
WORKSAFE, INC.

FINANCIAL STATEMENTS

June 30, 2020

(WITH COMPARATIVE TOTALS AS OF JUNE 30, 2019)

CROSBY & KANEDA

Certified Public Accountants
for Nonprofit Organizations

WORKSAFE, INC.

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Worksafe, Inc.
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of Worksafe, Inc., which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, cash flows and functional expenses for the year 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Worksafe, Inc. as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Worksafe, Inc.'s June 30, 2019 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 28, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Crosby & Laney CPAs LLP

Oakland, California

December 11, 2020

WORKSAFE, INC.

Statement of Financial Position
June 30, 2020
(With Comparative Totals as of June 30, 2019)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 875,672	\$ 317,405
Certificates of deposit	120,310	110,908
Accounts and contributions receivable	-	3,800
Prepaid expenses	49,137	39,634
Property and equipment, net (Note 3)	3,417	1,866
Deposits	<u>16,067</u>	<u>16,112</u>
Total Assets	<u>\$ 1,064,603</u>	<u>\$ 489,725</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 25,275	\$ 25,019
Accrued vacation	24,108	22,781
Paycheck Protection Program loan (Note 4)	<u>73,331</u>	<u>-</u>
Total Liabilities	<u>122,714</u>	<u>47,800</u>
Net assets		
Without donor restrictions	570,430	261,130
With donor restrictions (Note 7)	<u>371,459</u>	<u>180,795</u>
Total Net Assets	<u>941,889</u>	<u>441,925</u>
Total Liabilities and Net Assets	<u>\$ 1,064,603</u>	<u>\$ 489,725</u>

See Notes to the Financial Statements

WORKSAFE, INC.

**Statement of Activities
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	Without Donor Restrictions	With Donor Restrictions	Total	
			2020	2019
Support and Revenue				
Foundation and community grants	\$ 552,776	\$ 566,875	\$ 1,119,651	\$ 655,586
Cy pres awards	319,901		319,901	-
Contributions	56,743		56,743	67,577
Rental income	24,930		24,930	-
Interest and other	6,053		6,053	3,219
Fundraising event, net (Note 8)			-	46,408
Support provided by expiring time and purpose restrictions	376,211	(376,211)	-	-
Total Support and Revenue	1,336,614	190,664	1,527,278	772,790
Expenses				
Program	801,861		801,861	682,413
Management and general	157,221		157,221	125,515
Fundraising	68,232		68,232	55,347
Total Expenses	1,027,314	-	1,027,314	863,275
Change in net assets	309,300	190,664	499,964	(90,485)
Net Assets, beginning of year	261,130	180,795	441,925	532,410
Net Assets, end of year	\$ 570,430	\$ 371,459	\$ 941,889	\$ 441,925

See Notes to the Financial Statements

WORKSAFE, INC.

Statement of Cash Flows
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities		
Change in net assets	\$ 499,964	\$ (90,485)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation	666	503
Changes in assets and liabilities:		
Accounts and contributions receivable	3,800	8,182
Prepaid expenses	(9,503)	(469)
Deposits	45	(12,283)
Accounts payable and accrued expenses	256	(7,682)
Accrued vacation	1,327	9,174
Net cash provided (used) by operating activities	<u>496,555</u>	<u>(93,060)</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,217)	-
Purchase of certificates of deposit, net	(9,402)	(74)
Net cash provided (used) by investing activities	<u>(11,619)</u>	<u>(74)</u>
Cash flows from financing activities:		
Proceeds from Paycheck Protection Program loan	<u>73,331</u>	-
Net cash provided (used) by financing activities	<u>73,331</u>	-
Net change in cash and cash equivalents	558,267	(93,134)
Cash and cash equivalents, beginning of year	<u>317,405</u>	<u>410,539</u>
Cash and cash equivalents, end of year	<u>\$ 875,672</u>	<u>\$ 317,405</u>

See Notes to the Financial Statements

WORKSAFE, INC.

**Statement of Functional Expenses
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

	Program	Management and General	Fundraising	Total	
				2020	2019
Salaries	\$ 463,857	\$ 67,891	\$ 44,641	\$ 576,389	\$ 497,514
Employee benefits	73,301	12,044	7,521	92,866	88,108
Payroll taxes	38,333	5,780	3,668	47,781	39,806
Total Personnel	<u>575,491</u>	<u>85,715</u>	<u>55,830</u>	<u>717,036</u>	<u>625,428</u>
Grants	75,000	-	-	75,000	75,115
Contract services	32,572	17,485	2,569	52,626	22,270
Advertising and promotion	609	120	45	774	3,354
Supplies and office expenses	25,208	7,744	1,910	34,862	27,743
Travel	12,771	9,202	352	22,325	15,036
Occupancy	63,104	34,541	6,188	103,833	79,574
Conference and meetings	1,507	757	17	2,281	5,789
Insurance	5,894	265	754	6,913	6,431
Depreciation	-	666	-	666	503
Miscellaneous	9,705	726	567	10,998	2,032
Expenses by Function	<u>\$ 801,861</u>	<u>\$ 157,221</u>	<u>\$ 68,232</u>	<u>\$ 1,027,314</u>	<u>\$ 863,275</u>
Expenses reported on a net basis on Statement of Activities					
Event direct expense	-	-	-	-	6,117
Total Expenses	<u>\$ 801,861</u>	<u>\$ 157,221</u>	<u>\$ 68,232</u>	<u>\$ 1,027,314</u>	<u>\$ 869,392</u>

See Notes to the Financial Statements

WORKSAFE, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 1: NATURE OF ACTIVITIES

Worksafe, Inc. (the Organization) is a California nonprofit public benefit corporation founded in 1982 to promote occupational safety and health through education, training and advocacy. It focuses on eliminating all types of workplace hazards and also on workplace-created toxic hazards that impact at-risk communities in California.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP).

Net Assets

The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Net assets without donor restrictions – are resources available to support operations. The only limits on the use of the net assets are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

Net assets with donor restrictions – are resources that are restricted by a donor for use for a particular purpose or in a particular period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor's instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature; the Organization must continue to use the resources in accordance with the donor's instructions.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions. Net assets restricted for acquisition of building or equipment (or less commonly, the contribution of those net assets directly) are reported as net assets with donor restrictions until the specified asset is placed in service, unless the donor provides more specific directions about the period of its use.

Classification of Transactions

All revenues and net gains are reported as increases in net assets without donor restrictions in the statement of activities unless the donor specified the use of the related resources for a particular purpose or in a future period. All expenses and net losses are reported as decreases in net assets without donor restrictions

WORKSAFE, INC.

Notes to the Financial Statements For the Year Ended June 30, 2020 (With Comparative Totals for the Year Ended June 30, 2019)

Accounting for Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are reported as increases in net assets without donor restrictions unless the contributed assets are specifically restricted by the donor. Amounts received that are restricted by the donor to use in future periods or for specific purposes are reported as increases in net assets with donor restrictions. Unconditional promises with payments due in future years have an implied restriction to be used in the year the payment is due, and therefore are reported as restricted until payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

Accounting for Noncash Contributions

For in-kind contributions that are converted to cash promptly the Organization values the donation based on the amounts received as a result of such conversion. Donated stocks and other investment assets are valued based on the price or estimated FMV on the date of donation, with any gains or losses prior to sale recorded as investment activity.

Income Taxes

The Internal Revenue Service and the California Franchise Tax Board have determined that the Organization is exempt from federal and state income taxes under IRC 501(c)(3) and California RTC 23701(d). The Organization has evaluated its current tax positions as of June 30, 2020 and is not aware of any significant uncertain tax positions for which a reserve would be necessary. The Organization's tax returns are generally subject to examination by federal and state taxing authorities for three and four years, respectively, after they are filed.

Contributed Services

Contributed services are reflected in the financial statements at the fair value of the services received only if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. There were no contributed services that met the criteria for recognition for the year ended June 30, 2020.

Contributions Receivable

Contributions receivable including pledges and grants receivable are unconditional promises to give that are recognized as contributions when the promise is received. Contributions receivable that are expected to be collected in less than one year are reported at net realizable value. Contributions receivable that are expected to be collected in more than one year are recorded at fair value at the date of promise. That fair value is computed using a present value technique applied to anticipated cash flows. The Organization has evaluated the value of the discount and concluded that it was not material for recognition. The Organization considers all contributions receivable to be fully collectible at June 30, 2020. Accordingly, no allowance for doubtful accounts was deemed necessary. If amounts

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**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

become uncollectible, they are charged to expense in the period in which that determination is made.

Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all money market funds and other highly liquid investments with original maturities of three months or less when purchased to be cash equivalents.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its assets and liabilities based on a fair value hierarchy that includes three levels of inputs that may be used to measure fair value.

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date.

Level 2 - Inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly.

Level 3 - Unobservable inputs for the assets or liability.

At June 30, 2020, the Organization valued all certificates of deposit at fair value based on level 2 inputs.

Concentration of Credit Risk

At times, the Organization may have deposits in excess of federally insured limits. The risk is managed by maintaining all deposits in high quality financial institutions.

Property and Equipment

All acquisitions of property and equipment in excess of \$1,000 and all expenditures for repairs and maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized. Property and equipment are stated at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives on the property and equipment.

Furniture and equipment	5 years
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Expenditures for major renewals and betterments that extend the useful lives of the property and equipment are capitalized. Expenditures for maintenance and repairs are

WORKSAFE, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

charged to expense as incurred. Management reviews long-lived assets for impairment when circumstances indicate the carrying amount of the asset may not be recoverable.

Deferred Revenue

Deferred revenue represents funds received in advance of related performance obligations which have not yet been completely fulfilled.

Expense Recognition and Allocation

The cost of providing the Organization's programs and other activities is summarized on a functional basis in the statement of activities and statement of functional expenses. Expenses that can be identified with a specific program or support service are charged directly to that program or support service. Costs common to multiple functions have been allocated among the various functions using the percentage of direct salary cost to each program.

Management and general expenses include those costs that are not directly identifiable with any specific program, but which provide for the overall support and direction of the Organization.

Fundraising costs are expensed as incurred, even though they may result in contributions received in future years. The Organization generally does not conduct fundraising activities in conjunction with its other activities. In the few cases in which it does, such as when the annual report or donor acknowledgments contain requests for contributions, joint costs have been allocated between fundraising and management and general expenses in accordance with standards for accounting for costs of activities that include fundraising. Additionally, advertising costs are expensed as incurred.

Prior Year Summarized Information

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Reclassifications

Certain accounts in the prior year's summarized information have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

NOTE 3: PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30:

	<u>2020</u>	<u>2019</u>
Furniture and equipment	\$ 6,361	\$ 4,143
Less accumulated depreciation	<u>(2,944)</u>	<u>(2,277)</u>
Total	<u>\$ 3,417</u>	<u>\$ 1,866</u>

WORKSAFE, INC.

Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)

NOTE 4: PAYCHECK PROTECTION PROGRAM LOAN

The Organization received a paycheck protection program (PPP) loan of \$73,331 bearing interest of 1% with a maturity date of April 2022 which it accounts for under FASB 470 including interest accrual. Based on the guidance in *FASB ASC 405-20-40-1*, the proceeds from the loan will remain recorded as a liability until either (1) the loan is, in part or wholly, forgiven and the Organization has been “legally released” or (2) the Organization pays off the loan. Future payments due under this loan are as follows for the years ended June 30:

2021	\$ 31,784
2022	<u>41,547</u>
Total	<u>\$ 73,331</u>

The Organization may be eligible for forgiveness of some or all of this loan. Guidance related to this program is evolving, and it remains possible that final forgiveness amounts may vary or that no forgiveness will be offered. The SBA reserves the right to audit any forgiveness granted, and such audit activity, if any, may result in changes to amounts forgiven or a requirement to return funds received under the program. The Organization expects to repay any amount due within one year of June 30, 2020.

NOTE 5: COMMITMENTS

Operating Leases

The Organization is party to a lease for office space in Oakland, California which expires in December 2023. Future minimum operating lease payments are as follows for the years ending December 31:

2021	\$ 100,980
2022	103,950
2023	107,069
2024	<u>54,351</u>
Total	<u>\$ 366,350</u>

Rent expense for the years ended June 30, 2020 and 2019 was \$98,010 and \$78,799, respectively.

Rental Income

The Organization leases a portion of its Oakland location to a nonprofit public benefit corporation. Future minimum lease payments due to the Organization were as follows for the years ended June 30:

2021	\$ 30,000
2022	<u>10,000</u>
Total	<u>\$ 40,000</u>

NOTE 6: CONTINGENCIES

Grant awards require the fulfillment of certain conditions as set forth in the instrument of grant. Failure to fulfill the conditions could result in the return of the funds to the grantors.

WORKSAFE, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

The Organization deems this contingency remote since by accepting the grants and their terms, it has accommodated the objectives of the Organization to the provisions of the grants. The Organization's management is of the opinion that the Organization has complied with the terms of all grants.

NOTE 7: NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions were available as follows at June 30:

	<u>2020</u>	<u>2019</u>
Purpose restricted	\$ 113,125	\$ 115,625
Future use	<u>258,334</u>	<u>65,170</u>
Total	<u>\$ 371,459</u>	<u>\$ 180,795</u>

NOTE 8: FUNDRAISING EVENT

The Organization hosts an annual fundraising event that was canceled in the most recent year due to COVID-19 restrictions. Funds raised net of direct donor benefit expense totaled \$0 and \$46,408 for the years ended June 30, 2020 and 2019, respectively.

NOTE 9: RETIREMENT CONTRIBUTIONS

The Organization has a defined contribution plan as established under Internal Revenue Code Section 401(k) (the Plan). Upon successful completion of 90 days of employment, full-time and part-time employees are eligible to enroll in the Plan. For each Plan year, the Board of Directors of the Organization determines the amount (if any) to be contributed to the Plan by the Organization. Contributions made by the Organization for the years ending June 30, 2020 and 2019 totaled \$21,929 and \$19,121, respectively.

NOTE 10: CONCENTRATIONS

Revenue Concentrations

During the year ended June 30, 2020, approximately 64% of the Organization's support and revenue was from two funders. A significant reduction in the level of this support, if this were to occur, may have an effect of the Organization's program and activities.

NOTE 11: CONDITIONAL PROMISES TO GIVE

In addition to the activity reported on the financial statements, the Organization may receive grants with future payments subject to certain conditions, performance barriers or rights of revocation. It is the Organization's policy to defer revenue recognition of conditional amounts until such conditions have been satisfied. As of June 30, 2020, conditional grants consisted of the following.

<u>Grant</u>	<u>Award</u>	<u>Recognized</u>	<u>Remaining</u>
Grant I	\$525,000	\$437,500	\$87,500
Grant II	\$93,750	\$78,125	\$15,625
Grant III	\$160,367	\$80,184	\$80,183
Grant IV	\$378,962	\$189,481	\$189,481

WORKSAFE, INC.

**Notes to the Financial Statements
For the Year Ended June 30, 2020
(With Comparative Totals for the Year Ended June 30, 2019)**

NOTE 12: LIQUIDITY AND AVAILABILITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2020 are:

Cash and cash equivalents	\$ 875,672
Certificates of deposit	120,310
Less purpose restricted net assets	<u>(113,125)</u>
Total	<u>\$ 882,857</u>

As part of the Organization's liquidity management plan, the Organization invests funds in excess of daily requirements in cash and certificates of deposit.

NOTE 13: SUBSEQUENT EVENTS

The Organization has evaluated subsequent events and has concluded that as of December 11, 2020 the date that the financial statements were available to be issued, there were no significant subsequent events to disclose other than the following:

Public Health Order - Coronavirus

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus (the "COVID-19 outbreak"). In March 2020, the WHO classified the COVID-19 outbreak as a pandemic and the Organization and the area it operates in was subject to a public health order related to COVID-19 coronavirus which affected activities of the Organization. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude of the effect that the pandemic will have on the Organization's financial condition, liquidity, and future results of operations. Management is actively monitoring the impact on its financial condition, liquidity, and operations.

NOTE 14: ACCOUNTING STANDARDS UPDATES

The Organization adopted *ASU 2018-08 - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. ASU 2018-08 updated the evaluation of contributions for conditionality, the classification of revenue between contract revenue and support, removes the exception for remote conditions as a barrier to recognition and makes certain other changes with respect to the accounting of contributions received and made. The adoption of this update did not result in a material change to the Organization's financials.