the state of Massachusetts -			
AmeriCorps	94.006	18ACHMA0010006	502
AmeriCorps	94.006	18ACHMA0010006	215,384
Pass through Program from the state of Utah -			
AmeriCorps	94.006	16ACHUT0010003	2,965
AmeriCorps	94.006	16ACHUT0010003	302,153
Pass through Program from the state of North Carolina -			
AmeriCorps	94.006	15AFHNC0010004	(15,000)
TOTAL EXPENDITURES FOR CFDA 94.006 AND TOTAL EXPENDITURES FOR FEDERAL AWARDS			$ 2,034,731

See accompanying notes to schedule of expenditures of federal awards.

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, 2020. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of operations to amounts reported as expenditures in prior years.

Playworks did not provide any federal awards to subrecipients during the year ended June 30, 2020.

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

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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*

The Board of Directors
Playworks Education Energized

We have audited, 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, the financial statements of Playworks Education Energized ("Playworks"), which comprise the statement of financial position as of June 30, 2020, 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 December 18, 2020.

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 opinion 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

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.

Moss Adams LLP

San Francisco, California
December 18, 2020

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

The Board of Directors
Playworks Education Energized

Report on Compliance for the Major Federal Program

We have audited Playworks Education Energized's ("Playworks") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the major federal program for the year ended June 30, 2020. Playworks' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Playworks' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Playworks' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of Playworks' compliance.

Opinion on the Major Federal Program

In our opinion, Playworks complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Playworks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Playworks' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Playworks' 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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
December 18, 2020

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 programs:

CFDA Number(s)	*Name of Federal Program or Cluster*	*Type of Auditor's Report Issued on Compliance for Major Federal Programs*
94.006	AmeriCorps	*Unmodified*

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

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.

Summary Schedule of Prior Audit Findings

Playworks Education Energized
Year Ended June 30, 2020

Finding 2019-001 – Reconciliation of Grant Revenue – Significant Deficiency

Criteria – FASB 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, grants receivable, and deferred revenue were not reconciled on a consistent or timely basis, resulting in certain contract balances being recognized as grants receivable and deferred revenue, when neither cash had been received or services had been performed for the grants.

Status – Playworks has corrected this deficiency in the current year.

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