



AND AFFILIATES

**CONSOLIDATED FINANCIAL STATEMENTS IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS AND
UNIFORM GUIDANCE
JUNE 30, 2022 AND 2021**

WORK, INCORPORATED AND AFFILIATES

Contents
June 30, 2022 and 2021

	<u>Pages</u>
Unmodified Opinion on Financial Statements Accompanied by Supplementary Information – Not-For-Profit Entity	1 - 1B
Consolidated Financial Statements:	
Consolidated Statements of Financial Position	2
Consolidated Statements of Activities	3
Consolidated Statements of Changes in Net Assets	4
Consolidated Statements of Cash Flows	5
Consolidated Statements of Functional Expenses	6 - 7
Notes to Consolidated Financial Statements	8 - 23
Schedule of Expenditures of Federal Awards	24 - 25
Report 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	26 - 27
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	28 - 30
Schedule of Findings and Questioned Costs	31



**Unmodified Opinion on Financial Statements Accompanied by
Supplementary Information – Not-For-Profit Entity**

Independent Auditor's Report

To the Boards of Directors of
Work, Incorporated and Affiliates:

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Work, Incorporated (a Massachusetts nonprofit corporation) and Affiliates (collectively, the Agency), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, changes in net assets, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Work, Incorporated and Affiliates as of June 30, 2022 and 2021, and the changes in their net assets and their 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) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 the Agency 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. The financial statements of Facilities Management and Maintenance, Inc. were not audited in accordance with *Government Auditing Standards*.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

In performing an audit in accordance with 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 consolidated 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 consolidated 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 the Agency's 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's 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 audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards for the year ended June 30, 2022, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated 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 October 19, 2022, on our consideration of the Agency's 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 the Agency's 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 the Agency's internal control over financial reporting and compliance.

AAFCPA, Inc.

Boston, Massachusetts
October 19, 2022

WORK, INCORPORATED AND AFFILIATESConsolidated Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash and cash equivalents	\$ 17,371,562	\$ 15,942,959
Accounts receivable, net of allowance for doubtful accounts of \$60,000 as of June 30, 2022 and 2021	7,635,222	5,401,969
Prepaid expenses and other assets	973,454	1,071,858
Total current assets	<u>25,980,238</u>	<u>22,416,786</u>
Investments	<u>5,985,989</u>	<u>6,530,133</u>
Property and Equipment, net	<u>18,495,641</u>	<u>19,077,324</u>
Other Assets:		
Restricted cash	151,385	146,383
Funds held for others	116,712	116,535
Cash surrender value of life insurance and annuity	725,078	733,323
Goodwill	52,770	52,770
Total other assets	<u>1,045,945</u>	<u>1,049,011</u>
Total assets	<u>\$ 51,507,813</u>	<u>\$ 49,073,254</u>
Liabilities and Net Assets		
Current Liabilities:		
Current portion of long-term debt	\$ 78,917	\$ 75,881
Line of credit	203,284	250,000
Accounts payable	535,894	496,513
Refundable advances	1,903,291	54,491
Accrued expenses:		
Payroll, payroll taxes and withholdings	1,018,435	766,792
Vacation	1,233,404	956,068
Other	2,183,158	2,283,117
Total current liabilities	<u>7,156,383</u>	<u>4,882,862</u>
Long-Term Liabilities:		
Funds held for others	116,712	116,535
Deferred compensation	308,212	296,459
Long-term debt, net	2,453,227	7,247,137
Capital advances and contingent notes payable	2,377,880	2,377,880
Total liabilities	<u>12,412,414</u>	<u>14,920,873</u>
Net Assets:		
Without donor restrictions:		
Operating	15,408,412	9,417,478
Property, equipment and goodwill	13,595,476	14,103,007
Board designated	5,985,989	6,530,133
Management designated	4,105,522	4,101,763
Total net assets without donor restrictions	<u>39,095,399</u>	<u>34,152,381</u>
Total liabilities and net assets	<u>\$ 51,507,813</u>	<u>\$ 49,073,254</u>

The accompanying notes are an integral part of these consolidated statements.

Page 2

WORK, INCORPORATED AND AFFILIATESConsolidated Statements of Activities
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Net Assets Without Donor Restrictions:		
Operating support and revenue:		
Government contracts and grants	\$ 27,080,051	\$ 24,374,617
Commercial cleaning services	26,177,253	25,661,948
Private fees	1,084,361	1,128,909
Interest, rental income and other	470,739	529,762
Gain on sale of property and equipment	208,218	68,721
Special events, net of direct expenses of \$62,262 and \$18,536 for the years ended June 30, 2022 and 2021, respectively	150,831	80,060
Contributions	148,944	159,334
Total operating support and revenue	<u>55,320,397</u>	<u>52,003,351</u>
Operating expenses:		
Program services	49,048,859	43,601,173
General, administrative and fundraising	5,339,652	5,375,054
Total operating expenses	<u>54,388,511</u>	<u>48,976,227</u>
Changes in net assets without donor restrictions from operations	<u>931,886</u>	<u>3,027,124</u>
Non-operating revenue:		
Forgiveness of long-term debt	4,716,722	-
Unrealized gains (losses) on investments	(705,590)	856,383
Total non-operating revenue	<u>4,011,132</u>	<u>856,383</u>
Changes in net assets without donor restrictions	<u>\$ 4,943,018</u>	<u>\$ 3,883,507</u>

WORK, INCORPORATED AND AFFILIATES

Consolidated Statements of Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

Balance, June 30, 2020	\$ 30,268,874
Changes in net assets without donor restrictions	<u>3,883,507</u>
Balance, June 30, 2021	34,152,381
Changes in net assets without donor restrictions	<u>4,943,018</u>
Balance, June 30, 2022	<u><u>\$ 39,095,399</u></u>

WORK, INCORPORATED AND AFFILIATESConsolidated Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	\$ 4,943,018	\$ 3,883,507
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Depreciation	1,290,408	1,164,328
Bad debts	3,780	35,595
Forgiveness of long-term debt	(4,716,722)	-
Gain on sale of property and equipment	(208,218)	(68,721)
Unrealized gains (losses) on investments	705,590	(856,383)
Changes in operating assets and liabilities:		
Accounts receivable	(2,237,033)	(463,361)
Prepaid expenses and other assets	98,404	(78,333)
Accounts payable	39,381	(195,337)
Refundable advances	1,848,800	41,996
Accrued expenses	429,020	68,709
Net cash provided by operating activities	<u>2,196,428</u>	<u>3,532,000</u>
Cash Flows from Investing Activities:		
Proceeds from sale of property and equipment	245,811	93,740
Purchase of property and equipment	(746,318)	(2,506,990)
Purchase of investments	(161,446)	(111,772)
Cash surrender value of life insurance and annuity	19,998	(46,281)
Net cash used in investing activities	<u>(641,955)</u>	<u>(2,571,303)</u>
Cash Flows from Financing Activities:		
Proceeds from (payments on) line of credit	(46,716)	250,000
Proceeds from long-term debt	-	1,023,840
Principal payments on long-term debt	(74,152)	(60,471)
Net cash provided by (used in) financing activities	<u>(120,868)</u>	<u>1,213,369</u>
Net Change in Cash, Cash Equivalents and Restricted Cash	1,433,605	2,174,066
Cash, Cash Equivalents and Restricted Cash:		
Beginning of year	<u>16,089,342</u>	<u>13,915,276</u>
End of year	<u>\$ 17,522,947</u>	<u>\$ 16,089,342</u>
Reconciliation of Cash, Cash Equivalents and Restricted Cash Reported Within the Consolidated Statements of Financial Position:		
Cash and cash equivalents	\$ 17,371,562	\$ 15,942,959
Restricted cash	<u>151,385</u>	<u>146,383</u>
Total cash, cash equivalents and restricted cash	<u>\$ 17,522,947</u>	<u>\$ 16,089,342</u>
Supplemental Disclosure of Cash Flow Information:		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 545,000</u>
Cash paid for interest	<u>\$ 101,720</u>	<u>\$ 94,608</u>

The accompanying notes are an integral part of these consolidated statements.

Page 5

WORK, INCORPORATED AND AFFILIATES

Consolidated Statement of Functional Expenses

For the Year Ended June 30, 2022

(With Summarized Comparative Totals for the Year Ended June 30, 2021)

	2022					2021		
	Program Services					General, Adminis- trative and Fundraising	Total	Total
	Employment	Residential	Trans- portation	Industrial and Commercial	Total Program Services			
Personnel and Related Costs:								
Salaries	\$ 3,229,822	\$ 11,802,634	\$ 183,171	\$ 12,452,707	\$ 27,668,334	\$ 2,417,389	\$ 30,085,723	\$ 26,370,501
Fringe benefits	433,251	1,779,139	47,622	3,403,348	5,663,360	82,899	5,746,259	5,480,959
Client wages	1,338	-	-	2,842,316	2,843,654	-	2,843,654	2,613,972
Payroll taxes	297,660	1,115,844	19,455	1,139,673	2,572,632	198,899	2,771,531	2,412,160
Subcontracted labor	51,637	16,875	-	617,542	686,054	-	686,054	820,325
Total personnel and related costs	<u>4,013,708</u>	<u>14,714,492</u>	<u>250,248</u>	<u>20,455,586</u>	<u>39,434,034</u>	<u>2,699,187</u>	<u>42,133,221</u>	<u>37,697,917</u>
Occupancy:								
Utilities, repairs and maintenance	198,196	681,115	1,864	950,643	1,831,818	286,375	2,118,193	2,089,753
Building depreciation	167,143	283,868	2,666	59,244	512,921	234,724	747,645	732,336
Insurance	87,223	118,556	870	202,579	409,228	113,986	523,214	386,425
Rent	63,621	389,645	-	-	453,266	-	453,266	448,977
Mortgage interest	6,292	88,001	-	-	94,293	7,427	101,720	94,608
Total occupancy	<u>522,475</u>	<u>1,561,185</u>	<u>5,400</u>	<u>1,212,466</u>	<u>3,301,526</u>	<u>642,512</u>	<u>3,944,038</u>	<u>3,752,099</u>
Transportation:								
Insurance	21,624	138,432	69,220	152,138	381,414	4,326	385,740	336,216
Vehicle depreciation	24,529	90,053	20,235	100,047	234,864	7,669	242,533	228,565
Vehicle operating costs	17,294	72,624	57,733	86,200	233,851	6,102	239,953	137,478
Travel	70,291	107,461	2,010	28,246	208,008	20,623	228,631	161,497
Vehicle repairs and maintenance	7,262	102,846	19,894	52,869	182,871	7,825	190,696	162,757
Total transportation	<u>141,000</u>	<u>511,416</u>	<u>169,092</u>	<u>419,500</u>	<u>1,241,008</u>	<u>46,545</u>	<u>1,287,553</u>	<u>1,026,513</u>
Other:								
Subcontracted services	54,480	722,149	507	897,451	1,674,587	83,604	1,758,191	1,523,193
Program supplies	174,671	492,558	118	478,442	1,145,789	88,746	1,234,535	1,678,008
Other	1,711	831,839	-	101,436	934,986	143,951	1,078,937	684,074
Office and computer supplies and licenses	9,444	8,682	381	21,491	39,998	612,490	652,488	572,852
Commissions	-	-	-	531,025	531,025	-	531,025	527,773
Professional services	-	14,925	-	157,631	172,556	314,640	487,196	414,915
Telephone	38,936	138,127	3,113	55,076	235,252	238,421	473,673	451,400
Consultants	98,526	68,079	-	16,563	183,168	169,129	352,297	259,185
Depreciation	16,793	11,002	157	74,420	102,372	197,858	300,230	203,427
Staff training and recruitment	5,869	7,442	64	34,501	47,876	68,878	116,754	128,946
Public relations	-	-	-	4,558	4,558	21,816	26,374	26,191
Printing and postage	-	124	-	-	124	11,875	11,999	23,427
Materials	-	-	-	-	-	-	-	6,307
Total other	<u>400,430</u>	<u>2,294,927</u>	<u>4,340</u>	<u>2,372,594</u>	<u>5,072,291</u>	<u>1,951,408</u>	<u>7,023,699</u>	<u>6,499,698</u>
Total expenses	<u>\$ 5,077,613</u>	<u>\$ 19,082,020</u>	<u>\$ 429,080</u>	<u>\$ 24,460,146</u>	<u>\$ 49,048,859</u>	<u>\$ 5,339,652</u>	<u>\$ 54,388,511</u>	<u>\$ 48,976,227</u>

The accompanying notes are an integral part of these consolidated statements.

Page 6

WORK, INCORPORATED AND AFFILIATES

 Consolidated Statement of Functional Expenses
 For the Year Ended June 30, 2021

	Program Services				Total Program Services	General, Adminis- trative and Fundraising	Total
	Employment	Residential	Trans- portation	Industrial and Commercial			
Personnel and Related Costs:							
Salaries	\$ 2,617,843	\$ 10,031,759	\$ 141,892	\$ 11,403,790	\$ 24,195,284	\$ 2,175,217	\$ 26,370,501
Fringe benefits	428,766	1,344,051	42,849	2,984,552	4,800,218	680,741	5,480,959
Client wages	2,020	-	-	2,611,952	2,613,972	-	2,613,972
Payroll taxes	316,920	922,997	31,307	1,057,886	2,329,110	83,050	2,412,160
Subcontracted labor	20,688	-	-	799,637	820,325	-	820,325
Total personnel and related costs	<u>3,386,237</u>	<u>12,298,807</u>	<u>216,048</u>	<u>18,857,817</u>	<u>34,758,909</u>	<u>2,939,008</u>	<u>37,697,917</u>
Occupancy:							
Utilities, repairs and maintenance	200,118	626,749	1,415	1,043,294	1,871,576	218,177	2,089,753
Building depreciation	167,136	269,667	2,620	94,986	534,409	197,927	732,336
Insurance	68,105	92,203	679	153,559	314,546	71,879	386,425
Rent	57,476	391,501	-	-	448,977	-	448,977
Mortgage interest	11,046	81,892	-	-	92,938	1,670	94,608
Total occupancy	<u>503,881</u>	<u>1,462,012</u>	<u>4,714</u>	<u>1,291,839</u>	<u>3,262,446</u>	<u>489,653</u>	<u>3,752,099</u>
Transportation:							
Insurance	20,903	133,824	66,914	110,393	332,034	4,182	336,216
Vehicle depreciation	21,827	85,563	27,917	88,940	224,247	4,318	228,565
Vehicle operating costs	11,239	31,602	29,401	60,816	133,058	4,420	137,478
Travel	32,382	99,480	2,144	14,430	148,436	13,061	161,497
Vehicle repairs and maintenance	2,852	79,816	33,365	39,039	155,072	7,685	162,757
Total transportation	<u>89,203</u>	<u>430,285</u>	<u>159,741</u>	<u>313,618</u>	<u>992,847</u>	<u>33,666</u>	<u>1,026,513</u>
Other:							
Subcontracted services	52,379	637,551	501	767,887	1,458,318	64,875	1,523,193
Program supplies	184,752	699,762	656	552,613	1,437,783	240,225	1,678,008
Other	150	441,347	-	64,347	505,844	178,230	684,074
Office and computer supplies and licenses	8,738	17,089	309	21,452	47,588	525,264	572,852
Commissions	-	-	-	527,773	527,773	-	527,773
Professional services	-	466	-	160,017	160,483	254,432	414,915
Telephone	36,974	108,767	2,797	50,812	199,350	252,050	451,400
Consultants	20,703	27,198	-	15,524	63,425	195,760	259,185
Depreciation	15,322	11,506	161	80,334	107,323	96,104	203,427
Staff training and recruitment	34,249	7,567	1	23,139	64,956	63,990	128,946
Public relations	-	-	-	7,393	7,393	18,798	26,191
Printing and postage	96	332	-	-	428	22,999	23,427
Materials	-	-	-	6,307	6,307	-	6,307
Total other	<u>353,363</u>	<u>1,951,585</u>	<u>4,425</u>	<u>2,277,598</u>	<u>4,586,971</u>	<u>1,912,727</u>	<u>6,499,698</u>
Total expenses	<u>\$ 4,332,684</u>	<u>\$ 16,142,689</u>	<u>\$ 384,928</u>	<u>\$ 22,740,872</u>	<u>\$ 43,601,173</u>	<u>\$ 5,375,054</u>	<u>\$ 48,976,227</u>

The accompanying notes are an integral part of these consolidated statements.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Work, Incorporated (Work, Inc.) is a Massachusetts nonprofit corporation that provides comprehensive rehabilitation programs and transportation services to adults with a variety of disabilities. Work, Inc. and Affiliates (see Note 3) serve clients throughout Massachusetts. Many of these services are provided in conjunction with the Massachusetts Department of Developmental Services (DDS), Massachusetts Department of Mental Health (DMH), and Massachusetts Rehabilitation Commission (MRC). Work, Inc. also provides employment opportunities to individuals with disabilities through commercial contracts with Federal agencies.

Facilities Management and Maintenance, Inc. (FM&M) (see Note 3), a wholly-owned for-profit subsidiary of Work, Inc., provides commercial cleaning and property management services.

Work, Inc. and Affiliates are exempt from Federal income taxes as organizations (not private foundations) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). Work, Inc. and Affiliates are also exempt from state income taxes. Donors may deduct contributions made to Work, Inc. and Affiliates within the IRC requirements. Work, Inc. is subject to Federal and state income tax on unrelated business income (UBIT), as defined by the IRC. The income earned by FM&M and certain payments made by FM&M to Work, Inc. are subject to UBIT (see Note 3).

2. SIGNIFICANT ACCOUNTING POLICIES

Work, Inc., FM&M and Affiliates prepare their consolidated financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Principles of Combination

The consolidated financial statements include the activities and net assets of Work, Inc., FM&M and Affiliates (collectively, the Agency). All intercompany balances, transactions and investments in affiliates have been eliminated in the accompanying consolidated financial statements.

Cash, Cash Equivalents and Restricted Cash

For purposes of the consolidated statements of cash flows, cash and cash equivalents consist of cash and other highly liquid resources, such as investments in certificates of deposit and money market funds, with an original maturity of three months or less. Cash and cash equivalents also includes restricted cash (see below). Money market accounts included in investments are excluded from this amount and are shown as non-current assets in the accompanying consolidated statements of financial position.

Restricted cash consists of various escrow and replacement reserves in connection with certain Agency properties and funds to be used for an annual award provided by the Agency.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, do not bear interest, and are due on demand. The Agency provides for losses on accounts receivable using the allowance method. Management estimates an allowance for doubtful accounts based upon a specific evaluation of each account.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment and Depreciation

Property and equipment are recorded at cost, if purchased, or at fair value at the time of donation (see Note 5). Depreciation is computed using the straight-line method over the following estimated useful lives:

Buildings and building improvements	5 - 40 years
Furniture and equipment	3 - 15 years
Vehicles	3 - 10 years

Land is not depreciated.

Included in property and equipment at June 30, 2022 and 2021, is approximately \$48,000 of furniture and equipment and a vehicle purchased with funds from the Commonwealth of Massachusetts (the Commonwealth). The Commonwealth retains a reversionary interest in these assets.

Goodwill

Goodwill was recorded in connection with the acquisition of FM&M in January 2004 (see Note 3). In accordance with ASC Topic, *Intangibles - Goodwill and Other*, goodwill is not amortized, rather it is tested annually for impairment to determine if the goodwill is being carried in the consolidated statements of financial position at or above its implied value. An impairment exists when the implied fair value of the reporting unit is less than the corresponding carrying value of the reporting unit in the consolidated statements of financial position. Any impairment is recognized as a loss in the year the asset is determined to be impaired. There was no impairment loss for the years ended June 30, 2022 and 2021.

Refundable Advances

Refundable advances consists of contract advances, which will be recognized as revenue as the services are provided and costs are incurred.

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by the Agency. The Agency has grouped its net assets without donor restrictions into the following categories:

- **Operating** net assets represent amounts relating to program and operating activities and are available for operations.
- **Property, Equipment and Goodwill** net assets represent the net book value of the Agency's property, equipment and goodwill, net of related liabilities.
- **Board Designated** net assets represent funds that require Board approval. The Agency's policy is to retain all earned investment income and gains in these funds. These funds are presented separately as investments in the accompanying consolidated statements of financial position.
- **Management Designated** net assets represent funds designated by management to be used for future initiatives in accordance with the Agency's budget and strategic plan.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets (Continued)

Net Assets With Donor Restrictions

The Agency receives contributions and grants that are designated by donors for specific purposes or for future periods. These contributions are recorded as net assets with donor restrictions until they are expended for their designated purposes. All donations received with donor restrictions had been utilized as of June 30, 2022 and 2021.

Revenue Recognition

Grants and Contributions

In accordance with ASC Subtopic 958-605, *Revenue Recognition*, the Agency must determine whether a contribution transaction (or a promise) is conditional or unconditional. A contribution is considered to be a conditional contribution if an agreement includes a barrier that must be overcome and either a right of return of assets or a right of release of a promise to transfer assets exists (see Note 16). Indicators of a barrier include a measurable performance-related barrier or other measurable barriers, a stipulation that limits discretion by the recipient on the conduct of an activity, and stipulations that are related to the purpose of the agreement. Topic 958 prescribes that the Agency should not consider probability of compliance with the barrier when determining if such awards are conditional and should be reported as conditional grant advance liabilities until such conditions are met.

A portion of the Agency's revenue is derived from cost-reimbursable and unit-rate government contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts are recognized as revenue when the Agency has incurred expenditures in compliance with specific contract or grant provisions. These contracts and grants are considered nonreciprocal transactions because the Agency's community and customers receive the benefit as a result of the assets transferred.

Contributions without donor restrictions are recorded as revenue when unconditionally received or pledged. Donor restricted contributions are recorded as revenue and net assets with donor restrictions when the Agency receives a commitment. Net assets with donor restrictions are reclassified to net assets without donor restrictions as costs are incurred or time or program restrictions have lapsed. Donor restricted contributions whose restrictions are met in the year they are received are recorded as net assets without donor restrictions.

Special events, net in the accompanying consolidated statements of activities include the results of annual special events and other fundraising efforts of the Agency.

Contracts with Customers

The Agency generally measures revenue for qualifying exchange transactions based on the amount of consideration the Agency expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as the Agency satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. The Agency evaluates its revenue contracts with customers based on the five-step model under ASC Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue Recognition (Continued)

Contracts with Customers (Continued)

Included in government contracts and grants in the accompanying consolidated statements of activities is \$875,779 and \$406,614 of revenue that is billed to Medicaid for services in the Agency's day habilitation programs for the years ended June 30, 2022 and 2021, respectively. This revenue is recognized in accordance with ASC Topic 606 and is reported at the amount that reflects the consideration to which the Agency expects to be entitled in exchange for providing client care. Generally, the Agency bills Medicaid on a monthly basis after the total services for the month are performed. Revenue is recognized at a point in time as the performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by the Agency and the transaction price is determined based on prospectively determined rates per occasion of service set by Medicaid.

The Agency provides cleaning services to commercial customers on an as-and-when needed basis under various contracts. The Agency also enters into supplemental contracts for seasonal cleaning or maintenance, such as snow-plowing or disinfecting services. These services are shown as commercial cleaning services in the accompanying consolidated statements of activities. Each cleaning contract represents a "stand-ready" performance obligation, for which related revenue is recognized over time ratably on a straight-line basis over the contract term, which is typically one year in duration for cleaning services and less than one year for supplemental cleaning services. The transaction price consists of a fixed fee that is billed monthly.

The timing of revenue recognition, billings and cash collections results in billed accounts receivables. The beginning and ending contract balances were as follows:

	<u>July 1, 2020</u>	<u>June 30, 2021</u>	<u>June 30, 2022</u>
Receivables	<u>\$ 2,741,672</u>	<u>\$ 1,755,735</u>	<u>\$ 3,221,201</u>

Other Revenue

Private fees consist primarily of rent collected from clients who live at residential sites, which are recognized ratably over the lease term. Interest and all other revenue are recorded when earned.

Expense Allocation

Expenses related directly to a program are allocated to that program, while other expenses are allocated based upon management's estimate of the percentage attributable to each program. Certain categories of expenses are attributable to more than one program or supporting function and are therefore allocated on a reasonable basis that is consistently applied. The expenses that are allocated include salaries, fringe benefits, payroll taxes, transportation, subcontracted services, and printing and postage, which are allocated based on full-time equivalent and level of effort spent on the Agency's program and supporting functions. Occupancy costs are allocated based on facility square footage.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidated Statements of Activities

Transactions deemed by management to be ongoing, major or central to the provision of program services are reported as operating support and revenue and operating expenses in the accompanying consolidated statements of activities. Non-operating revenue includes investment activities and forgiveness of long-term debt.

Fair Value Measurements

The Agency follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that the Agency would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

The Agency uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of the Agency. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement.

Investments

Investments are recorded in the consolidated financial statements at fair value. If an investment is directly held by the Agency and an active market with quoted prices exists, the market price of an identical security is used to report fair value. Reported fair values of shares in mutual funds are based on share prices reported by the funds as of the last business day of the fiscal year.

A summary of inputs used in valuing the Agency's investments as of June 30, 2022 and 2021, is included in Note 4.

All Other Assets and Liabilities

The carrying value of all other qualifying assets and liabilities does not differ materially from its estimated fair value and are considered Level 1 in the fair value hierarchy.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that may affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The Agency accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the consolidated financial statements regarding a tax position taken or expected to be taken in a tax return. The Agency has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the consolidated financial statements at June 30, 2022 and 2021.

Funds Held for Others

Work, Inc. acts as custodian of various bank accounts on behalf of certain clients. These accounts are presented as funds held for others in the accompanying consolidated statements of financial position.

Subsequent Events

Subsequent events have been evaluated through October 19, 2022, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that met the criteria for recognition or disclosure in the consolidated financial statements.

3. RELATED PARTY TRANSACTIONS

Affiliates

Work, Inc. is related to the following Massachusetts not-for-profit corporations through common Board of Directors membership. Work, Inc. elects all members of the Board of Directors of the following organizations:

West Roxbury Residences, Inc. (WRR), was formed during February 1995, and acquired and developed property into four units of housing for disabled low-income individuals under the provisions of Section 811 of the National Housing Act. The rent charges and operating methods of WRR are regulated by the U.S. Department of Housing and Urban Development (HUD).

Supported Living Program, Inc. (SLPI), was formed during February 1995, and acquired and developed property into three units of housing for disabled low-income individuals under the provisions of Section 811 of the National Housing Act. The rent charges and operating methods of SLPI are regulated by HUD.

Work Housing Corporation (WHC), was formed during September 2010, and acquired and developed property into five units of housing for disabled low-income individuals under the provisions of Section 811 of the National Housing Act. The rent charges and operating methods of WHC are regulated by HUD.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. RELATED PARTY TRANSACTIONS (Continued)

Affiliates (Continued)

Transactions among Work, Inc. and Affiliates during the year ended June 30, 2022, consist of the following:

	<u>WRRI</u>	<u>SLPI</u>	<u>WHC</u>
Unsecured cash advances	\$ 114,584	\$ 102,531	\$ 164,276
Office, bookkeeping and maintenance services	\$ 6,798	\$ 5,307	\$ 9,797

Transactions among Work, Inc. and Affiliates during the year ended June 30, 2021, consist of the following:

	<u>WRRI</u>	<u>SLPI</u>	<u>WHC</u>
Unsecured cash advances	\$ 96,089	\$ 92,070	\$ 138,095
Office, bookkeeping and maintenance services	\$ 6,798	\$ 5,307	\$ 15,450

Included in unsecured cash advances for WHC was \$42,911 for costs associated with the construction of a group home for persons with developmental disabilities under the HUD Section 811 program for the years ended June 30, 2022 and 2021.

Facilities Management and Maintenance, Inc. (FM&M)

Work, Inc. owns 100% of the outstanding shares of common stock of FM&M. FM&M provides commercial cleaning and property management services in Massachusetts.

FM&M is a for-profit Massachusetts corporation, incorporated in May 1987. FM&M, with the consent of its stockholder, has elected to be treated as a Subchapter S corporation under the provisions of the IRC. Under these provisions, FM&M does not pay corporate income taxes on its taxable income. FM&M's items of income, loss, deductions, and credits are passed through to and taken into account by Work, Inc. as UBIT. During fiscal year 2021, Work, Inc.'s UBIT was approximately \$838,000. There was no UBIT during fiscal year 2022.

FM&M had sales of \$12,949,259 for the year ended June 30, 2022, and generated a net income of \$820,440, including \$720,000 paid to Work, Inc. for various management services. FM&M had sales of \$13,015,828 for the year ended June 30, 2021, and generated a net income of \$702,885, including \$720,000 paid to Work, Inc. for various management services. There were approved distributions of \$250,000 to Work, Inc. during fiscal year 2020, which had not been paid as of June 30, 2022 and 2021. During the years ended June 30, 2022 and 2021, Work, Inc. incurred approximately \$357,000 and \$283,000, respectively, of primarily personnel costs directly attributable to FM&M, which had not been charged to FM&M.

Work, Inc. and FM&M share management staff who are allocated directly to each respective organization.

Work, Inc. maintains for FM&M a revolving demand line of credit agreement for up to \$300,000. Interest on this line of credit agreement accrues at the prime rate (4.75% and 3.25% at June 30, 2022 and 2021, respectively), plus 1.75%, and is payable monthly. There was no outstanding balance due as of June 30, 2022 and 2021.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

3. RELATED PARTY TRANSACTIONS (Continued)

Facilities Management and Maintenance, Inc. (FM&M) (Continued)

Work, Inc. was owed \$472,840 and \$300,057 at June 30, 2022 and 2021, respectively, for services provided to FM&M and for trade payables of FM&M paid for directly by Work, Inc. Work, Inc. owed \$21,187 and \$18,595 to FM&M at June 30, 2022 and 2021, respectively, for services provided by FM&M to Work, Inc. These amounts have been eliminated in the accompanying consolidated financial statements.

Other Related Party Transactions

The Agency had transactions with a company that employs a member of its Board of Directors. The Agency paid \$199,114 and \$165,392 of insurance premiums to this company during fiscal years 2022 and 2021, respectively.

4. INVESTMENTS

The following is a summary of investments as of June 30:

<u>2022</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 85,303	\$ -	\$ -	\$ 85,303
Exchange traded funds:				
Bonds	1,114,225	-	-	1,114,225
Equity	911,560	-	-	911,560
Other	244,774	-	-	244,774
Fixed income:				
Corporate bonds and notes	490,257	341,725	-	831,982
U.S. Government and Agencies	637,050	-	-	637,050
Mutual funds	357,671	-	-	357,671
Equities:				
Common stock	1,021,518	-	-	1,021,518
Mutual funds	<u>781,906</u>	<u>-</u>	<u>-</u>	<u>781,906</u>
	<u>\$ 5,644,264</u>	<u>\$ 341,725</u>	<u>\$ -</u>	<u>\$ 5,985,989</u>
<u>2021</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 106,642	\$ -	\$ -	\$ 106,642
Exchange traded funds:				
Bonds	1,115,034	-	-	1,115,034
Equity	1,071,503	-	-	1,071,503
Other	302,884	-	-	302,884
Fixed income:				
Corporate bonds and notes	580,091	345,890	-	925,981
U.S. Government and Agencies	610,772	-	-	610,772
Mutual funds	409,839	-	-	409,839
Equities:				
Common stock	1,106,985	-	-	1,106,985
Mutual funds	<u>880,493</u>	<u>-</u>	<u>-</u>	<u>880,493</u>
	<u>\$ 6,184,243</u>	<u>\$ 345,890</u>	<u>\$ -</u>	<u>\$ 6,530,133</u>

Investments are not insured and are subject to ongoing market fluctuations. Investments are classified as a non-current asset in the accompanying consolidated statements of financial position based on management's intent to hold these investments for long-term purposes.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	<u>2022</u>	<u>2021</u>
Land	\$ 3,754,511	\$ 3,754,511
Buildings and building improvements	22,752,464	22,703,898
Furniture and equipment	4,217,801	3,831,386
Vehicles	<u>2,665,592</u>	<u>2,603,099</u>
	33,390,368	32,892,894
Less - accumulated depreciation	<u>14,894,727</u>	<u>13,815,570</u>
	<u>\$ 18,495,641</u>	<u>\$ 19,077,324</u>

Depreciation expense was \$1,290,408 and \$1,164,328 for the years ended June 30, 2022 and 2021, respectively.

6. FUNDING AND CONCENTRATIONS

Work, Inc. receives significant funding under unit-rate and cost-reimbursable contracts with departments of the Federal government and the Commonwealth. This funding is subject to audit by various governmental agencies. In the opinion of management, the results of such audits, if any, will not have a material effect on the consolidated financial position of the Agency as of June 30, 2022 and 2021, or on the changes in net assets without donor restrictions for the years then ended.

The Agency received approximately 51% and 49% of its total operating support and revenue from DDS under various contracts during the years ended June 30, 2022 and 2021, respectively, and received approximately 12% of its operating support and revenue from a Federal agency under commercial service contracts during each of the years then ended. Accounts receivable included approximately 43% and 47% of accounts receivable from DDS and 16% and 6% from the Executive Office of Health and Human Services as of June 30, 2022 and 2021, respectively. Accounts receivable included approximately 8% and 10% from the Federal agency as of June 30, 2022 and 2021, respectively.

The Agency maintains its cash and cash equivalents in various banks in Massachusetts. At certain times during the year, the balance in some of the accounts exceeded the maximum amount of insurance provided by the Federal Deposit Insurance Corporation. The Agency has not experienced any losses in such accounts. The Agency believes it is not exposed to any significant credit risk in cash.

7. COMMITMENTS AND CONTINGENCIES

Leases

The Agency rents various facilities, vehicles and equipment under operating lease agreements and as tenants-at-will. These agreements expire at various dates through March 2023. Rent expense for the years ended June 30, 2022 and 2021, was \$453,266 and \$448,977, respectively.

Future minimum lease payments under operating lease agreements (excluding tenants-at-will) are expected to be \$40,456 for fiscal year 2023.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

8. LINES OF CREDIT

The Agency maintains a working capital line of credit with a bank for \$2,000,000. Borrowings bear interest equal to the prime rate reported in the *Wall Street Journal* (4.75% and 3.25% at June 30, 2022 and 2021, respectively). The working capital line of credit is secured by all of the Agency's assets and cross-collateralized with the long-term debt agreements (see Note 9). There was \$203,284 and \$250,000 outstanding as of June 30, 2022 and 2021, respectively.

The Agency maintains a \$2,500,000 line of credit agreement with a bank to finance the purchase and redevelopment of real estate. As the Agency draws on this line of credit, each draw reduces the available line of credit and becomes a term note with interest at the Federal Home Loan Bank (FHLB) 5/20 Amortizing Advance Rate, plus 2.25%, and up to a twenty-five-year term. During fiscal year 2021, the Agency drew two separate amounts of \$559,920 and \$463,920 on this line of credit (see Note 9). During fiscal year 2022, no amounts were drawn upon. This line of credit expires in December 2022.

9. LONG-TERM DEBT

Long-term debt consists of the following at June 30:

	<u>2022</u>	<u>2021</u>
Note payable to a bank, due in monthly principal and interest installments of \$3,535, maturing on September 18, 2043. The outstanding principal balance accrues interest at 4.75% through September 18, 2023, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 Amortizing Advance Rate (AAR), plus 2.25%. This note is secured by a first mortgage on the property.	\$ 567,256	\$ 582,244
Note payable to a bank, due in monthly principal and interest installments of \$2,685, maturing on December 29, 2045. The outstanding principal balance accrues interest at 3.06% through December 29, 2025, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 AAR, plus 2.25%. This note is secured by a first mortgage on the property.	536,782	552,614
Note payable to a bank, due in monthly principal and interest installments of \$3,035, maturing on April 12, 2044. The outstanding principal balance accrues interest at 4.95% through April 12, 2024, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 AAR, plus 2.25%. This note is secured by a first mortgage on the property.	482,396	494,281
Note payable to a bank, due in monthly principal and interest installments of \$2,215, maturing on September 18, 2045. The outstanding principal balance accrues interest at 3.02% through September 18, 2025, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 AAR, plus 2.25%. This note is secured by a first mortgage on the property.	441,355	454,395

WORK, INCORPORATED AND AFFILIATESNotes to Consolidated Financial Statements
June 30, 2022 and 2021**9. LONG-TERM DEBT (Continued)**

	<u>2022</u>	<u>2021</u>
Note payable to a bank, due in monthly principal and interest installments of \$2,063, maturing on July 14, 2041. The outstanding principal balance accrued interest at 3.82% through July 14, 2021, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 AAR, plus 2.25%. The rate as of June 30, 2022, was 3.42%. Interest will accrue at that rate until July 14, 2026. This note is secured by a first mortgage on the property.	322,913	334,737
Note payable to a bank, due in monthly principal and interest installments of \$1,200, maturing on October 22, 2040. The outstanding principal balance accrued interest at 4.25% through October 2020, at which time the rate was adjusted to 3.11%. Interest will accrue at this rate until October 2025, at which time the rate and payment terms will adjust every five years at the FHLB 5/20 AAR, plus 2.25%. This note is secured by a first mortgage on the property.	181,442	188,025
In April 2020, Work, Inc. and FM&M separately applied for and were awarded forgivable loans of \$3,522,285 and \$1,194,437, respectively, from the Paycheck Protection Program (PPP) established by the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) through a bank. The funds were used to pay certain payroll costs, including benefits, as well as rent and utilities during the covered period as defined in the CARES Act. A portion of these funds may be forgiven, as defined in the agreement, at the end of the covered period. There were no covenants with which to comply and the notes were not secured by any collateral. In April 2022, the bank and the Small Business Administration forgave the notes in full, thus legally relieving the obligation, and therefore, the balance is recognized as forgiveness of long-term debt in the accompanying consolidated statement of activities for the year ended June 30, 2022.	-	4,716,722
	<u>2,532,144</u>	<u>7,323,018</u>
Less - current portion	<u>78,917</u>	<u>75,881</u>
	<u>\$ 2,453,227</u>	<u>\$ 7,247,137</u>

Maturities of long-term debt over the next five fiscal years are as follows:

2023	\$ 78,917
2024	\$ 81,865
2025	\$ 85,213
2026	\$ 88,545
2027	\$ 92,038

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

9. LONG-TERM DEBT (Continued)

The Agency must comply with certain covenants, including maintaining certain financial ratios as specified in the agreements. The Agency was in compliance with these covenants at June 30, 2022 and 2021.

Long-term debt and the lines of credit (see Note 8) are all cross-collateralized and secured by mortgages on all of the Agency's properties.

10. CAPITAL ADVANCES AND CONTINGENT NOTES PAYABLE

Capital advances and contingent notes payable consist of the following at June 30, 2022 and 2021:

WHC has a capital advance agreement with HUD for \$637,915. This agreement is secured by a first mortgage on WHC's property, as well as by an assignment of WHC's equipment, accounts receivable, leases, and rents. There were no amounts due under this agreement provided that WHC maintains the property available for very low-income elderly or disabled people in accordance with Section 811 of the National Housing Act of 1990 through October 1, 2053. If WHC does not comply with this condition, the outstanding amount is due upon demand, plus interest accrued at 4% from the date of default. If WHC is in compliance with this agreement for the forty-year period, the outstanding amount will be forgiven by HUD.	\$ 637,915
Non-interest bearing note payable to a local agency. Principal is due annually if certain cash flow, as defined in the agreement, is achieved. There were no payments due at June 30, 2022 and 2021, based on 2022 and 2021 cash flows. All unpaid principal is due in October 2042. The local agency has the right to postpone payment. This note is secured by a shared second mortgage on WHC's property and an assignment of leases and rents.	520,740
Non-interest bearing note payable to a local agency. Principal is due annually if certain cash flow, as defined in the agreement, is achieved. No payments were due as of June 30, 2022 and 2021, based on 2022 and 2021 cash flows. All unpaid principal is due in September 2035. The local agency has the right to postpone payment until September 2045. This note is secured by a second mortgage on a specific property.	412,682
WRRRI has a capital advance agreement with HUD for \$363,200. This agreement is secured by a first mortgage on WRRRI's property, as well as by an assignment of WRRRI's equipment, accounts receivable, leases, and rents. There are no amounts due under this agreement provided that WRRRI maintains the property available for very low-income elderly or disabled people in accordance with Section 811 of the National Housing Act of 1990 through April 30, 2037. If WRRRI does not comply with this condition, the outstanding amount is due upon demand, plus interest accrued at 7.25% from the date of default. If WRRRI is in compliance with this agreement for the forty-year period, the outstanding amount will be forgiven by HUD.	363,200

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

10. CAPITAL ADVANCES AND CONTINGENT NOTES PAYABLE (Continued)

SLPI has a capital advance agreement with HUD for \$233,700. This agreement is secured by a first mortgage on SLPI's property, as well as by an assignment of SLPI's equipment, accounts receivable, leases, and rents. There are no amounts due under this agreement provided that SLPI maintains the property available for very low-income elderly or disabled people in accordance with Section 811 of the National Housing Act of 1990 through February 6, 2042. If SLPI does not comply with this condition, the outstanding amount is due upon demand, plus interest accrued at 5.75% from the date of default. If SLPI is in compliance with this agreement for the forty-year period, the outstanding amount will be forgiven by HUD.	233,700
Non-interest bearing note payable to a local agency. No principal payments are due until October 2042, at which time the entire outstanding principal will be owed. The local agency has the right to postpone payment until October 2052. This note is secured by a shared second mortgage on WHC's property.	87,000
Note payable to a local agency, which is non-interest bearing, and outstanding principal is due in December 2029. The local agency has the right to postpone payment until December 2069. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. No payments were due as of June 30, 2022 and 2021, based on 2022 and 2021 cash flows. This note is secured by a second mortgage on the related property.	73,543
Note payable to a local agency, which is non-interest bearing, and outstanding principal is due in May 2030. The local agency has the right to postpone payment until May 2070. Principal is due annually if a certain cash flow level, as defined in the agreement, is achieved. No payments were due as of June 30, 2022 and 2021, based on 2022 and 2021 cash flows. This note is secured by a second mortgage on the related property.	<u>49,100</u>
	<u>\$ 2,377,880</u>

The capital advances and contingent notes payable agreements included on page 19 and above contain various covenants and conditions. The Agency was in compliance with these covenants and conditions at June 30, 2022 and 2021.

Management's understanding is that the contingent notes payable are not required to be repaid unless the project fails to comply with conditions in the agreements. It is the intention of the Boards of Directors and management to maintain these properties for their intended purpose; therefore, these loans have been classified as capital advances and contingent notes payable and no interest has been accrued.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

11. PROFIT SHARING AND RETIREMENT PLANS

Work, Inc. maintains a profit sharing plan covering all employees who have attained the age of twenty-one and have completed one year of services. Work, Inc. may make discretionary contributions, as determined by its Board of Directors. Employees become vested in accordance with vesting schedules as defined in the plan documents. Work, Inc. accrued for contributions of \$150,000 as of June 30, 2022 and 2021.

Work, Inc. also maintains an IRC Section 403(b)(7) Retirement Plan (the Plan) covering certain employees of Work, Inc. Work, Inc. makes discretionary contributions up to 3% of an employee's salary based on years of service, as defined in the Plan. Employee contributions vest immediately, and employer contributions vest as defined in the Plan. Work, Inc. made no contributions to the Plan during fiscal years 2022 and 2021.

Work, Inc. has an IRC Section 457(b) plan for certain employees. Under this plan, participating employees can elect to defer a portion of their compensation within IRC limits. Work, Inc. will pay the deferred compensation under this plan upon the employee leaving Work, Inc. or earlier under certain conditions outlined in the plan. The compensation deferred under this plan is credited with earnings or losses measured by the mirrored rate of return on the investments selected by the participant. At June 30, 2022 and 2021, the 457(b) plan was invested in an annuity with a cash surrender value of \$308,212 and \$296,459, respectively.

12. SELF-INSURED HEALTH PLAN AND WORKERS COMPENSATION INSURANCE

Work, Inc. had a self-insurance plan that provides eligible employees with certain medical and dental benefits. Work, Inc. was responsible for paying all claims covered by the plan up to a maximum amount of \$80,000 per employee per plan year in fiscal years 2022 and 2021. Claims in excess of the maximum amount were covered under a stop loss insurance coverage provision. The plan was administered by an outside brokerage corporation which receives a monthly fee for plan administration and claims processing. The total benefit cost of the plan was approximately \$378,000 and \$1,905,000 for the years ended June 30, 2022 and 2021, respectively, and is included in fringe benefits in the accompanying consolidated statements of functional expenses. As of June 30, 2022 and 2021, Work, Inc. had recorded an estimated accrual of \$10,000 and \$300,000, respectively, for claims incurred but to be submitted and paid subsequent to the respective year-ends. This amount is included in accrued expenses - other in the accompanying consolidated statements of financial position. As of August 1, 2021, Work Inc. is no longer self-insured.

The Agency has worker's compensation insurance and pays an estimated premium based on its number of employees, past history, and other factors. The plan is audited annually, with the difference between the benefit costs paid and the actual benefit costs for the current year and retrospective adjustments for prior years becoming a receivable or a payable. There were no amounts to be paid or received at June 30, 2022 and 2021 year end.

13. CONTINGENCIES

In the course of the Agency's business, from time-to-time, the Agency is involved in disputes concerning individuals' employment with the Agency. While the employees are seeking damages in connection with these disputes, the Agency denies any wrongdoing in these cases and is taking the appropriate legal steps in defense of these disputes. It is the Agency's opinion that any potential settlement would not be material to the accompanying consolidated financial statements.

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

14. KEY EMPLOYEE LIFE INSURANCE

The Agency maintains seven flexible premium adjustable life insurance policies with face values varying from \$300,000 to \$700,000 on the lives of four key employees and one former key employee. The Agency will be the beneficiary for amounts varying from \$200,000 to \$500,000 of each policy. As of June 30, 2022 and 2021, the cash surrender value of these policies was \$416,866 and \$436,864, respectively. The cash surrender value of these policies is to be transferred to the employees at certain anniversary dates as defined in the agreements, conditional upon their employment on the respective anniversary dates. The anniversary dates vary from October 2019 through March 2030. As of June 30, 2022 and 2021, two employees' and one employee's policies fully matured, resulting in \$337,537 and \$218,011, respectively, owed, which are included in accrued expenses in the accompanying consolidated statements of financial position.

15. COLLECTIVE BARGAINING AGREEMENT

FM&M had signed a Collective Bargaining Agreement which expires on November 15, 2023. Approximately 98% of FM&M's employees are covered under this agreement.

16. CONDITIONAL GRANTS AND CONTRIBUTIONS

The Agency received grants and contributions (including government contracts and grants) that contained donor-imposed conditions that represent a barrier that must be overcome as well as a right of return of assets or release from obligations. The Agency recognizes these grants and contributions when donor-imposed conditions are met.

Conditional grants and contributions at June 30:

	<u>2022</u>	<u>2021</u>
Measurable performance barriers	\$ 24,029,219	\$ 23,062,481
Incurring qualifying expenses	<u>1,377,860</u>	<u>1,204,628</u>
Total conditional grants and contributions	<u>\$ 25,407,079</u>	<u>\$ 24,267,109</u>

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Agency's financial assets for general operating expenses available within one year from the consolidated statements of financial position date are as follows as of June 30:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 17,371,562	\$ 15,942,959
Accounts receivable, net	<u>7,635,222</u>	<u>5,401,969</u>
Total financial assets	25,006,784	21,344,928
Less - management designated net assets	<u>(4,105,522)</u>	<u>(4,101,763)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,901,262</u>	<u>\$ 17,243,165</u>

WORK, INCORPORATED AND AFFILIATES

Notes to Consolidated Financial Statements
June 30, 2022 and 2021

17. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (Continued)

As part of the Agency's liquidity management, the Agency has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The Agency had approximately \$4,106,000 and \$4,101,000 of management designated net assets available for future initiatives that would also be available to fund operations, if needed as of June 30, 2022 and 2021, respectively. Occasionally, the Board designates a portion of any operating surplus to reserves. Those reserves, totaling approximately \$5,986,000 and \$6,530,000 at June 30, 2022 and 2021, respectively, although invested for longer-term growth, would be available to the Agency upon Board vote. Additionally, in the event of an unanticipated liquidity need, the Agency has a working capital line of credit of \$2,000,000 in which funds may be drawn at any time to fund operations (see Note 8). As of June 30, 2022 and 2021, the Agency had financial assets equal to approximately five and four months, respectively, of operating expenses.

18. RECLASSIFICATION

Certain amounts in the fiscal year 2021 consolidated financial statements have been reclassified to conform with the fiscal year 2022 consolidated financial statements presentation.

WORK, INCORPORATED AND AFFILIATES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Assistance Listing (AL) Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Direct:			
Supportive Housing for Persons with Disabilities (Section 811)	14.181	N/A	\$ 1,234,815
Lower Income Housing Assistance Program Section 8 Moderate Rehabilitation (Section 8 Project-Based Cluster)	14.856	N/A	103,218
Passed-Through South Shore HOME Consortium:			
Home Investment Partnerships Program	14.239	12-305	<u>87,000</u>
Total U.S. Department of Housing and Urban Development			1,425,033
U.S. Department of Labor:			
Passed-Through Economic Development and Industrial Corporation:			
Employment Service/Wagner-Peyser Funded Activities (Employment Service Cluster)	17.207	ES35349-20-55-A-25	88,467
U.S. Department of Education:			
Passed-Through Massachusetts Rehabilitation Commission:			
Rehabilitation Services Vocational Rehabilitation Grants to States	84.126	CIESSES0000 CIESNORTH00 CIESSOUTH00 PREETSFY202	308,011
U.S. Department of Health and Human Services:			
Direct:			
COVID-19 - Provider Relief Fund and American Rescue Plan (ARP) Rural Distribution	93.498	N/A	<u>290,749</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,112,260</u></u>

WORK, INCORPORATED AND AFFILIATES

Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Note 1: **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (SEFA) includes the Federal assistance activity of the Agency and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Agency's consolidated financial statements include Facilities Management and Maintenance, Inc. (FM&M), which is not included in the accompanying SEFA for the year ended June 30, 2022, since FM&M is not subject to the requirements of the Uniform Guidance.

Note 2: **Loans Outstanding**

The Supportive Housing for Persons with Disabilities expenditures listed on the previous page include loan balances totaling \$1,234,815 as of June 30, 2022. The Home Investment Partnerships Program expenditures listed on the previous page include a loan balance totaling \$87,000 as of June 30, 2022.

Note 3: **Indirect Cost Rate**

The Agency has elected to not use the 10% de minimis cost rate for its Federal programs.

**Report 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***

Independent Auditor's Report

To the Boards of Directors of
Work, Incorporated and Affiliates:

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, the consolidated financial statements of Work, Incorporated and Affiliates (collectively, the Agency), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated October 19, 2022. The financial statements of Facilities Management and Maintenance, Inc. (FM&M) were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with FM&M.

Report on Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's consolidated 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 the Agency's consolidated 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 consolidated 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 Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

AAFCPA, Inc.

Boston, Massachusetts
October 19, 2022



**Report on Compliance for Each Major Federal Program and Report on Internal Control
Over Compliance Required by the Uniform Guidance**

Independent Auditor's Report

To the Boards of Directors of
Work, Incorporated and Affiliates:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Work, Incorporated and Affiliates' (collectively, the Agency) 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 the Agency's major Federal programs for the year ended June 30, 2022. The Agency's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 the Agency 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 each major Federal program. Our audit does not provide a legal determination of the Agency's 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 the Agency's Federal programs.

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 on the previous page occurred, whether due to fraud or error, and express an opinion on the Agency's 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 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 on the previous page 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 the Agency's compliance with the requirements of each major Federal program as a whole.

In performing an audit in accordance with 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 the Agency's compliance with the compliance requirements referred to on the previous page and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Agency's 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 the Agency's 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 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.

Report on Internal Control Over Compliance (Continued)

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.

AAFCPA, Inc.

Boston, Massachusetts
October 19, 2022

WORK, INCORPORATED AND AFFILIATES

Schedule of Findings and Questioned Costs
June 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the consolidated financial statements audited were prepared in accordance with U.S. GAAP: Unmodified

Is a "going concern" emphasis-of-matter paragraph included in the auditor's report? Yes X No

Internal control over financial reporting:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Noncompliance material to consolidated financial statements noted? Yes X No

Federal Awards

Internal control over major Federal programs:

- Material weakness identified? Yes X No
- Significant deficiency identified? Yes X None reported

Type of auditor's report issued on compliance for major Federal programs: Unmodified

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

Identification of major Federal programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number</u>
Supportive Housing for Persons with Disabilities (Section 811)	14.181
COVID-19 - Provider Relief Fund (PRF) and American Rescue Plan (ARP) Rural Distribution	93.498

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

Auditee qualified as low-risk auditee? X Yes No

2. FINANCIAL STATEMENT FINDINGS

None

3. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None