



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

Playworks Education Energized

June 30, 2023 and 2022



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Report of Independent Auditors

To the Board of Directors
Playworks Education Energized

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Playworks Education Energized (“Playworks”), which comprise the statements of financial position as of June 30, 2023 and 2022, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Playworks Education Energized as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (“U.S. GAAS”) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Playworks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, as of July 1, 2022, Playworks adopted Financial Accounting Standards Board (“FASB”) Accounting Standards Update (“ASU”) No. 2016-02, *Leases (Topic 842)*. The ASU has been applied using the modified retrospective approach. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Playworks' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Playworks' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2023 on our consideration of Playworks' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Playworks' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Playworks' internal control over financial reporting and compliance.

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

San Francisco, California
September 29, 2023

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2023 and 2022

	2023	2022
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 9,473,943	\$ 18,689,038
Accounts receivable, net	1,961,809	1,191,592
Grants and pledges receivable, current portion	4,723,481	3,772,801
Prepaid expenses and other assets	706,855	454,342
Investments	7,487,003	-
Total current assets	24,353,091	24,107,773
LONG-TERM ASSETS		
Grants and pledges receivable, net of current portion	57,163	-
Other long-term assets	180,890	18,765
Total long-term assets	238,053	18,765
Total assets	\$ 24,591,144	\$ 24,126,538
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 536,692	\$ 720,134
Payroll and accrued benefits	1,058,881	824,530
Contract liability	1,239,109	1,346,996
Other current liabilities	151,562	-
Total current liabilities	2,986,244	2,891,660
LONG-TERM LIABILITIES		
Other long-term liabilities	10,729	-
Total liabilities	2,996,973	2,891,660
NET ASSETS		
Without donor restrictions	17,999,545	18,366,695
With donor restrictions	3,594,626	2,868,183
Total net assets	21,594,171	21,234,878
Total liabilities and net assets	\$ 24,591,144	\$ 24,126,538

See accompanying notes.

Playworks Education Energized
Statements of Activities
Years Ended June 30, 2023 and 2022

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT						
Contributions	\$ 391,838	\$ 4,964,665	\$ 5,356,503	\$ 876,206	\$ 5,315,316	\$ 6,191,522
Corporate support	982,992	2,871,527	3,854,519	10,851,781	2,218,402	13,070,183
Contributions in-kind	142,962	-	142,962	108,924	-	108,924
Net assets released from restriction	7,170,744	(7,170,744)	-	7,367,964	(7,367,964)	-
Total support	<u>8,688,536</u>	<u>665,448</u>	<u>9,353,984</u>	<u>19,204,875</u>	<u>165,754</u>	<u>19,370,629</u>
REVENUE						
Direct service fees	9,877,418	-	9,877,418	7,579,241	-	7,579,241
Government grants	2,840,760	-	2,840,760	4,982,202	-	4,982,202
Training fees	8,382,011	-	8,382,011	6,033,498	-	6,033,498
Special events	383,432	60,995	444,427	272,716	79,574	352,290
Investment income, net	364,520	-	364,520	-	-	-
Other revenue	259,804	-	259,804	73,861	-	73,861
Total revenue	<u>22,107,945</u>	<u>60,995</u>	<u>22,168,940</u>	<u>18,941,518</u>	<u>79,574</u>	<u>19,021,092</u>
Total support and revenue	<u>30,796,481</u>	<u>726,443</u>	<u>31,522,924</u>	<u>38,146,393</u>	<u>245,328</u>	<u>38,391,721</u>
EXPENSES						
Program services:						
Direct services	19,067,352	-	19,067,352	15,467,017	-	15,467,017
Training services	5,736,565	-	5,736,565	3,625,329	-	3,625,329
Total program services	<u>24,803,917</u>	<u>-</u>	<u>24,803,917</u>	<u>19,092,346</u>	<u>-</u>	<u>19,092,346</u>
Support services:						
Management and general	2,343,219	-	2,343,219	1,929,126	-	1,929,126
Fundraising	4,016,495	-	4,016,495	1,986,823	-	1,986,823
Total support services	<u>6,359,714</u>	<u>-</u>	<u>6,359,714</u>	<u>3,915,949</u>	<u>-</u>	<u>3,915,949</u>
Total expenses	<u>31,163,631</u>	<u>-</u>	<u>31,163,631</u>	<u>23,008,295</u>	<u>-</u>	<u>23,008,295</u>
CHANGES IN NET ASSETS	(367,150)	726,443	359,293	15,138,098	245,328	15,383,426
NET ASSETS, beginning of year	<u>18,366,695</u>	<u>2,868,183</u>	<u>21,234,878</u>	<u>3,228,597</u>	<u>2,622,855</u>	<u>5,851,452</u>
NET ASSETS, end of year	<u>\$ 17,999,545</u>	<u>\$ 3,594,626</u>	<u>\$ 21,594,171</u>	<u>\$ 18,366,695</u>	<u>\$ 2,868,183</u>	<u>\$ 21,234,878</u>

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2023

	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES							
Salaries and wages	\$ 13,036,125	\$ 3,959,620	\$ 16,995,745	\$ 1,624,934	\$ 2,568,904	\$ 4,193,838	\$ 21,189,583
Employee benefits	1,418,433	430,838	1,849,271	176,806	279,517	456,323	2,305,594
Payroll taxes	970,819	294,878	1,265,697	121,011	191,310	312,321	1,578,018
Total salaries and related expenses	15,425,377	4,685,336	20,110,713	1,922,751	3,039,731	4,962,482	25,073,195
Legal and professional, including in-kind	1,044,214	317,172	1,361,386	130,160	205,773	335,933	1,697,319
Travel and related expenses	703,164	213,581	916,745	87,648	138,566	226,214	1,142,959
Dues, licenses, and service fees	554,955	168,563	723,518	60,799	109,360	170,159	893,677
Rent and occupancy, including in-kind	271,999	82,618	354,617	33,904	53,600	87,504	442,121
School supplies	250,410	45,041	295,451	15,929	25,182	41,111	336,562
Fundraising events, including in-kind	-	-	-	-	273,794	273,794	273,794
Staff recruitment and training	138,371	42,029	180,400	17,248	27,267	44,515	224,915
Meetings and conferences	136,510	41,464	177,974	17,016	26,901	43,917	221,891
Insurance	117,322	35,636	152,958	14,624	23,119	37,743	190,701
Telephone	113,266	34,404	147,670	14,118	22,320	36,438	184,108
Small equipment and maintenance	70,261	21,341	91,602	8,758	13,846	22,604	114,206
Printing and publications	69,775	21,194	90,969	8,697	13,750	22,447	113,416
Bad debt expense	74,032	-	74,032	-	25,000	25,000	99,032
Marketing and advertising	40,523	12,308	52,831	5,051	7,985	13,036	65,867
Supplies	35,883	10,899	46,782	4,473	7,071	11,544	58,326
Postage	16,393	4,979	21,372	2,043	3,230	5,273	26,645
Government grant commission	4,897	-	4,897	-	-	-	4,897
Total expenses	<u>\$ 19,067,352</u>	<u>\$ 5,736,565</u>	<u>\$ 24,803,917</u>	<u>\$ 2,343,219</u>	<u>\$ 4,016,495</u>	<u>\$ 6,359,714</u>	<u>\$ 31,163,631</u>

See accompanying notes.

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

	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES							
Salaries and wages	\$ 10,449,542	\$ 2,449,278	\$ 12,898,820	\$ 1,303,321	\$ 1,342,301	\$ 2,645,622	\$ 15,544,442
Employee benefits	972,001	227,828	1,199,829	121,233	124,859	246,092	1,445,921
Payroll taxes	781,682	183,219	964,901	97,495	100,411	197,906	1,162,807
Total salaries and related expenses	12,203,225	2,860,325	15,063,550	1,522,049	1,567,571	3,089,620	18,153,170
Legal and professional, including in-kind	1,157,714	271,449	1,429,163	144,444	148,764	293,208	1,722,371
Travel and related expenses	394,296	92,419	486,715	49,179	50,649	99,828	586,543
Dues, licenses, and service fees	392,930	92,099	485,029	49,008	50,474	99,482	584,511
Rent and occupancy, including in-kind	202,255	47,316	249,571	25,178	25,931	51,109	300,680
School supplies	176,559	41,384	217,943	22,021	22,680	44,701	262,644
Fundraising events, including in-kind	195,927	45,924	241,851	24,437	25,168	49,605	291,456
Staff recruitment and training	139,495	32,696	172,191	17,399	17,919	35,318	207,509
Meetings and conferences	92,475	21,675	114,150	11,534	11,879	23,413	137,563
Insurance	117,548	27,552	145,100	14,661	15,100	29,761	174,861
Telephone	89,745	21,036	110,781	11,193	11,528	22,721	133,502
Small equipment and maintenance	99,572	23,339	122,911	12,419	12,790	25,209	148,120
Printing and publications	61,856	14,498	76,354	7,715	7,946	15,661	92,015
Marketing and advertising	78,168	18,322	96,490	9,750	10,041	19,791	116,281
Supplies	42,121	9,873	51,994	5,254	5,411	10,665	62,659
Postage	18,954	4,443	23,397	2,364	2,435	4,799	28,196
Government grant commission	4,177	979	5,156	521	537	1,058	6,214
Total expenses	\$ 15,467,017	\$ 3,625,329	\$ 19,092,346	\$ 1,929,126	\$ 1,986,823	\$ 3,915,949	\$ 23,008,295

See accompanying notes.

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2023 and 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 359,293	\$ 15,383,426
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Net unrealized gains from changes in fair value of investments	(127,254)	-
Amortization of leases	162,246	-
Provision for (reversal of) bad debt	50,057	(44,409)
Discount on pledges receivable	2,837	(1,854)
Changes in assets and liabilities:		
Accounts receivable	(795,274)	653,011
Grants and pledges receivable	(1,035,680)	(2,846,562)
Prepaid expenses and other assets	(576,884)	(11,435)
Accounts payable and accrued expenses	(183,442)	387,222
Payroll and accrued benefits	234,351	177,019
Contract liability	-	404,034
Other long-term liabilities	54,404	-
	(1,855,346)	14,100,452
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(8,193,749)	-
Proceeds from sales of investments	834,000	-
	(7,359,749)	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(9,215,095)	14,100,452
CASH AND CASH EQUIVALENTS, beginning of year	18,689,038	4,588,586
CASH AND CASH EQUIVALENTS, end of year	\$ 9,473,943	\$ 18,689,038
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	\$ 324,540	\$ -

See accompanying notes.

Playworks Education Energized

Notes to Financial Statements

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, Pacific Northwest, Pennsylvania, Southern California, 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; and
- 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 nonschool hours, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

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

Playworks Education Energized Notes to Financial Statements

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

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

Playworks Recess Reboot – Playworks partners with elementary schools by providing an on-site trainer for four days to teach, model, and empower a sustainable recess.

PlayworksU – Playworks staff developed PlayworksU, a 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.

Playworks TagTeam – Playworks offer a year-long certification program that builds capacity for out-of-school-time partners to run a recess service at schools in their community.

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, 2023 and 2022, 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, 2023 and 2022, Playworks does not have any net assets held in perpetuity.

Fair value measurements – Playworks may carry certain assets and liabilities at fair value. Playworks follows Accounting Standards Codification (“ASC”) *Topic 820 – Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value. Playworks classified its financial assets and liabilities according to three levels and maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value.

Playworks Education Energized

Notes to Financial Statements

Level 1 – Quoted market prices (unadjusted) in active market for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices included within Level 1 such as quoted prices for similar securities or quoted prices in inactive markets.

Level 3 – Unobservable inputs for the asset or liability that are not corroborated by market data and that are significant to the fair value of the assets or liabilities.

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

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

Bad debt expense for the year ended June 30, 2023, amounted to \$99,032. For the year ended June 30, 2022, there was no bad debt expense.

Investments – Investments are stated at fair value and consist of U.S. Treasury fixed-income securities. Realized and unrealized gains and losses on investments, dividends, and interest income are included in investment income net of investment expenses on the statements of activities and changes in net assets. Investments classified as current consist of securities with a maturity date one year or less from the statement of financial position date. All other investments are classified as long-term. Playworks' investments are categorized as Level 1 in the fair value hierarchy.

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 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 grants and pledges 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

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 the Employee Retention Credit, see Note 3. It is Playworks' policy to account for this type of government grant in accordance with ASC 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 consists of the following activity:

	2023	2022
Balance, beginning of year	\$ 1,346,996	\$ 942,962
Revenue recognized	(1,346,996)	(942,962)
Payment received for future performance obligation	1,239,109	1,346,996
Balance, end of year	\$ 1,239,109	\$ 1,346,996

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 6).

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.

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 Education Energized Notes to Financial Statements

Playworks follows the guidelines of ASC 740, *Income taxes*, for accounting for uncertainty in income taxes. As of June 30, 2023 and 2022, 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, 2023 and 2022, were \$65,867 and \$116,281, respectively.

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 – Effective July 1, 2022, Playworks adopted the lease accounting guidance in Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") No. 2016-02, *Leases (Topic 842)*. Playworks has elected the package of practical expedients permitted in ASC Topic 842, which among other things, allowed Playworks to carryforward the historical lease classification. In addition, Playworks made an accounting policy election to keep leases with an initial term of twelve months or less off of the statements of financial position. Playworks will continue to recognize those lease payments for short-term leases in the statements of activities and changes in net assets on a straight-line basis over the lease term. As a result of the adoption of the new lease accounting standard, Playworks recognized on July 1, 2022 (the adoption date) (a) an operating lease liability of \$324,540, which represents the present value of the remaining lease payments, discounted using Playworks incremental borrowing rate, and (b) a right-of-use operating lease asset of \$324,540, which represents the operating lease liability adjusted for deferred rent (see Note 7). The right-of-use operating lease asset is included in other long-term assets on the accompanying statement of financial position. The current portion of the operating lease liability is included in other current liabilities and the noncurrent portion is included in other long-term liabilities on the accompanying statement of financial position.

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting* ("ASU 2020-04"), which provides optional expedients and exceptions to contract modifications and hedging relationships that reference London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848* ("ASU 2022-06"), to extend the temporary accounting rules under Topic 848 from December 31, 2022 to December 31, 2024, for the shift from LIBOR when that and other rates expire. Playworks is currently evaluating this new standard and the impact it will have on the 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:

	2023	2022
Foundation grants	\$ 911,383	\$ 100,700
Individuals	30,624	56,161
Corporate grants	638,487	217,946
Government contracts	3,200,150	3,397,994
Total	\$ 4,780,644	\$ 3,772,801

Gross contributions receivable as of June 30, 2023, are expected to be received as follows: \$4,723,481, within one year and \$60,000 within two to five years. Net contributions receivable as of June 30, 2023, within two to five years is \$57,163, which is net of the discount for present value of \$2,837 (4.7% discount rate). Gross contributions receivable as of June 30, 2022, are expected to be received as follows: \$3,772,801, within one year and \$0 within two to five years.

Playworks is eligible for the Employee Retention Credit (“ERC”) under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), subject to certain criteria. During the year ended June 30, 2023 and 2022, Playworks recognized \$3,001,217 of ERC and is included in the government contracts portion of grants and pledges receivable. Amended tax returns or claims for refund were filed to Internal Revenue Service in May 2022 and Playworks received \$3,001,217 of ERC and \$138,137 interest income on July 12, 2023 and August 23, 2023.

As of June 30, 2023, no conditional grants receivable are outstanding. No new conditional grants were received during the years ended June 30, 2023 and 2022.

Playworks Education Energized Notes to Financial Statements

Note 4 – Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
National expansion	\$ 600,000	\$ 560,291
Arizona	10,000	51,325
California - Northern	225,187	189,500
California - Southern	15,000	223,792
Colorado	302,513	322,548
Illinois	122,650	125,281
Indiana	26,000	-
New England	477,000	375,332
Michigan	850,500	253,037
Minnesota	173,015	185,923
New York / New Jersey	110,000	66,000
Pacific Northwest	224,261	180,621
Pennsylvania	108,000	132,033
Utah	250,000	182,500
Wisconsin	<u>100,500</u>	<u>20,000</u>
Total	<u>\$ 3,594,626</u>	<u>\$ 2,868,183</u>

All net assets with donor restrictions as of June 30, 2023 and 2022, are expected to be released from restriction within one year of the fiscal year end.

Playworks Education Energized Notes to Financial Statements

Note 5 – 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:

	2023	2022
National expansion	\$ 975,041	\$ 1,084,709
Arizona	60,426	197,500
California - Northern	647,500	660,265
California - Southern	549,055	234,363
Colorado	1,037,535	831,500
Illinois	202,780	198,750
Indiana	259,000	338,750
New England	733,632	819,752
Michigan	560,637	642,456
Minnesota	185,923	237,500
North Carolina	2,500	50,000
New York / New Jersey	299,000	549,877
Pacific Northwest	477,732	338,445
Pennsylvania	455,233	282,597
Utah	630,000	796,000
Wisconsin	94,750	105,500
	\$ 7,170,744	\$ 7,367,964
Total		

Note 6 – 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:

	2023	2022
Legal and accounting services	\$ 88,662	\$ 62,184
Office space	54,300	46,740
	\$ 142,962	\$ 108,924
Total		

Legal and accounting services are valued based on the current rates of legal and accounting services provided by the law firm and accountant. Office spaces are valued based on the current rent in the building. All in-kind contributions are not restricted and were fully utilized during the years ended June 30, 2023 and 2022.

Playworks Education Energized Notes to Financial Statements

Note 7 – Commitments and Contingencies

Operating leases – Playworks has several lease agreements for its headquarters and regional offices.

As of June 30, 2023, the total right-of-use operating lease asset of \$162,291 is included in other long-term assets on the accompanying statements of financial position. As of June 30, 2023, the total operating lease liability of \$162,291 consisted of the current portion of \$151,562 included in other current liabilities and the noncurrent portion of \$10,729 is included in other long-term liabilities on the accompanying statements of financial position.

The future aggregate lease payments for its regional offices as follows:

<u>Years Ending June 30,</u>	
2024	\$ 154,758
2025	<u>10,729</u>
Total lease payments	165,487
Less: Present value discount:	<u>(3,196)</u>
Operating lease liability	<u><u>\$ 162,291</u></u>

Rent expense for the years ended June 30, 2023 and 2022, was \$281,589 and \$249,393, respectively, and includes \$54,300 and \$46,740 of donated office space in Oakland, California, for the years ended June 30, 2023 and 2022, respectively. Total rent and occupancy expense for the years ended June 30, 2023 and 2022, was \$442,121 and \$300,680, respectively.

The following table includes supplemental lease information as of and for the year ended June 30, 2023:

Weighted average remaining lease term (in years)	0.98
Weighted average discount rate	3.68%

The future minimum lease payments as of June 30, 2022, were as follows:

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

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.

Playworks Education Energized

Notes to Financial Statements

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.

Note 8 – 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. Approximately 78% and 86% of grants and pledges receivable were from three organizations as of June 30, 2023 and 2022, respectively.

Note 9 – Related-Party Transactions

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

A board member is a principal at a company that owns the building in which Playworks rents office space in 638 3rd Street Oakland, California. The rent for each of the years ended June 30, 2023 and 2022, was \$54,300 and \$46,740, respectively, and is included in office space per Note 7.

Jill Violet, founder, received compensation from Playworks for consulting services provided to Substantial Classrooms ("Substantial") for the years ended June 30, 2023 and 2022. Playworks is the fiscal sponsor for Substantial.

Note 10 – 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. During the year ended June 30, 2023, Playworks contributed \$407,208 to the Plan. During the year ended June 30, 2022, Playworks made no employer contributions.

Playworks Education Energized Notes to Financial Statements

Note 11 – 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, 2023 and 2022, Playworks incurred \$1,393,530 and \$969,296, respectively, of expenses related to the Benefit Plan, of which \$9,185 and \$10,748 was accrued at June 30, 2023 and 2022, respectively.

Note 12 – 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, 2023, there were no net assets with donor restrictions related to Substantial. As of June 30, 2022, \$200,291 is included in net assets with donor restrictions related to Substantial and is included in national expansion per Note 4.

Note 13 – 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:

	2023	2022
Financial assets		
Cash and cash equivalents	\$ 9,473,943	\$ 18,689,038
Accounts receivable, net of allowance for doubtful accounts	1,961,809	1,191,592
Grants and pledges receivable	4,723,481	3,772,801
Investments	7,487,003	-
Financial assets at June 30	23,646,236	23,653,431
Less those unavailable for general expenditure within one year, due to:		
Receivables collectible beyond one year	57,163	-
Financial assets available to meet cash needs for general expenditure within one year	\$ 23,589,073	\$ 23,653,431

As of June 30, 2023 and 2022, Playworks has approximately \$3.6 million and \$2.9 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 statements 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 Education Energized

Notes to Financial Statements

Note 14 – Subsequent Events

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

Playworks has evaluated subsequent events through September 29, 2023, 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, 2023

<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	20NDHCA002	\$ 1,098,781
Pass through Program from the state of Massachusetts -			
AmeriCorps	94.006	21ACFMA0010006	<u>244,966</u>
Total expenditures for ALN 94.006 and total expenditures for federal awards			<u>\$ 1,343,747</u>

See accompanying notes to schedule of expenditures of federal awards.

Playworks Education Energized
Notes to Schedule of Expenditures of Federal Awards
Year Ended June 30, 2023

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, 2023. 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, 2023.

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

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

To the Board of Directors
Playworks Education Energized

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (“*Government Auditing Standards*”), the financial statements of Playworks Education Energized (“Playworks”), which comprise the statement of financial position as of June 30, 2023, 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 29, 2023.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Playworks’ 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

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 Playworks' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Playworks' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

San Francisco, California
September 29, 2023

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

To the Board of Directors
Playworks Education Energized

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Playworks Education Energized's ("Playworks") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Playworks' major federal program for the year ended June 30, 2023. Playworks' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Playworks complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2023.

Basis for Opinion on the Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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

The image shows a handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

San Francisco, California
September 29, 2023

**Playworks Education Energized
Schedule of Findings and Questioned Costs
Year Ended June 30, 2023**

Section I - Summary of Auditor's Results

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major federal programs:

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

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

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

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

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

Auditee qualified as low-risk auditee? Yes No

Section II - Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.



Summary Schedule of Prior Audit Findings

Name of Auditee: Playworks Education Energized
Period Covered by the Audit: July 1, 2021 to June 30, 2022
Name of Audit Firm: Moss Adams LLP

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

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

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

Status – The Corrective Action Plan for the July 1, 2021 – June 30, 2022, audit period was adhered to. The balances of grant revenue and deferred revenue were corrected as of June 30, 2022. Management has taken the following corrective action plan:

Implemented additional controls & reporting standard

- Strengthened the supervisor’s monthly review process on grants such as use of standardized contract analysis template to maintain consistent recognition of grant and reconciliation.
- Revisited and updated our internal process documentation to include reconciliation of grant revenue in accordance with the revenue recognition standard.

Coaching and training all finance and grants staff

- All staff, especially those involved in grants management were trained and retrained on all tasks and responsibilities starting on September 27, 2022, to date.
- Video training on specific finance processes are available for all staff on demand.
- Continuous coaching for all finance staff by managers and CFO.

Increase in accounting staff headcount and cross training of staff to perform the analysis and reconciliation

- Added 2 new staff to handle the increasing number of transactions in grants and other accounts receivable functions.
- Continues cross-training of accounting staff starting on September 19, 2022, to date to improve capacity, turnover readiness, and strengthen business continuity.

