

JOBPATH, INC.
INDEX TO FINANCIAL STATEMENTS
For the years ended June 30, 2018 and 2017

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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, 2018 and 2017, and the related statements of activities, cash flows, and functional expenses 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, 2018 and 2017, 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 14, 2019

Addington & Associates, PLLC

ADDINGTON & ASSOCIATES, PLLC

JOBPATH, INC.
STATEMENTS OF FINANCIAL POSITION

	June 30,	
	2018	2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 431,402	\$ 315,370
Investment - Community Foundation for Southern Arizona	109,886	-
Grants receivable	71,495	83,241
Unconditional promise to give, current portion	25,000	25,000
Inventry	4,365	-
Prepaid expenses and deposits	20,842	17,965
Total current assets	662,990	441,576
Property and equipment:		
Office equipment	48,307	43,841
Furniture and fixtures	11,450	14,054
Leasehold improvements	7,478	7,478
	67,235	65,373
Less: accumulated depreciation	48,720	46,108
Property and equipment, net	18,515	19,265
Unconditional promise to give, non-current portion	25,000	-
TOTAL ASSETS	\$ 706,505	\$ 460,841
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 25,775	\$ 24,677
Accrued payroll taxes	120	486
Accrued vacation	9,133	-
Total current liabilities	35,028	25,163
Net assets:		
Unrestricted net assets	589,150	373,738
Temporarily restricted net assets	82,327	61,940
Total net assets	671,477	435,678
TOTAL LIABILITIES AND NET ASSETS	\$ 706,505	\$ 460,841

See Accompanying Notes.

JOBPATH, INC.
STATEMENTS OF ACTIVITIES

	For the years ended June 30,	
	2018	2017
Unrestricted net assets		
Revenues		
Government grants	\$ 773,200	\$ 683,200
Contributions and donations	309,562	140,255
Investment - Community Foundation for Southern Arizona	892	4,811
Net assets released from restrictions	42,966	26,783
Total revenues and reclassifications	1,126,620	855,049
Expenses		
Program	669,994	596,824
General and administrative	237,156	162,814
Fundraising	3,420	25,282
Total functional expenses	910,570	784,920
Loss on asset disposal	638	-
Total expenses and losses	911,208	784,920
Increase (decrease) in unrestricted net assets	215,412	70,129
Changes in temporarily restricted net assets:		
Contributions	63,353	12,900
Net assets released from restrictions	(42,966)	(26,783)
Increase (decrease) in temporarily restricted net assets	20,387	(13,883)
Increase in net assets	235,799	56,246
Net assets, beginning of year	435,678	379,432
Net assets, end of year	\$ 671,477	\$ 435,678

See Accompanying Notes.

JOBPATH, INC.
STATEMENTS OF CASH FLOWS

	For the years ended June 30,	
	2018	2017
Cash flows from operating activities:		
Increase in net assets	\$ 235,799	\$ 56,246
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation expense	8,323	3,514
Loss on fixed asset disposal	638	-
(Increase) decrease in assets:		
Grants receivable	11,746	(23,969)
Unconditional promise to give	(25,000)	50,000
Gas cards inventory	(4,365)	-
Prepaid expenses and deposits	(2,877)	(938)
Increase (decrease) in liabilities:		
Accounts payable	1,098	13,677
Accrued payroll taxes	(366)	486
Accrued vacation	9,133	-
	234,129	99,016
Net cash provided by operating activities		
Cash flows from investing activities:		
Purchase of equipment	(8,211)	(18,539)
Purchase of investment - Community Foundation for Southern Arizona	(109,886)	-
Net cash (used) by investing activities	(118,097)	(18,539)
Net increase in cash and cash equivalents	116,032	80,477
Cash and cash equivalents, beginning of year	315,370	234,893
Cash and cash equivalents, end of year	\$ 431,402	\$ 315,370
<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, 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	<u>38,262</u>	<u>21,519</u>	<u>-</u>	<u>59,781</u>
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	<u>-</u>	<u>8,323</u>	<u>-</u>	<u>8,323</u>
Total expenses	<u>\$ 669,994</u>	<u>\$ 237,156</u>	<u>\$ 3,420</u>	<u>\$ 910,570</u>

See Accompanying Notes.

JOBPATH, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended June 30, 2017

	<u>Program</u>	<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total</u>
Personnel:				
Salaries and wages	\$ 142,541	81,200	\$ -	\$ 223,741
Employee related expense	30,066	23,125	-	53,191
Total personnel	<u>172,607</u>	<u>104,325</u>	-	<u>276,932</u>
Client assistance:				
Books, tuition and supplies	161,424	-	-	161,424
Transportation	76,894	-	-	76,894
Housing	56,152	-	-	56,152
Other direct assistance	9,478	-	-	9,478
Contract labor and temporary help	-	1,725	-	1,725
Outside and professional services	32,482	19,447	25,282	77,211
Advertising	4,357	1,287	-	5,644
Insurance	-	9,684	-	9,684
Materials and supplies	6,146	2,949	-	9,095
Occupancy	50,157	11,558	-	61,715
Other operating	7,125	234	-	7,359
Postage and printing	3,554	2,848	-	6,402
Repairs and maintenance	748	164	-	912
Telephone and communications	7,266	1,447	-	8,713
Training and conferences	4,915	3,553	-	8,468
Travel	3,519	79	-	3,598
Depreciation expense	-	3,514	-	3,514
Total expenses	<u>\$ 596,824</u>	<u>\$ 162,814</u>	<u>\$ 25,282</u>	<u>\$ 784,920</u>

See Accompanying Notes.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018 and 2017

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. Date of management's review

In preparing the financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through March 14, 2019 the date that the financial statements were available to be issued.

3. Summary of significant accounting policies

Basis of accounting

The financial statements of JobPath, Inc. have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

Financial statement presentation

JobPath is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

The following is a description of each class:

Unrestricted net assets represent all net assets which are neither temporarily or permanently restricted.

Temporarily restricted net assets carry donor-imposed time and purpose restrictions that have not been met, and the ultimate purpose of the contribution is not permanently restricted.

Permanently restricted net assets include contributed net assets which require, by donor restriction, that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions. No permanently restricted net assets existed at June 30, 2018 or 2017.

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.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2018 and 2017

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

Cash and cash equivalents

The Organization considers all cash balances and highly liquid investments purchased with a 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, 2018 and 2017 was \$129,159 and \$19,053, respectively.

Investments

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

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, 2018 and 2017 was \$8,323 and \$3,514, respectively.

Vacation pay

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

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.

Restricted and unrestricted revenue

Contributions that are restricted by the donor are reported as an increase in unrestricted net assets if the expiration expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2018 and 2017

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

Grant support

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

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, 2018 and 2017 was \$6,771 and \$5,644, respectively.

Functional Expenses

Costs of providing programs have been summarized on a functional basis in the statement of activities. Certain costs have been allocated between program services and supporting services based on an analysis of personnel time and space utilized for the related activities.

4. Investments

The Organization has an investment in the Community Foundation for Southern Arizona for \$109,886 at June 30, 2018 which is stated at fair value. See Note 5 for a discussion of the fair value of the investment.

Investment gain (loss) of \$(114) consisted of \$115 of interest and dividend income net of fees of \$(229) and is included in miscellaneous income.

5. Fair value measurements

The Organization utilizes the fair value hierarchy required by ASC 820, which prioritizes the inputs to valuation techniques used to measure fair value into three levels:

Level 1: Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2: Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, directly or indirectly.

Level 3: Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Organization defines active markets for equity instruments based on the average daily trading volume both in absolute terms and relative to the market capitalization for the instrument. The Organization defines active markets for debt instruments based on both the average daily trading volume and the number of days with trading activity.

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, 2018 and 2017

5. Fair value measurements - continued

The following table represents the Organization's financial assets that are measured at fair value on a recurring basis as of June 30, 2018:

Description	Level 1	Level 2	Level 3	Total
Community Foundation for Southern Arizona	\$ 0	\$ 0	\$ 109,886	\$ 109,886
Total Investments	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 109,886</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 2018:

Community Foundation for Southern Arizona:

Balance, beginning of year	\$ 0
Additional investment	110,000
Total investment income/(loss)	115
Distributions and fees	(229)
Balance, end of year	<u>\$ 109,886</u>

6. Operating leases

The Agency leases its office space under a non-cancelable lease. The lease expires on February 28, 2019.

Rent expense for the year ended June 30, 2018 and 2017 totaled \$29,823 and \$58,809, respectively. Future minimum lease payments under the non-cancelable lease are:

Year ending June 30, 2019	\$ <u>17,196</u>
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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, 2018 and 2017.

8. Temporarily restricted net assets

Temporarily restricted net assets represent contributions received that have been restricted for scholarships and educational programs. The unexpended balance of these contributions at June 30, 2018 and 2017 totaled \$82,327 and \$61,940, respectively.

JOBPATH, INC.
NOTES TO FINANCIAL STATEMENTS - continued
June 30, 2018 and 2017

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, 2018 and 2017, approximately 67% and 81%, 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, 2018.