



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

**Playworks Education Energized**

*June 30, 2021 and 2020*

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## **Report of Independent Auditors**

To 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, 2021 and 2020, 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, 2021 and 2020, 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 September 30, 2021, 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  
September 30, 2021

## **Financial Statements**

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**Playworks Education Energized**  
**Statements of Financial Position**  
**June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,588,586	\$ 8,187,128
Accounts receivable, net	1,800,194	1,871,088
Grants and pledges receivable, current portion	806,239	1,315,658
Prepaid expenses and other assets	<u>441,060</u>	<u>238,916</u>
Total current assets	<u>7,636,079</u>	<u>11,612,790</u>
Property and equipment, net	-	8,439
Grants and pledges receivable, net of discount and current portion	118,146	423,614
Other long-term assets	<u>20,612</u>	<u>50,086</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 7,774,837</u></u>	<u><u>\$ 12,094,929</u></u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 332,912	\$ 299,337
Line of credit and loan agreements	-	2,500,000
Refundable advance - PPP	-	1,511,571
Payroll and accrued benefits	647,511	1,700,300
Contract liability	<u>942,962</u>	<u>1,740,036</u>
Total current liabilities	1,923,385	7,751,244
Long-term liabilities	<u>-</u>	<u>136,183</u>
Total liabilities	<u>1,923,385</u>	<u>7,887,427</u>
<b>NET ASSETS</b>		
Without donor restrictions	3,228,597	129,890
With donor restrictions	<u>2,622,855</u>	<u>4,077,612</u>
Total net assets	<u>5,851,452</u>	<u>4,207,502</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 7,774,837</u></u>	<u><u>\$ 12,094,929</u></u>

**Playworks Education Energized**  
**Statements of Activities**  
**Years Ended June 30, 2021 and 2020**

	2021			2020		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
<b>SUPPORT</b>						
Contributions	\$ 1,613,863	\$ 3,557,703	\$ 5,171,566	\$ 1,250,714	\$ 3,987,432	\$ 5,238,146
Corporate support	1,070,873	957,500	2,028,373	1,145,424	2,613,262	3,758,686
Contributions in-kind	194,048	-	194,048	351,301	-	351,301
Net assets released from restriction	5,967,032	(5,967,032)	-	9,554,413	(9,554,413)	-
Total support	<u>8,845,816</u>	<u>(1,451,829)</u>	<u>7,393,987</u>	<u>12,301,852</u>	<u>(2,953,719)</u>	<u>9,348,133</u>
<b>REVENUE</b>						
Direct service fees	4,258,934	-	4,258,934	12,583,268	-	12,583,268
Government grants	3,289,092	-	3,289,092	5,936,245	-	5,936,245
Training fees	2,593,752	(2,975)	2,590,777	3,877,685	-	3,877,685
Special events	68,461	47	68,508	1,114,475	-	1,114,475
Other revenue	12,224	-	12,224	188,237	-	188,237
Total revenue	<u>10,222,463</u>	<u>(2,928)</u>	<u>10,219,535</u>	<u>23,699,910</u>	<u>-</u>	<u>23,699,910</u>
Total support and revenue	<u>19,068,279</u>	<u>(1,454,757)</u>	<u>17,613,522</u>	<u>36,001,762</u>	<u>(2,953,719)</u>	<u>33,048,043</u>
<b>EXPENSES</b>						
Program services:						
Direct services	10,039,538	-	10,039,538	24,371,351	-	24,371,351
Training services	2,671,926	-	2,671,926	4,431,154	-	4,431,154
Total program services	<u>12,711,464</u>	<u>-</u>	<u>12,711,464</u>	<u>28,802,505</u>	<u>-</u>	<u>28,802,505</u>
Support services:						
Management and general	1,510,857	-	1,510,857	3,180,149	-	3,180,149
Fundraising	1,747,251	-	1,747,251	3,478,459	-	3,478,459
Total support services	<u>3,258,108</u>	<u>-</u>	<u>3,258,108</u>	<u>6,658,608</u>	<u>-</u>	<u>6,658,608</u>
Total expenses	<u>15,969,572</u>	<u>-</u>	<u>15,969,572</u>	<u>35,461,113</u>	<u>-</u>	<u>35,461,113</u>
CHANGES IN NET ASSETS	3,098,707	(1,454,757)	1,643,950	540,649	(2,953,719)	(2,413,070)
NET ASSETS, beginning of year	<u>129,890</u>	<u>4,077,612</u>	<u>4,207,502</u>	<u>(410,759)</u>	<u>7,031,331</u>	<u>6,620,572</u>
NET ASSETS, end of year	<u>\$ 3,228,597</u>	<u>\$ 2,622,855</u>	<u>\$ 5,851,452</u>	<u>\$ 129,890</u>	<u>\$ 4,077,612</u>	<u>\$ 4,207,502</u>

See accompanying notes.

**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
<b>Total salaries and related expenses</b>	<b>7,933,791</b>	<b>2,178,941</b>	<b>10,112,732</b>	<b>1,163,209</b>	<b>1,484,336</b>	<b>2,647,545</b>	<b>12,760,277</b>
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
<b>Total expenses before depreciation and amortization</b>	<b>10,034,291</b>	<b>2,670,485</b>	<b>12,704,776</b>	<b>1,510,088</b>	<b>1,746,269</b>	<b>3,256,357</b>	<b>15,961,133</b>
Depreciation and amortization	5,247	1,441	6,688	769	982	1,751	8,439
<b>Total expenses</b>	<b>\$ 10,039,538</b>	<b>\$ 2,671,926</b>	<b>\$ 12,711,464</b>	<b>\$ 1,510,857</b>	<b>\$ 1,747,251</b>	<b>\$ 3,258,108</b>	<b>\$ 15,969,572</b>

See accompanying notes.

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

EXPENSES	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
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
<b>Total salaries and related expenses</b>	<b>17,742,746</b>	<b>3,409,632</b>	<b>21,152,378</b>	<b>2,452,599</b>	<b>2,447,911</b>	<b>4,900,510</b>	<b>26,052,888</b>
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, and 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
<b>Total expenses before depreciation and amortization</b>	<b>24,164,584</b>	<b>4,391,419</b>	<b>28,556,003</b>	<b>3,151,567</b>	<b>3,449,932</b>	<b>6,601,499</b>	<b>35,157,502</b>
Depreciation and amortization	206,767	39,735	246,502	28,582	28,527	57,109	303,611
<b>Total expenses</b>	<b>\$ 24,371,351</b>	<b>\$ 4,431,154</b>	<b>\$ 28,802,505</b>	<b>\$ 3,180,149</b>	<b>\$ 3,478,459</b>	<b>\$ 6,658,608</b>	<b>\$ 35,461,113</b>

See accompanying notes.

**Playworks Education Energized**  
**Statements of Cash Flows**  
**Years Ended June 30, 2021 and 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Changes in net assets	\$ 1,643,950	\$ (2,413,070)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation and amortization	8,439	303,611
Impairment of property and equipment	-	1,930,675
Provision for bad debt	386,755	1,299,533
Discount on pledges receivable	(4,532)	(48,903)
Changes in assets and liabilities:		
Accounts receivable	(315,861)	(1,400,944)
Grants and pledges receivable	819,419	3,804,107
Prepaid expenses and other assets	(172,670)	162,637
Accounts payable and accrued expenses	33,575	(297,579)
Payroll and employee benefits	(1,052,789)	(278,789)
Refundable advance - PPP	(1,511,571)	1,511,571
Contract liability	(797,074)	718,690
Other long-term liabilities	(136,183)	62,694
Net cash (used in) provided by operating activities	<u>(1,098,542)</u>	<u>5,354,233</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property and equipment	-	(441,373)
Net cash used in investing activities	<u>-</u>	<u>(441,373)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Payments on line of credit and loan agreements	(2,500,000)	-
Proceeds from line of credit and loan agreements	-	2,500,000
Net cash (used in) provided by financing activities	<u>(2,500,000)</u>	<u>2,500,000</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	<u>(3,598,542)</u>	<u>7,412,860</u>
<b>CASH AND CASH EQUIVALENTS, beginning of year</b>	<u>8,187,128</u>	<u>774,268</u>
<b>CASH AND CASH EQUIVALENTS, end of year</b>	<u>\$ 4,588,586</u>	<u>\$ 8,187,128</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOWS</b>		
Cash paid for interest	<u>\$ -</u>	<u>\$ 59,923</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

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**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, 2021 and 2020, 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, 2021 and 2020, 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

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**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. As of June 30, 2021 and 2020, Playworks had an allowance for doubtful accounts of \$139,749 and \$250,000, respectively.

Bad debt expense for the years ended June 30, 2021 and 2020, amounted to \$386,755 and \$1,299,533, respectively. The bad debt expense in 2020 resulted from the school shutdown caused by the COVID-19 pandemic, especially from March 2020 to June 2020, 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. Asset impairment of \$0 and \$1,930,675 was recognized for the years ended June 30, 2021 and 2020, 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.

## Playworks Education Energized

### Notes to Financial Statements

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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 refundable advance - 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") Account 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.

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, 2021 and 2020, consists of the following activity:

	2021	2020
Balance, beginning of the year	\$ 1,740,036	\$ 1,021,346
Revenue recognized	(1,740,036)	(1,021,346)
Payment received for future performance obligation	942,962	1,740,036
Balance, end of year	<u>\$ 942,962</u>	<u>\$ 1,740,036</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 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, 2021 and 2020, 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.

## Playworks Education Energized

### Notes to Financial Statements

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**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, 2021 and 2020, were \$92,982 and \$82,698, respectively.

**Reclassifications** – Certain reclassifications were made to the 2020 amounts to conform to the 2021 presentation.

**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 2021, Playworks adopted FASB Accounting Standards Updates (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (“ASU No. 2014-09”) using the modified retrospective transition approach to all contracts existing as of July 1, 2019. As compared to existing guidance on revenue recognition, ASU No. 2014-09 enhanced comparability of revenue recognition practices across entities, industries, jurisdictions, and capital markets. The largely principles-based guidance in ASU No. 2014-09 provided 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 improved 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 adoption of ASU 2014-09 did not have a significant impact on Playworks financial statements, as the current policies and processes were aligned with the new standard.

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.

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.

# Playworks Education Energized

## Notes to Financial Statements

### NOTE 3 – GRANTS AND PLEDGES RECEIVABLE, NET

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

	<u>2021</u>	<u>2020</u>
Foundation grants	\$ 193,356	\$ 1,181,988
Individuals	42,236	17,236
Corporate grants	231,371	440,333
Government contracts	<u>457,422</u>	<u>99,715</u>
Total	<u>\$ 924,385</u>	<u>\$ 1,739,272</u>

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. Gross contributions receivable as of June 30, 2020, were 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.

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, \$250,000 and \$990,000 (less present value discount) was recognized as revenue in the years ended June 30, 2021 and 2020, respectively. As of June 30, 2021, \$0 of conditional grants receivable are still outstanding. No new conditional grants were received during the year ended June 30, 2021.

### NOTE 4 – PROPERTY AND EQUIPMENT

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

	<u>2021</u>	<u>2020</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>(279,752)</u>
Total property and equipment	<u>\$ -</u>	<u>\$ 8,439</u>

Depreciation and amortization expense for the years ended June 30, 2021 and 2020, were \$8,439 and \$303,611, 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.

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. On October 29, 2020, and January 29, 2021, Playworks paid \$250,000 each for a total of \$500,000. As of June 30, 2021, Playworks had no outstanding loan from Open Road.

**NOTE 6 – REFUNDABLE ADVANCE – 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 note is subject to forgiveness under the PPP 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 believed 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. The remaining amount of \$1,511,571 is outstanding as refundable advance to First Republic Bank as of June 30, 2020. During the year ended June 30, 2021, Playworks believed that all of the conditions for full loan forgiveness were met, and the remaining amount of \$1,511,571, and the accumulated interest of \$18,156, was recognized as government grants revenue in the accompanying statements of activities. On July 20, 2021, Playworks received full forgiveness of the PPP loan from SBA.

## Playworks Education Energized

### Notes to Financial Statements

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#### NOTE 7 – NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2021</u>	<u>2020</u>
Purpose and time restrictions:		
National expansion	\$ 655,645	\$ 1,760,324
California - Northern	248,600	117,500
California - Southern	105,000	-
Colorado	74,000	28,770
Illinois	31,623	35,000
Indiana	150,000	80,000
New England	252,503	563,025
Michigan	180,992	320,000
Minnesota	243,000	-
New York / New Jersey	95,000	554,493
Pacific Northwest	109,492	35,000
Pennsylvania	50,000	33,500
Utah	377,500	540,000
Wisconsin	49,500	10,000
	<u>49,500</u>	<u>10,000</u>
Total	<u>\$ 2,622,855</u>	<u>\$ 4,077,612</u>

All net assets with donor restrictions as of June 30, 2021 and 2020, are expected to be released from restriction within one year.

## Playworks Education Energized Notes to Financial Statements

### 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:

	2021	2020
National expansion	\$ 1,863,909	\$ 3,131,887
Arizona	-	17,500
California - Northern	421,400	990,913
California - Southern	139,800	409,850
Colorado	28,770	290,520
Georgia	-	42,500
Illinois	173,177	186,700
Indiana	157,000	127,650
Maryland	-	171,000
New England	887,400	1,362,925
Michigan	550,508	735,864
Minnesota	7,500	130,000
North Carolina	50,000	130,000
New York / New Jersey	726,568	396,254
Pacific Northwest	80,000	269,000
Pennsylvania	68,500	212,500
Texas	-	30,000
Utah	802,500	610,000
Washington, D.C.	-	82,000
Wisconsin	10,000	227,350
	<u>\$ 5,967,032</u>	<u>\$ 9,554,413</u>
Total	<u>\$ 5,967,032</u>	<u>\$ 9,554,413</u>

### 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:

	2021	2020
Legal and accounting services	\$ 194,048	\$ 157,237
Office space	-	194,064
	<u>\$ 194,048</u>	<u>\$ 351,301</u>
Total	<u>\$ 194,048</u>	<u>\$ 351,301</u>

# Playworks Education Energized

## Notes to Financial Statements

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### NOTE 10 – COMMITMENTS AND CONTINGENCIES

**Operating leases** – Playworks entered into several lease agreements for its headquarters and regional offices in the prior years. But because of the pandemic, Playworks did not enter into new lease agreements for its headquarters and regional offices. The remaining future aggregate lease payments for its regional offices are \$111,873 for the year ending June 30, 2022.

Rent expense for the years ended June 30, 2021 and 2020, was \$84,139 and \$1,369,485, respectively, and includes \$0 and \$194,064 of donated office space in Oakland and San Francisco for the years ended June 30, 2021 and 2020, respectively. Total rent and occupancy expense for the years ended June 30, 2021 and 2020, was \$231,512 and \$1,687,310, 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 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 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, 2021, approximately 65% of grants and pledges receivable were from three organizations. As of June 30, 2020, approximately 49% of grants and pledges receivable were from three organizations.

**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.

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, 2021 and 2020, Playworks contributed \$0 and \$1,207, respectively.

**NOTE 14 – 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, 2021 and 2020, Playworks incurred \$909,808 and \$1,636,753, respectively, of expenses related to the Benefit Plan of which \$24,493 and \$73,214 was accrued at June 30, 2021 and 2020, respectively.

**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, 2021 and 2020, \$220,000 and \$348,500, respectively, is included in net assets with donor restrictions related to Substantial, and is included in national expansion per Note 7.

# Playworks Education Energized

## Notes to Financial Statements

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### 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:

	<u>2021</u>	<u>2020</u>
Financial assets		
Cash and cash equivalents	\$ 4,588,586	\$ 8,187,128
Accounts receivable, net of allowance for doubtful accounts	1,800,194	1,871,088
Grants and pledges receivable	<u>806,239</u>	<u>1,315,658</u>
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 7,195,019</u>	<u>\$ 11,373,874</u>

As of June 30, 2021 and 2020, Playworks has approximately \$2.6 million and \$4 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 \$0 and \$2,000,000, as of June 30, 2021 and 2020, 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 July 2021, Playworks received full forgiveness of the SBA PPP loan payable (see Note 6).

Playworks has evaluated subsequent events through September 30, 2021, which is the date the financial statements were available to be issued.

## **Schedule of Expenditures of Federal Awards**

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**Playworks Education Energized**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2021**

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<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	17NDHCA001	\$ 512,236
Corporation for National Community Services Pass through Program from the state of California - AmeriCorps	94.006	18ACHCA0010004	356,248
Pass through Program from the state of Massachusetts - AmeriCorps	94.006	18ACHMA0010006	212,926
Pass through Program from the state of Utah - AmeriCorps	94.006	16ACHUT0010003	<u>189,378</u>
TOTAL EXPENDITURES FOR ALN 94.006 AND TOTAL EXPENDITURES FOR FEDERAL AWARDS			<u>\$ 1,270,788</u>

**Playworks Education Energized**  
**Notes to Schedule of Expenditures of Federal Awards**  
**June 30, 2021**

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**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, 2021. 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, 2021.

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 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, 2021, 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 30, 2021.

### **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  
September 30, 2021

## **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**

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, 2021. 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, 2021.

## 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  
September 30, 2021

**Playworks Education Energized**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2021**

**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:

<i>Federal Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</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**

None reported.

**Section III – Federal Award Findings and Questioned Costs**

None reported.



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### **Summary Schedule of Prior Audit Findings**

**Playworks Education Energized  
Year Ended June 30, 2021**

**Period Covered by the Prior Audit:** July 1, 2019 – June 30, 2020  
**Name of Audit Firm:** Moss Adams LLP

There were no prior audit findings noted.

