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Reports of Independent Auditors and
Financial Statements

Playworks Education Energized

June 30, 2026 and 2025

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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, 2026 and 2025, 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, 2026 and 2025, 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 6, 2026

Financial Statements

Playworks Education Energized
Statements of Financial Position
June 30, 2026 and 2025

	2026	2025
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,877,567	\$ 3,909,668
Accounts receivable, net	1,676,105	1,436,635
Grants and pledges receivable, current portion	1,873,166	2,083,078
Prepaid expenses and other assets	491,437	500,642
Investments	15,859,145	10,881,704
Total current assets	22,777,420	18,811,727
LONG-TERM ASSETS		
Grants and pledges receivable, net of current portion	71,588	215,207
Other long-term assets	82,514	83,744
Total long-term assets	154,102	298,951
Total assets	\$ 22,931,522	\$ 19,110,678
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$ 327,800	\$ 473,542
Payroll and accrued benefits	1,035,943	978,342
Contract liabilities	1,053,815	1,591,470
Deferred revenue	58,000	-
Other current liabilities	74,570	72,937
Total current liabilities	2,550,128	3,116,291
Total liabilities	2,550,128	3,116,291
NET ASSETS		
Without donor restrictions	9,445,608	12,220,719
With donor restrictions	10,935,786	3,773,668
Total net assets	20,381,394	15,994,387
Total liabilities and net assets	\$ 22,931,522	\$ 19,110,678

See accompanying notes.

Playworks Education Energized
Statements of Activities
June 30, 2026 and 2025

	2026			2025		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT						
Contributions	\$ 567,188	\$ 12,327,092	\$ 12,894,280	\$ 500,085	\$ 2,881,879	\$ 3,381,964
Corporate support	462,141	1,656,170	2,118,311	632,295	2,364,625	2,996,920
Contributions in-kind (non-financial)	131,794	-	131,794	172,490	-	172,490
Net assets released from restriction	6,821,144	(6,821,144)	-	6,212,564	(6,212,564)	-
Total support	7,982,267	7,162,118	15,144,385	7,517,434	(966,060)	6,551,374
REVENUE						
Direct service fees	8,079,568	-	8,079,568	8,524,491	-	8,524,491
Government grants	2,111,732	-	2,111,732	2,510,877	1,200,000	3,710,877
Training fees	7,782,281	-	7,782,281	8,923,975	-	8,923,975
Special events	498,428	-	498,428	395,905	-	395,905
Investment income, net	587,850	-	587,850	633,438	-	633,438
Other revenue	37,441	-	37,441	72,465	-	72,465
Total revenue	19,097,300	-	19,097,300	21,061,151	1,200,000	22,261,151
Total support and revenue	27,079,567	7,162,118	34,241,685	28,578,585	233,940	28,812,525
EXPENSES						
Program services						
Direct services	16,105,510	-	16,105,510	17,382,428	-	17,382,428
Training services	7,071,531	-	7,071,531	7,627,508	-	7,627,508
Total program services	23,177,041	-	23,177,041	25,009,936	-	25,009,936
Support services						
Management and general	2,925,199	-	2,925,199	3,137,436	-	3,137,436
Fundraising	3,752,438	-	3,752,438	4,597,756	-	4,597,756
Total support services	6,677,637	-	6,677,637	7,735,192	-	7,735,192
Total expenses	29,854,678	-	29,854,678	32,745,128	-	32,745,128
CHANGES IN NET ASSETS	(2,775,111)	7,162,118	4,387,007	(4,166,543)	233,940	(3,932,603)
NET ASSETS, beginning of year	12,220,719	3,773,668	15,994,387	16,387,262	3,539,728	19,926,990
NET ASSETS, end of year	\$ 9,445,608	\$ 10,935,786	\$ 20,381,394	\$ 12,220,719	\$ 3,773,668	\$ 15,994,387

See accompanying notes.

Playworks Education Energized
Statement of Functional Expenses
Year Ended June 30, 2026

	Program Services			Supporting Services			Total
	Direct Services	Training Services	Subtotal	Management and General	Fundraising	Subtotal	
EXPENSES							
Salaries and wages	\$ 11,354,321	\$ 5,001,647	\$ 16,355,968	\$ 2,047,746	\$ 2,408,196	\$ 4,455,942	\$ 20,811,910
Employee benefits	1,305,512	575,086	1,880,598	235,448	276,893	512,341	2,392,939
Payroll tax	835,793	368,172	1,203,965	150,735	177,268	328,003	1,531,968
Total salaries and related expenses	13,495,626	5,944,905	19,440,531	2,433,929	2,862,357	5,296,286	24,736,817
Legal and professional, including in-kind	908,918	400,384	1,309,302	163,923	192,777	356,700	1,666,002
Dues, licenses, and service fees	483,734	213,088	696,822	87,241	102,598	189,839	886,661
Travel and related expenses	397,385	175,050	572,435	71,668	84,283	155,951	728,386
Fundraising events, including in-kind	-	-	-	-	349,929	349,929	349,929
Rent and occupancy, including in-kind	155,193	68,364	223,557	27,989	32,916	60,905	284,462
Insurance	129,101	56,870	185,971	23,283	27,382	50,665	236,636
Telephone	117,496	51,758	169,254	21,190	24,920	46,110	215,364
Meetings and conferences	78,013	34,365	112,378	14,070	16,546	30,616	142,994
Program supplies	102,503	22,129	124,632	7,107	8,359	15,466	140,098
Printing and publications	64,093	28,233	92,326	11,559	13,594	25,153	117,479
Staff recruitment and training	58,452	25,748	84,200	10,542	12,397	22,939	107,139
Marketing and advertising	53,449	23,545	76,994	9,640	11,336	20,976	97,970
Small equipment and maintenance	34,662	15,269	49,931	6,251	7,352	13,603	63,534
Postage	18,234	8,032	26,266	3,288	3,867	7,155	33,421
Allowance for credit losses	-	-	-	31,965	-	31,965	31,965
Supplies	8,606	3,791	12,397	1,554	1,825	3,379	15,776
Government grant commission	45	-	45	-	-	-	45
Total expenses	<u>\$ 16,105,510</u>	<u>\$ 7,071,531</u>	<u>\$ 23,177,041</u>	<u>\$ 2,925,199</u>	<u>\$ 3,752,438</u>	<u>\$ 6,677,637</u>	<u>\$ 29,854,678</u>

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
Dues, licenses, and service fees	530,391	233,762	764,153	97,498	132,607	230,105	994,258
Travel and related expenses	531,851	234,405	766,256	97,766	132,971	230,737	996,993
Fundraising events, including in-kind	-	-	-	-	276,323	276,323	276,323
Rent and occupancy, including in-kind	168,299	74,175	242,474	30,937	42,077	73,014	315,488
Insurance	103,507	45,619	149,126	19,027	25,878	44,905	194,031
Telephone	125,588	55,351	180,939	23,086	31,399	54,485	235,424
Meetings and conferences	103,165	45,468	148,633	18,964	25,793	44,757	193,390
Program supplies	202,508	58,429	260,937	20,374	27,710	48,084	309,021
Printing and publications	78,256	34,490	112,746	14,385	19,566	33,951	146,697
Staff recruitment and training	83,157	36,650	119,807	15,286	20,791	36,077	155,884
Marketing and advertising	40,247	17,738	57,985	7,398	10,062	17,460	75,445
Small equipment and maintenance	50,763	22,373	73,136	9,331	12,692	22,023	95,159
Postage	7,713	3,400	11,113	1,418	1,929	3,347	14,460
Allowance for credit losses	-	-	-	(39,871)	-	(39,871)	(39,871)
Supplies	39,733	17,512	57,245	7,304	9,934	17,238	74,483
Government grant commission	6,146	-	6,146	-	-	-	6,146
Total expenses	\$ 17,382,428	\$ 7,627,508	\$ 25,009,936	\$ 3,137,436	\$ 4,597,756	\$ 7,735,192	\$ 32,745,128

See accompanying notes.

Playworks Education Energized
Statements of Cash Flows
Years Ended June 30, 2026 and 2025

	<u>2026</u>	<u>2025</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 4,387,007	\$ (3,932,603)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Net realized and unrealized gain on investments	(561,069)	(192,745)
Amortization of leases	71,857	125,844
Change in allowance for credit losses	16,443	(76,880)
Change in discount on pledges receivable	6,381	242
Changes in operating assets and liabilities:		
Accounts receivable	(255,913)	1,312,594
Grants and pledges receivable	347,150	(157,594)
Prepaid expenses and other assets	10,435	39,039
Accounts payable and accrued expenses	(145,742)	(92,885)
Payroll and accrued benefits	57,601	(371,131)
Contract liabilities	(537,655)	263,547
Deferred revenue	58,000	-
Other liabilities	<u>(70,224)</u>	<u>(186,235)</u>
Net cash provided by (used in) operating activities	<u>3,384,271</u>	<u>(3,268,807)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(32,811,064)	(11,845,621)
Proceeds from sales of investments	<u>28,394,692</u>	<u>3,496,165</u>
Net cash used in investing activities	<u>(4,416,372)</u>	<u>(8,349,456)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,032,101)	(11,618,263)
CASH AND CASH EQUIVALENTS, beginning of year	<u>3,909,668</u>	<u>15,527,931</u>
CASH AND CASH EQUIVALENTS, end of year	<u><u>\$ 2,877,567</u></u>	<u><u>\$ 3,909,668</u></u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Right-of-use operating lease assets obtained in exchange for operating lease liabilities	<u><u>\$ 72,078</u></u>	<u><u>\$ 40,363</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 non-school hours, to lead games and physical activities based on a curriculum that has been tested and refined over a decade of program operations.

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

Playworks Education Energized

Notes to Financial Statements

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

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

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

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.

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.

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 – Net assets without donor restrictions represent expendable funds available for operations that are not otherwise limited by donor restrictions. As of June 30, 2026 and 2025, Playworks had no board designated net assets.

Playworks Education Energized

Notes to Financial Statements

Net assets with donor restrictions – Net assets with donor restrictions consist of contributions subject to donor-imposed restrictions that limit the use of the contributed assets to a specified purpose or period of time. When a donor-imposed restriction is satisfied, either through the passage of time or the accomplishment of the specified purpose, the related net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Net assets with donor restrictions used to purchase fixed and other assets are released from restriction when both the funds have been expended to purchase or build the asset, and the asset has been placed in service. As of June 30, 2026 and 2025, 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 short-term, highly liquid investments with original maturities of three months or less. Certain accounts earn interest and are included in investment income, net, on the accompanying statements of activities.

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 represents the estimated credit losses.

Playworks Education Energized

Notes to Financial Statements

Playworks estimates the allowance for credit losses on accounts receivable using an aging schedule based on historical credit loss experience. Effective June 30, 2026, Playworks elected the practical expedient under Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2025-05, for current accounts receivable arising from transactions accounted for under ASC Topic 606. Under the practical expedient, Playworks assumes that current conditions as of the statement of financial position date will remain unchanged for the remaining life of the applicable accounts receivable. Playworks also elected the accounting policy election to consider subsequent cash collections in estimating expected credit losses. Accordingly, for the year ended June 30, 2026, Playworks considered subsequent cash collections through July 10, 2026, in determining its allowance for credit losses. Receivables determined to be uncollectible are charged against the allowance, and subsequent recoveries are credited to the allowance.

Changes in the allowance for credit losses for the years ended June 30, 2026 and 2025, were as follows:

	2026	2025
Balance, beginning of year	\$ 20,640	\$ 97,520
Provisions	140,258	49,284
Write-offs, net of recoveries	(123,815)	(126,164)
Balance, end of year	<u>\$ 37,083</u>	<u>\$ 20,640</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. All investments are classified as current as of June 30, 2026 and 2025. 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 not recognized as contribution revenue until the conditions on which they depend have been met or explicitly waived by the donor. A contribution is considered conditional when the agreement includes both a barrier that must be overcome and a right of return of assets transferred or a right of release of the donor from its obligation to transfer assets. Once the barrier has been overcome and the right of return or release has been satisfied, the promise becomes unconditional and is recognized as contribution revenue. 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. As of June 30, 2026, and 2025, 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.

Direct service fees, which are generated from contracts with school districts, and training 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 following table provides information about the Organization's contract liabilities pursuant to FASB ASC 606-10-50-11:

	June 30, 2026	June 30, 2025
Balance, beginning of year	\$ 1,591,470	\$ 1,327,923
Balance, end of year	\$ 1,053,815	\$ 1,591,470

Contributions in-kind (non-financial) – 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, 2026 and 2025, 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, 2026 and 2025, were \$97,970 and \$75,445, respectively.

Playworks Education Energized

Notes to Financial Statements

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

New accounting pronouncements – Effective June 30, 2026, Playworks early adopted FASB ASU No. 2025-05, Measurement of Credit Losses for Accounts Receivable and Contract Assets (ASU No. 2025-05). ASU No. 2025-05 provides a practical expedient that permits entities to assume that current conditions as of the statement of financial position date will remain unchanged for the remaining life of current accounts receivable and contract assets arising from transactions accounted for under ASC Topic 606. For entities other than public business entities that elect the practical expedient, the ASU also provides an accounting policy election to consider subsequent cash collections when estimating expected credit losses.

Playworks elected the practical expedient and the accounting policy election to consider subsequent cash collections. Playworks adopted ASU No. 2025-05 on a prospective basis as of June 30, 2026, applying subsequent cash collections through July 10, 2026. The adoption resulted in a \$21,745 decrease in the allowance for credit losses for accounts receivable from direct service fee revenue and training fee revenue. The adoption of ASU No. 2025-05 did not have a material effect on Playworks' financial statements.

Note 3 – Grants and Pledges Receivable, Net

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

	2026	2025
Foundation grants	\$ 591,925	\$ 870,535
Corporate grants	811,023	896,143
Government contracts	533,902	503,705
Individuals	11,316	37,695
Total grants and pledges receivable	1,948,166	2,308,078
Less present value discount (4.8% to 4.7%)	(3,412)	(9,793)
Total grants and pledges receivable, net	<u>\$ 1,944,754</u>	<u>\$ 2,298,285</u>

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Notes to Financial Statements

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

	2026	2025
Within one year	\$ 1,873,166	\$ 2,083,078
Two to five years	75,000	225,000
Total grants and pledges receivable	<u>\$ 1,948,166</u>	<u>\$ 2,308,078</u>

As of June 30, 2026 and 2025, there were no conditional grants receivable outstanding. No new conditional grants were received during the years ended June 30, 2026 and 2025.

In September 2025, Playworks was awarded a \$10,000,000 multi-year grant from the Lilly Endowment Inc. to support the development and implementation of youth character development programs through August 2030. During the year ended June 30, 2026, \$1,457,851 of these restricted funds were released from restriction upon incurring qualifying program expenditures. The remaining funds of \$8,542,149 are restricted to both time and purpose and are expected to be released into general operations over the remaining four years of the grant period as program commitments are fulfilled.

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:

	2026	2025
National	\$ 8,589,649	\$ 135,000
California - Northern	452,875	452,800
New England	424,000	319,500
Michigan	283,500	752,709
New York / New Jersey	220,241	105,000
Indiana	220,000	742,485
Colorado	180,000	400,000
California - Southern	174,000	98,185
Minnesota	162,990	255,100
Pennsylvania	104,832	155,000
Pacific Northwest	58,700	81,889
Illinois	35,000	80,000
Wisconsin	25,000	91,000
Utah	4,999	100,000
Arizona	-	5,000
Total	<u>\$ 10,935,786</u>	<u>\$ 3,773,668</u>

Net assets with donor restrictions as of June 30, 2026, are expected to be released from restriction as follows: \$5,189,633 within one year and \$5,746,153 within four years of the fiscal year end.

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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:

	2026	2025
National	\$ 1,828,851	\$ 707,384
California - Northern	752,802	654,562
Indiana	687,535	698,752
Michigan	667,210	844,690
New England	617,110	604,500
Pennsylvania	439,271	448,254
Colorado	342,500	383,500
New York / New Jersey	337,759	282,500
Minnesota	263,400	261,900
California - Southern	236,435	521,538
Utah	203,032	265,000
Pacific Northwest	190,739	265,264
Wisconsin	126,000	147,020
Illinois	98,500	97,500
Arizona	30,000	30,200
Total	<u>\$ 6,821,144</u>	<u>\$ 6,212,564</u>

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

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

	2026	2025
Legal services	\$ 72,572	\$ 123,239
Office space	59,222	49,251
Total	<u>\$ 131,794</u>	<u>\$ 172,490</u>

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 respective buildings. Donated office space includes \$12,130 for space in Indianapolis, Indiana and \$47,092 for space in Oakland, California. All in-kind contributions were without donor restrictions and were fully utilized in furtherance of Playworks' mission during the years ended June 30, 2026 and 2025

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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, 2026 and 2025, the total right-of-use operating lease asset of \$72,078 and \$71,857, respectively, are included in other long-term assets on the accompanying statements of financial position. As of June 30, 2026 and 2025, the total operating lease liability of \$74,570 and \$72,937, respectively, are included in other current liabilities on the accompanying statements of financial position.

The future minimum lease payments as of June 30, 2026, were as follows:

Years Ending June 30,

2027	\$ 74,570
Total lease payments	74,570
Less present value discount	-
Operating lease liability	\$ 74,570

The following table includes supplemental lease information as of and for the years ended June 30, 2026 and 2025:

	<u>2026</u>	<u>2025</u>
Weighted average remaining lease term (in years)	1.00	1.00
Weighted average discount rate	3.99%	3.08%

Total operating lease cost for the years ended June 30, 2026 and 2025, was \$73,080 and \$103,406, respectively, which includes \$47,092 and \$49,251, respectively, of donated office space in Oakland, California. Cash payments for amounts included in the measurement of operating lease liabilities were \$74,160 and \$104,486 for the years ended June 30, 2026 and 2025, 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 non-compliance 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.

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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 69% of grants and pledges receivable were from nine organizations as of June 30, 2026. Approximately 63% of grants and pledges receivable were from eight organizations as of June 30, 2025.

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 at 638 3rd Street Oakland, California. Rent expense for both the years ended June 30, 2026 and 2025, was \$121,252, which includes \$47,092 and \$49,251, respectively, of in-kind rent expense which is included in office space per Note 6.

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, 2026, and 2025, Playworks contributed \$170,352 and \$181,419, respectively.

Note 11 – Health Insurance Program

Playworks sponsors the Health and Welfare Benefit Plan (the Benefit Plan) with Cigna Health and Life Insurance Company (Cigna) as the provider of Health and Dental insurance for employees. During the years ended June 30, 2026 and 2025, Playworks incurred \$1,741,004 and \$1,723,741, respectively, in expenses related to the Benefit Plan. Of these amounts, \$39,576 and \$32,878 were accrued at June 30, 2026 and 2025, respectively.

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Notes to Financial Statements

Note 12 – Liquidity and Availability

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

	<u>2026</u>	<u>2025</u>
Financial assets		
Cash and cash equivalents	\$ 2,877,567	\$ 3,909,668
Accounts receivable, net	1,676,105	1,436,635
Grants and pledges receivable	1,944,754	2,298,285
Investments	<u>15,859,145</u>	<u>10,881,704</u>
Financial assets at June 30	<u>22,357,571</u>	<u>18,526,292</u>
Less those unavailable for general expenditure within one year, due to:		
Net assets with donor imposed restrictions	<u>10,935,786</u>	<u>3,773,668</u>
Financial assets available to meet cash needs for general expenditure within one year	<u><u>\$ 11,421,785</u></u>	<u><u>\$ 14,752,624</u></u>

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.

Note 13 – 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.

Playworks has evaluated subsequent events through October 6, 2026, which is the date the financial statements were available to be issued.

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