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Report of Independent Auditors and
Financial Statements

Playworks Education Energized

June 30, 2025 and 2024

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Report of Independent Auditors

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, 2025 and 2024, 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 as of June 30, 2025 and 2024, and changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Playworks and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, 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.

Baker Tilly US, LLP

San Francisco, California
October 10, 2025

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2025 and 2024

	2025	2024
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 3,909,668	\$ 15,527,931
Accounts receivable, net	1,436,635	2,672,349
Grants and pledges receivable, current portion	2,083,078	1,920,484
Prepaid expenses and other assets	500,642	472,600
Investments in fixed income	10,881,704	2,339,503
Total current assets	18,811,727	22,932,867
LONG-TERM ASSETS		
Grants and pledges receivable, net of current portion	215,207	220,449
Other long-term assets	83,744	150,825
Total long-term assets	298,951	371,274
Total assets	\$ 19,110,678	\$ 23,304,141
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 473,542	\$ 566,427
Payroll and accrued benefits	978,342	1,349,473
Contract liabilities	1,591,470	1,327,923
Other current liabilities	72,937	125,174
Total current liabilities	3,116,291	3,368,997
LONG-TERM LIABILITIES		
Other long-term liabilities	-	8,154
Total liabilities	3,116,291	3,377,151
NET ASSETS		
Without donor restrictions	12,220,719	16,387,262
With donor restrictions	3,773,668	3,539,728
Total net assets	15,994,387	19,926,990
Total liabilities and net assets	\$ 19,110,678	\$ 23,304,141

See accompanying notes.

Playworks Education Energized
Statements of Activities
Years Ended June 30, 2025 and 2024

	2025			2024		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
SUPPORT						
Contributions	\$ 500,085	\$ 2,881,879	\$ 3,381,964	\$ 432,020	\$ 4,827,831	\$ 5,259,851
Corporate support	632,295	2,364,625	2,996,920	755,941	2,323,385	3,079,326
Contributions in-kind (non-financial)	172,490	-	172,490	120,721	-	120,721
Net assets released from restrictions	6,212,564	(6,212,564)	-	7,251,333	(7,251,333)	-
Total support	7,517,434	(966,060)	6,551,374	8,560,015	(100,117)	8,459,898
REVENUE						
Direct service fees	8,524,491	-	8,524,491	10,704,287	-	10,704,287
Government grants	2,510,877	1,200,000	3,710,877	2,691,416	-	2,691,416
Training fees	8,923,975	-	8,923,975	10,591,815	-	10,591,815
Special events	395,905	-	395,905	333,043	45,219	378,262
Investment income, net	633,438	-	633,438	822,708	-	822,708
Other revenue	72,465	-	72,465	77,338	-	77,338
Total revenue	21,061,151	1,200,000	22,261,151	25,220,607	45,219	25,265,826
Total support and revenue	28,578,585	233,940	28,812,525	33,780,622	(54,898)	33,725,724
EXPENSES						
Program services:						
Direct services	17,382,428	-	17,382,428	20,958,203	-	20,958,203
Training services	7,627,508	-	7,627,508	7,149,880	-	7,149,880
Total program services	25,009,936	-	25,009,936	28,108,083	-	28,108,083
Support services:						
Management and general	3,137,436	-	3,137,436	2,680,628	-	2,680,628
Fundraising	4,597,756	-	4,597,756	4,604,194	-	4,604,194
Total support services	7,735,192	-	7,735,192	7,284,822	-	7,284,822
Total expenses	32,745,128	-	32,745,128	35,392,905	-	35,392,905
CHANGES IN NET ASSETS	(4,166,543)	233,940	(3,932,603)	(1,612,283)	(54,898)	(1,667,181)
NET ASSETS, beginning of year	16,387,262	3,539,728	19,926,990	17,999,545	3,594,626	21,594,171
NET ASSETS, end of year	\$ 12,220,719	\$ 3,773,668	\$ 15,994,387	\$ 16,387,262	\$ 3,539,728	\$ 19,926,990

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2025

	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES							
Salaries and wages	\$ 12,137,319	\$ 5,349,339	\$ 17,486,658	\$ 2,231,118	\$ 3,034,526	\$ 5,265,644	\$ 22,752,302
Employee benefits	1,245,441	548,909	1,794,350	228,941	311,381	540,322	2,334,672
Payroll tax	897,670	395,634	1,293,304	165,012	224,432	389,444	1,682,748
Total salaries and related expenses	14,280,430	6,293,882	20,574,312	2,625,071	3,570,339	6,195,410	26,769,722
Legal and professional, including in-kind	1,030,674	454,254	1,484,928	189,462	257,685	447,147	1,932,075
Travel and related expenses	531,851	234,405	766,256	97,766	132,971	230,737	996,993
Dues, licenses, and service fees	530,391	233,762	764,153	97,498	132,607	230,105	994,258
Rent and occupancy, including in-kind	168,299	74,175	242,474	30,937	42,077	73,014	315,488
Program supplies	202,508	58,429	260,937	20,374	27,710	48,084	309,021
Fundraising events, including in-kind	-	-	-	-	276,323	276,323	276,323
Telephone	125,588	55,351	180,939	23,086	31,399	54,485	235,424
Insurance	103,507	45,619	149,126	19,027	25,878	44,905	194,031
Meetings and conferences	103,165	45,468	148,633	18,964	25,793	44,757	193,390
Staff recruitment and training	83,157	36,650	119,807	15,286	20,791	36,077	155,884
Printing and publications	78,256	34,490	112,746	14,385	19,566	33,951	146,697
Small equipment and maintenance	50,763	22,373	73,136	9,331	12,692	22,023	95,159
Marketing and advertising	40,247	17,738	57,985	7,398	10,062	17,460	75,445
Supplies	39,733	17,512	57,245	7,304	9,934	17,238	74,483
Postage	7,713	3,400	11,113	1,418	1,929	3,347	14,460
Government grant commission	6,146	-	6,146	-	-	-	6,146
Allowance for credit losses	-	-	-	(39,871)	-	(39,871)	(39,871)
Total expenses	<u>\$ 17,382,428</u>	<u>\$ 7,627,508</u>	<u>\$ 25,009,936</u>	<u>\$ 3,137,436</u>	<u>\$ 4,597,756</u>	<u>\$ 7,735,192</u>	<u>\$ 32,745,128</u>

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2024

	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES							
Salaries and wages	\$ 14,512,713	\$ 4,965,358	\$ 19,478,071	\$ 1,864,724	\$ 2,946,841	\$ 4,811,565	\$ 24,289,636
Employee benefits	1,571,969	537,831	2,109,800	201,981	319,192	521,173	2,630,973
Payroll tax	1,080,980	369,845	1,450,825	138,894	219,495	358,389	1,809,214
Total salaries and related expenses	17,165,662	5,873,034	23,038,696	2,205,599	3,485,528	5,691,127	28,729,823
Legal and professional, including in-kind	1,290,813	441,637	1,732,450	165,855	262,103	427,958	2,160,408
Travel and related expenses	709,333	242,690	952,023	91,141	144,032	235,173	1,187,196
Dues, licenses, and service fees	599,681	205,174	804,855	77,052	121,767	198,819	1,003,674
Rent and occupancy, including in-kind	242,527	82,978	325,505	31,162	49,246	80,408	405,913
Program supplies	215,418	55,444	270,862	16,337	25,818	42,155	313,017
Fundraising events, including in-kind	-	-	-	-	367,970	367,970	367,970
Telephone	149,266	51,070	200,336	19,179	30,309	49,488	249,824
Insurance	120,629	41,272	161,901	15,500	24,494	39,994	201,895
Meetings and conferences	125,219	42,842	168,061	16,089	25,426	41,515	209,576
Staff recruitment and training	81,843	28,001	109,844	10,516	16,618	27,134	136,978
Printing and publications	97,892	33,493	131,385	12,578	19,877	32,455	163,840
Small equipment and maintenance	64,323	22,007	86,330	8,265	13,061	21,326	107,656
Marketing and advertising	44,023	15,062	59,085	5,656	8,939	14,595	73,680
Supplies	17,434	5,965	23,399	2,240	3,540	5,780	29,179
Postage	26,922	9,211	36,133	3,459	5,466	8,925	45,058
Government grant commission	7,218	-	7,218	-	-	-	7,218
Total expenses	\$ 20,958,203	\$ 7,149,880	\$ 28,108,083	\$ 2,680,628	\$ 4,604,194	\$ 7,284,822	\$ 35,392,905

See accompanying notes.

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2025 and 2024

	<u>2025</u>	<u>2024</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ (3,932,603)	\$ (1,667,181)
Adjustments to reconcile changes in net assets to net cash (used in) provided by operating activities:		
Net realized and unrealized gain on investments	(192,745)	(184,764)
Amortization of leases	125,844	177,309
Reversal of allowance for credit losses	(76,880)	(22,877)
Change in discount on pledges receivable	242	6,714
Changes in operating assets and liabilities:		
Accounts receivable	1,312,594	(687,663)
Grants and pledges receivable	(157,594)	2,632,997
Prepaid expenses and other assets	39,039	87,011
Accounts payable and accrued expenses	(92,885)	29,735
Payroll and accrued benefits	(371,131)	290,592
Contract liabilities	263,547	88,814
Other liabilities	(186,235)	(28,963)
Net cash (used in) provided by operating activities	<u>(3,268,807)</u>	<u>721,724</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(11,845,621)	(2,626,931)
Proceeds from sales of investments	<u>3,496,165</u>	<u>7,959,195</u>
Net cash (used in) provided by investing activities	<u>(8,349,456)</u>	<u>5,332,264</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(11,618,263)	6,053,988
CASH AND CASH EQUIVALENTS, beginning of year	<u>15,527,931</u>	<u>9,473,943</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 3,909,668</u></u>	<u><u>\$ 15,527,931</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	<u><u>\$ 40,363</u></u>	<u><u>\$ 147,587</u></u>

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 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 onsite 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 onsite trainer for four days to teach, model, and empower a sustainable recess.

Playworks SparkPlay – Playworks offers a subscription-based online resource to support the continuous, play-based learning for school and youth development staff. The SparkPlay subscription provides on-demand access to games, best practices, and professional guidance anytime, anywhere. Through the online platform, subscribers can explore guided learning paths to dive deeper into topics like Group Management, Play Facilitation, and Play Systems. The platform also includes a searchable library of resources, an extensive collection of games, and a community/discussion space for connecting with other educators. The subscription also features curated weekly emails that showcase fresh games, activities, and tips. Subscribers can earn badges for completing courses as they learn the foundational components of Playworks' best practices for playtime. SparkPlay supports school and youth development staff in improving their recess, bringing out the best in kids through play, and sparking new ideas to keep kids active and engaged. Effective August 1, 2024, PlayworksU and Keep Playing were superseded by SparkPlay, which is now Playworks' exclusive digital product:

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 offers a certification program that builds capacity for community-based organizations to launch a recess service at local elementary schools. In the first year of partnership, Playworks provides a combination of in-person and virtual training and consultation geared towards frontline staff and managers, as well as access to our evidence-based evaluation tools. Upon successful completion of all certification requirements, the partner organization becomes a “certified Playworks TagTeam provider.” In subsequent years, partners maintain their certification annually by continuing to run programming, sharing data, and completing online coursework.

Playworks Education Energized

Notes to Financial Statements

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, 2025 and 2024, 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, 2025 and 2024, 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.

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.

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 receivables 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 represents the estimated credit losses.

Playworks Education Energized

Notes to Financial Statements

Playworks estimates the allowance for credit losses on accounts receivable using the current expected credit losses methodology (CECL), which requires Playworks to estimate lifetime expected credit losses on its accounts receivable at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Playworks estimates its expected credit losses using an aging schedule and adjusts the allowance periodically. When a loss is realized, receivables are charged against the allowance. Subsequent recoveries are credited to the allowance.

Changes in the allowance for credit losses for the year ended June 30, 2025 and 2024, were as follows:

	2025	2024
Balance, beginning of year	\$ 97,520	\$ 120,398
Provisions	49,284	50,487
Write-offs, net of recoveries	(126,164)	(73,365)
Balance, end of year	<u>\$ 20,640</u>	<u>\$ 97,520</u>

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. Investments classified as current consist of securities with a maturity date one year or less from the statements 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.

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. 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.

Playworks Education Energized

Notes to Financial Statements

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

	2025	2024
Balance, beginning of year	\$ 1,327,923	\$ 1,239,109
Revenue recognized	(1,327,923)	(1,239,109)
Payment received for future performance obligation	1,591,470	1,327,923
Balance, end of year	<u>\$ 1,591,470</u>	<u>\$ 1,327,923</u>

Contributions in-kind (non-financial) – 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 follows the guidelines of ASC 740, *Income Taxes*, for accounting for uncertainty in income taxes. As of June 30, 2025 and 2024, 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, 2025 and 2024, were \$75,445 and \$73,680, respectively.

Playworks Education Energized

Notes to Financial Statements

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

Note 3 – Grants and Pledges Receivable, Net

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

	2025	2024
Foundation grants	\$ 870,535	\$ 932,135
Corporate grants	896,143	685,587
Government contracts	503,705	475,913
Individuals	37,695	56,849
	<hr/>	<hr/>
Total grants and pledges receivable	2,308,078	2,150,484
Less present value discount (4.4% to 4.8%)	<hr/> (9,793)	<hr/> (9,551)
Total grant and pledges receivable, net	<hr/> <u>\$ 2,298,285</u>	<hr/> <u>\$ 2,140,933</u>

Grants and pledges receivable as of June 30 are expected to be received as follows:

	2025	2024
Within one year	\$ 2,083,078	\$ 1,920,484
Two to five years	225,000	230,000
	<hr/>	<hr/>
Total grants and pledges receivable	<hr/> <u>\$ 2,308,078</u>	<hr/> <u>\$ 2,150,484</u>

As of June 30, 2025 and 2024, there were no conditional grants receivable outstanding. No new conditional grants were received during the years ended June 30, 2025 and 2024.

Playworks Education Energized

Notes to Financial Statements

Note 4 – Net Assets with Donor Restrictions

Net assets with donor restrictions restricted for a specific purpose or the expiration of time as of June 30 consisted of the following:

	2025	2024
Michigan	\$ 752,709	\$ 228,400
Indiana	742,485	977,736
California - Northern	452,800	498,237
Colorado	400,000	-
New England	319,500	162,500
Minnesota	255,100	246,900
Pennsylvania	155,000	25,000
National expansion	135,000	449,884
New York / New Jersey	105,000	230,000
Utah	100,000	-
California - Southern	98,185	490,498
Wisconsin	91,000	52,920
Pacific Northwest	81,889	70,153
Illinois	80,000	105,000
Arizona	5,000	2,500
	<hr/>	<hr/>
Total	\$ 3,773,668	\$ 3,539,728
	<hr/>	<hr/>

All net assets with donor restrictions are expected to be released from restriction by June 30, 2027.

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:

	2025	2024
Michigan	\$ 844,690	\$ 925,000
National	707,384	820,116
Indiana	698,752	485,264
California - Northern	654,562	731,116
New England	604,500	595,300
California - Southern	521,538	749,289
Pennsylvania	448,254	413,500
Colorado	383,500	738,013
New York / New Jersey	282,500	261,500
Pacific Northwest	265,264	455,176
Utah	265,000	446,666
Minnesota	261,900	266,433
Wisconsin	147,020	138,810
Illinois	97,500	141,150
Arizona	30,200	81,000
Southeast	-	3,000
	<hr/>	<hr/>
Total	\$ 6,212,564	\$ 7,251,333
	<hr/>	<hr/>

Note 6 – Contributions In-Kind (Non-Financial)

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

	2025	2024
Legal services	\$ 123,239	\$ 75,001
Office space	49,251	45,720
	<hr/>	<hr/>
Total	\$ 172,490	\$ 120,721
	<hr/>	<hr/>

Legal services are valued based on the rates provided by the donors, as the donors set the market rate for the legal services provided. Office space is 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, 2025 and 2024.

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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, 2025 and 2024, the total right-of-use operating lease asset of \$71,857 and \$131,888, respectively, are included in other long-term assets on the accompanying statements of financial position. As of June 30, 2025, the total operating lease liability of \$72,937 is included in other current liabilities on the accompanying statements of financial position. As of June 30, 2024, the total operating lease liability of \$133,328 consisted of the current portion of \$125,174 included in other current liabilities and the noncurrent portion, net of the present value discount, of \$8,154 included in other long-term liabilities on the accompanying statements of financial position.

The future minimum lease payments as of June 30, 2025, were as follows:

<u>Years Ending June 30,</u>	
2026	\$ 72,937
	72,937
Less: Present value discount (if any)	-
Operating lease liability	<u>\$ 72,937</u>

The following table includes supplemental lease information as of and for the years ended June 30, 2025 and 2024:

	<u>2025</u>	<u>2024</u>
Weighted average remaining lease term (in years)	1.00	1.02
Weighted average discount rate	3.08%	3.29%

Total operating lease cost for the years ended June 30, 2025 and 2024, was \$103,406 and \$186,653, respectively, which includes \$49,252 and \$45,720, respectively, of donated office space in Oakland, California. Cash payments for amounts included in the measurement of operating lease liabilities were \$104,486 and \$185,933 for the years ended June 30, 2025 and 2024, respectively, and are included in other liabilities on the accompanying statements of cash flows.

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 the event of noncompliance with grant terms or conditions, Playworks may be required to reimburse the funding agency for any associated costs or face a reduction in future funding. Management believes that the risk of material questioned costs for contracts and grants administered during this period is minimal. However, Playworks will be responsible for absorbing any over-expenditures on restricted grants that cannot be offset by additional grant funds or contributions from other sources.

Playworks Education Energized

Notes to Financial Statements

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 63% of grants and pledges receivable were from eight organizations as of June 30, 2025. Approximately 73% of grants and pledges receivable were from eight organizations as of June 30, 2024.

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. Rent expense for the years ended June 30, 2025 and 2024, was \$121,252 and \$117,720, respectively, which includes \$49,252 and \$45,720, respectively, of in-kind rent expense which is included in office space per Note 7.

Note 10 – Retirement Plan

Playworks sponsors a defined contribution plan under Internal Revenue Code Section 401(k) (the Plan). Under the Plan's provisions, participating employees can make voluntary contributions through salary deductions up to the maximum amount allowed by law. Playworks is authorized to make employer contributions on behalf of its eligible employees of 1% of compensation. During the years ended June 30, 2025 and 2024, Playworks contributed \$181,419 and \$507,988, respectively.

Note 11 – Health Insurance Program

Playworks sponsors the Health and Welfare Benefit Plan (the Benefit Plan) with United Health Care (UHC). Effective August 1, 2023, Cigna Health and Life Insurance Company (Cigna) replaced UHC as the provider of Health and Dental insurance for employees. During the years ended June 30, 2025 and 2024, Playworks incurred \$1,723,741 and \$1,653,155 of expenses related to the Benefit Plan, respectively. Of these amounts, \$32,878 and \$182,257 were accrued at June 30, 2025 and 2024, respectively.

Playworks Education Energized

Notes to Financial Statements

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, 2025, there were no net assets with donor restrictions related to Substantial while \$57,384 was reported under national expansion per Note 4 for Substantial as of June 30, 2024.

Effective July 1, 2025, the fiscal sponsorship agreement between Playworks and Substantial has ended. Playworks no longer has any financial or fiduciary responsibilities related to Substantial as of the fiscal year end.

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:

	2025	2024
Financial assets		
Cash and cash equivalents	\$ 3,909,668	\$ 15,527,931
Accounts receivable, net	1,436,635	2,672,349
Grants and pledges receivable	2,298,285	2,140,933
Investment	10,881,704	2,339,503
Financial assets at June 30	18,526,292	22,680,716
Less those unavailable for general expenditure within one year, due to		
Receivables collectible beyond one year	215,207	220,449
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 18,311,085</u>	<u>\$ 22,460,267</u>

As of June 30, 2025 and 2024, Playworks has approximately \$3.8 million and \$3.5 million, respectively, of net assets with donor restrictions. Financial assets are considered unavailable when they are illiquid or cannot be converted to cash within a reasonable period, typically one year from 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.

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Notes to Financial Statements

Note 14 – Subsequent Events

Subsequent events are significant occurrences or transactions that take place after the statement of financial position date but before the financial statements are available to be issued. Playworks recognizes the effects of all subsequent events that provide additional evidence about conditions that existed at the statement of financial position date, including estimates used in preparing the financial statements. However, Playworks does not recognize subsequent events that provide evidence of conditions that arose after the statement of financial position date but before the financial statements were available to be issued.

In September 2025, Playworks was awarded a \$10,000,000 restricted grant from the Lilly Endowment to support the development and implementation of youth character development programs.

Playworks has evaluated subsequent events through October 10, 2025, which is the date the financial statements were available to be issued.

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