

JOBPATH, INC.
INDEX TO AUDITED FINANCIAL STATEMENTS
For the years ended June 30, 2019 and 2018

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INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
JobPath, Inc.
Tucson, Arizona

We have audited the accompanying financial statements of JobPath, Inc., (a nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobPath, Inc., as of June 30, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

March 9, 2020

Addington & Associates, PLLC

ADDINGTON & ASSOCIATES, PLLC

JOBPATH, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
ASSETS	2019	2018
Current assets:		
Cash and cash equivalents	\$ 305,888	\$ 431,402
Investments	187,866	-
Investment - Community Foundation for Southern Arizona	110,112	109,886
Grants receivable	84,262	71,495
Unconditional promise to give, current portion	25,000	25,000
Inventory - gas cards	9,152	4,365
Prepaid expenses and deposits	22,764	20,842
Total current assets	745,044	662,990
Property and equipment:		
Office equipment	54,732	48,307
Furniture and fixtures	12,483	11,450
Leasehold improvements	7,478	7,478
	74,693	67,235
Less: accumulated depreciation	59,217	48,720
Property and equipment, net	15,476	18,515
Unconditional promise to give, non-current portion	-	25,000
TOTAL ASSETS	\$ 760,520	\$ 706,505
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 37,781	\$ 25,775
Accrued payroll taxes	996	120
Accrued vacation	-	9,133
Total current liabilities	38,777	35,028
Net assets:		
Without donor restrictions		
Undesignated	646,252	589,150
With donor restrictions		
Purpose and passage of time restrictions	75,491	82,327
Total net assets	721,743	671,477
TOTAL LIABILITIES AND NET ASSETS	\$ 760,520	\$ 706,505

See Accompanying Notes.

JOBPATH, INC.
STATEMENTS OF ACTIVITIES

	For the years ended June 30,	
	2019	2018
Changes in net assets without donor restrictions:		
Revenue and gains:		
Government grants	\$ 857,000	\$ 773,200
Contributions and donations	155,716	309,562
Net realized/unrealized gain (loss) on investments	7,371	-
Interest and dividends	5,194	892
Other income	816	-
Total revenues and gains without donor restrictions	1,026,097	1,083,654
Net assets released from restrictions	58,686	42,966
Total revenues, gains, and other support without donor restrictions	1,084,783	1,126,620
Expenses and losses		
Program	751,047	669,994
General and administrative	257,461	237,156
Fundraising	19,173	3,420
Total functional expenses	1,027,681	910,570
Loss on asset disposal	-	638
Total expenses and losses	1,027,681	911,208
Increase in net assets without donor restrictions	57,102	215,412
Changes in net assets with donor restrictions:		
Contributions	51,850	63,353
Net assets released from restrictions	(58,686)	(42,966)
Increase in net assets with donor restrictions	(6,836)	20,387
Increase in net assets	50,266	235,799
Net assets, beginning of year	671,477	435,678
Net assets, end of year	\$ 721,743	\$ 671,477

See Accompanying Notes.

JOBPATH, INC.
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2019	2018
Cash flows from operating activities:		
Increase in net assets	\$ 50,266	\$ 235,799
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	10,497	8,323
Loss on fixed asset disposal	-	638
(Increase) decrease in assets:		
Grants receivable	(12,767)	11,746
Unconditional promise to give	25,000	(25,000)
Gas cards inventory	(4,787)	(4,365)
Prepaid expenses and deposits	(1,922)	(2,877)
Increase (decrease) in liabilities:		
Accounts payable	12,006	1,098
Accrued payroll taxes	876	(366)
Accrued vacation	(9,133)	9,133
	70,036	234,129
Net cash provided by operating activities	70,036	234,129
Cash flows from investing activities:		
Purchase of equipment	(7,458)	(8,211)
Purchases of investments	(188,092)	(109,886)
Net cash (used) by investing activities	(195,550)	(118,097)
Net increase (decrease) in cash and cash equivalents	(125,514)	116,032
Cash and cash equivalents, beginning of year	431,402	315,370
Cash and cash equivalents, end of year	\$ 305,888	\$ 431,402
<u>Supplemental disclosure of cash flow information:</u>		
<i>Cash paid during the year for:</i>		
Interest	\$ -	\$ -
Taxes	\$ -	\$ -

See Accompanying Notes.

JOBPATH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2019

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel:				
Salaries and wages	\$ 172,106	118,113	\$ 11,702	\$ 301,921
Employee related expense	39,408	21,705	1,702	62,815
Total personnel	<u>211,514</u>	<u>139,818</u>	<u>13,404</u>	<u>364,736</u>
Client assistance:				
Books, tuition and supplies	222,894	-	-	222,894
Transportation	99,487	-	-	99,487
Housing	86,215	-	-	86,215
Other direct assistance	17,698	-	-	17,698
Contract labor and temporary help	-	1,223	-	1,223
Outside and professional services	33,685	49,016	-	82,701
Advertising	12,594	9,124	813	22,531
Insurance	-	12,537	-	12,537
Materials and supplies	5,262	3,429	2,014	10,705
Occupancy	25,693	6,332	-	32,025
Other operating	8,970	17,126	328	26,424
Postage and printing	4,147	1,517	2,562	8,226
Repairs and maintenance	41	905	-	946
Telephone and communications	5,895	5,310	-	11,205
Training and conferences	4,528	3,415	52	7,995
Travel	6,440	3,196	-	9,636
Depreciation expense	5,984	4,513	-	10,497
Total expenses	<u>\$ 751,047</u>	<u>\$ 257,461</u>	<u>\$ 19,173</u>	<u>\$ 1,027,681</u>

See Accompanying Notes.

JOBPATH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2018

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel:				
Salaries and wages	\$ 177,240	\$ 110,640	\$ -	\$ 287,880
Employee related expense	38,262	21,519	-	59,781
Total personnel	<u>215,502</u>	<u>132,159</u>	<u>-</u>	<u>347,661</u>
 Client assistance:				
Books, tuition and supplies	186,190	-	-	186,190
Transportation	91,194	-	-	91,194
Housing	65,389	-	-	65,389
Other direct assistance	23,092	-	-	23,092
Outside and professional services	27,020	44,527	3,420	74,967
Advertising	3,216	3,555	-	6,771
Insurance	-	10,109	-	10,109
Materials and supplies	3,616	4,239	-	7,855
Occupancy	24,856	5,745	-	30,601
Other operating	8,580	12,744	-	21,324
Postage and printing	6,539	2,670	-	9,209
Repairs and maintenance	567	125	-	692
Telephone and communications	6,285	6,218	-	12,503
Training and conferences	3,956	4,287	-	8,243
Travel	3,992	2,455	-	6,447
Depreciation expense	-	8,323	-	8,323
Total expenses	<u>\$ 669,994</u>	<u>\$ 237,156</u>	<u>\$ 3,420</u>	<u>\$ 910,570</u>

See Accompanying Notes.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2019 and 2018

1. Organization and purpose

Nature of operations

JobPath, Inc. (JobPath or the Organization) is an Arizona nonprofit corporation incorporated in May of 2003. JobPath recruits and supports individuals in education and training programs which allow them to significantly increase their income and help address the workforce shortages in Arizona.

2. Summary of significant accounting policies

Basis of accounting

The financial statements of JobPath, Inc. have been prepared using the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America (GAAP). Accordingly, all significant receivables, payables and other liabilities are reflected.

Financial statement presentation

The classification of a not-for-profit organization's net assets and its support, revenue and expenses is based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Income from investment gains and losses, including unrealized gains and losses, dividends and interest, should be reported as increases (or decreases) in net assets without donor restrictions, unless the use of the income received is limited by donor-imposed restrictions.

Cash and cash equivalents

The Organization considers all cash balances, money market funds, and highly liquid investments (including certificates of deposit) purchased with an original maturity of three months or less to be cash equivalents. The Organization maintains its cash in bank deposit accounts, which, for short periods of time, may exceed federally insured limits. The balance in excess of federally insured limits at June 30, 2019 and 2018 was \$35,708 and \$129,159, respectively.

Investments in money market funds are not federally insured and may lose value. Amounts invested in money market funds, included in cash and cash equivalents, totaled \$21,676 and \$0, at June 30, 2019 and 2018, respectively.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

2. Organizational data and summary of significant accounting policies - continued

Investments

Investments primarily consist of marketable equity securities, mutual funds, and certificates of deposit with original maturities greater than three months. Investments are adjusted to fair market value at the statement of financial position date, resulting in either an unrealized gain or loss included in the change in net assets in the statement of activities. Investment income is reported in the statement of activities and consists of interest and dividend income less external and direct internal investment expenses.

Donated investments are recorded at fair market value at the date of gift.

Investment – Community Foundation for Southern Arizona

The Organization has an investment in the Community Foundation for Southern Arizona. Investment is adjusted to fair market value at the statement of financial position date, resulting in either an unrealized gain or loss included in the change in net assets in the statement of activities. Investment income is reported in the statement of activities and consists of interest and dividend income less external and direct internal investment expenses.

Property and equipment

Purchased equipment is recorded at cost and donated items at fair value at date of donation. Equipment consists of various items of office and computer equipment. Acquisitions of property and equipment greater than \$500 are capitalized. These assets are depreciated on the straight-line method over their estimated useful lives of three years. Repair and maintenance are charged to expense as incurred. Depreciation expense for years ended June 30, 2019 and 2018 was \$10,497 and \$8,323, respectively.

Revenue and revenue recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met. Contributions received are recorded as net assets with donor restrictions or net assets without donor restrictions depending on the existence or nature of any donor restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as support without restrictions

Vacation pay

Vacation pay is accrued as a liability when earned by the employees since the employees receive vested rights to this employee benefit.

Advertising expense

The Organization follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the year ended June 30, 2019 and 2018 was \$22,531 and \$6,771, respectively.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

2. Organizational data and summary of significant accounting policies – continued

Functional allocation of expenses

The costs of programs and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expense presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Grant support

Government grants are recognized as revenue when matching expenses are incurred under cost reimbursement contracts.

Use of estimates in the preparation of financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that 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 support, revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income taxes

JobPath, Inc. is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(a) and has been classified as an organization that is not a private foundation under Section 509(a)(2). The Organization is also exempt from Arizona income tax.

Management's opinion is that no uncertain income tax positions have been taken and no adjustments have been recorded for potential related tax liabilities. Any penalties or interest which may be charged on tax examinations would be deducted in the year the assessment was made. The Organization's tax returns are subject to examination by the Federal government for a period of three years, and the State of Arizona for four years, from the date that the returns were filed. There are no current or pending tax examinations underway.

Financial instruments and credit risk

The Organization manages deposit concentration risk by placing cash with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts.

Investments are made by the investment committee. Performance is monitored by management and the investment committee of the board of directors. Although fair values of investments are subject to fluctuation on a year-to-year basis, management and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the Organization.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

2. Organizational data and summary of significant accounting policies - continued

Change in accounting principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Organization has implemented ASU 2016-14 and has adjusted the presentation in these financial statements accordingly, on a retroactive basis.

3. Date of management’s review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 9, 2020, the date that the financial statements were available to be issued.

4. Liquidity and availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, are comprised of the following at June 30, 2019:

Cash and equivalents	\$	230,397
Investments		297,978
Grants receivable		84,262
Unconditional promise to give		<u>25,000</u>
Financial assets available to meet cash needs for general expenditures within one year	\$	<u><u>637,637</u></u>

5. Fair value measurements and disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, 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 asset 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 investment based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that can be accessed at the measurement date.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

5. Fair value measurements and disclosures – continued

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, inputs are developed using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk, or liquidity profile of the asset.

JobPath’s assets recorded at fair value have been categorized based upon the fair value hierarchy, in accordance with GAAP. A description of the valuation techniques applied to JobPath’s major categories of assets measured at fair value are as follows:

Equity and fixed income mutual funds – JobPath has investments in mutual funds, which are invested primarily in investment-grade equity securities. For these investments, JobPath has ownership interest in the mutual fund but not in the individual securities held by the fund. The assets of each mutual fund consist primarily of shares of the underlying holdings. Each mutual fund net asset value (NAV) is the value of a single share that is actively traded on national securities exchanges. The mutual funds are valued on a daily basis at the close of business day. These funds are valued primarily on the basis of market quotation or on the basis of information furnished by a nationally recognized pricing service based, on observable market data, and are classified as Level 1 within the fair value hierarchy.

The Organization’s fixed income investments consist of certificates of deposit with original maturities greater than three months. These investments are categorized as Level 2 within the fair value hierarchy.

The investment held at the Community Foundation for Southern Arizona (“CFSA”) is categorized as Level 3 due to the lack of a market in which the Organization’s units of participation in CFSA’s pooled investments could be bought or sold. The Organization measures the fair value of its beneficial interest by taking its proportionate share of the fair value of the underlying assets.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

5. Fair value measurements and disclosures – continued

The following table presents assets measured at fair value on a recurring basis at June 30, 2019:

June 30, 2019:

ASSETS	TOTAL	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equity mutual funds	\$ 60,774	\$ 60,774	\$ 0	\$ 0
Fixed income mutual funds	47,093	47,093	0	0
Certificates of deposit	79,999		79,999	0
Investment in community foundation	110,112	0	0	110,112
	<u>\$ 297,978</u>	<u>\$ 107,867</u>	<u>\$ 79,999</u>	<u>\$ 110,112</u>

June 30, 2018:

ASSETS	TOTAL	Fair Value Measurements at Report Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investment in community foundation	\$ 109,886	\$ 0	\$ 0	\$ 109,886
	<u>\$ 109,886</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 109,886</u>

The table below sets forth a summary of changes in the fair value of the Organization's Level 3 assets measured at fair value on a recurring basis for the year ended June 30 2019:

Community Foundation for Southern Arizona:

Balance, beginning of year	\$ 109,886
Additional investment	0
Total investment income/(loss)	474
Distributions and fees	(248)
Balance, end of year	<u>\$ 110,112</u>

Investment return, summarized for the years ended June 30, 2019 and 2018, was as follows:

	June 30,	
	2019	2018
Interest and dividends	\$ 5,194	\$ 368
Realized and unrealized gain (loss) on investments	7,371	-
	<u>\$ 12,565</u>	<u>\$ 368</u>

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2019 and 2018

6. Operating leases

The Agency leases its office space under a non-cancelable lease. The lease expires on December 31, 2023.

Rent expense for the year ended June 30, 2019 and 2018 totaled \$27,419 and \$29,823, respectively. Future minimum lease payments under the non-cancelable lease are:

Year ending June 30, 2020	\$	51,368
2021		55,665
2022		58,601
2023		60,068
2024		35,546
	\$	<u>261,248</u>

7. Revolving line of credit

The Organization has a \$75,000 unsecured revolving line of credit arrangement maturing January 20, 2020 with Vantage West Credit Union. The line of credit bears interest at the Wall Street Journal Prime Rate. The outstanding balance on the line of credit was \$0 at June 30, 2019 and 2018.

8. Net assets with donor restrictions

Net assets with donor restrictions represent contributions received that have been restricted for scholarships and educational programs. The unexpended balance of these contributions at June 30, 2019 and 2018 totaled \$75,491 and \$82,327, respectively.

9. Defined contribution plan

Effective September 2008, JobPath established a defined contribution plan, under section 403(b) of the Internal Revenue Code. The plan allows for participant elective deferrals only.

10. Concentrations

Generally accepted accounting principles require disclosure of information about certain current vulnerabilities due to certain concentrations. During the years ended June 30, 2019 and 2018, approximately 79% and 67%, respectively, of the Organization's revenue was derived from contracts with City of Tucson and Pima County. The grants are subject to annual applications and renewal thereafter. Loss of this revenue would have a severe negative economic impact to JobPath.

11. Commitments and contingencies

Program Audits

JobPath is subject to program audits by funding agencies. There is a possibility that the Organization could be liable to these agencies for amounts determined as refundable by such future audits. Management feels no such liabilities exist at June 30, 2019.