



RUDD & COMPANY PLLC
certified public accountants | business consultants

DEVELOPMENT WORKSHOP, INC.

**Financial Statements
with
Independent Auditors' Report**

June 30, 2022 and 2021

giving direction to your future

DEVELOPMENT WORKSHOP, INC.
Table of Contents
June 30, 2022 and 2021

Independent Auditors' Report	1-2
Financial Statements	
Statements of Financial Position.....	3-4
Statement of Activities – Year Ended June 30, 2022	5-6
Statement of Activities – Year Ended June 30, 2021	7-8
Statement of Functional Expenses – Year Ended June 30, 2022.....	9-10
Statement of Functional Expenses – Year Ended June 30, 2021	11-12
Statements of Cash Flows.....	13-14
Notes to Financial Statements.....	15-26



RUDD & COMPANY^{INC.}

certified public accountants | business consultants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Development Workshop, Inc.
Idaho Falls, Idaho

Opinion

We have audited the accompanying financial statements of Development Workshop Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Development Workshop, Inc. as of June 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Development Workshop, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

IDAHO FALLS | REXBURG | DRIGGS | BOZEMAN | WEST YELLOWSTONE

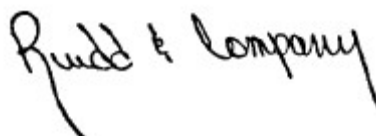
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Development Workshop, Inc.'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Development Workshop, Inc.'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.



Idaho Falls, Idaho
November 17, 2022

DEVELOPMENT WORKSHOP, INC.
Statements of Financial Position
June 30,

	<u>2022</u>	<u>2021</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 1,481,687	\$ 887,154
Accounts receivable (net of allowance for uncollectible accounts of \$7,000 and \$6,000)	353,454	433,086
Related party receivable	37,057	6,116
Inventories	388,744	377,519
Prepaid expenses	38,978	34,946
	<u>2,299,920</u>	<u>1,738,821</u>
Property, Plant and Equipment		
Land	1,036,187	1,036,187
Land improvements	75,102	75,102
Buildings	4,697,579	4,408,431
Machinery and equipment	2,701,769	2,656,818
Construction in progress	13,001	33,170
	<u>8,523,638</u>	<u>8,209,708</u>
Less accumulated depreciation	<u>(4,290,834)</u>	<u>(4,102,738)</u>
	<u>4,232,804</u>	<u>4,106,970</u>
Other Assets		
Restricted cash - USDA Note Reserve Account	44,280	44,280
Long-term investments	-	285,620
Membership in Transitional Living Center	25,655	25,655
	<u>69,935</u>	<u>355,555</u>
	<u>\$ 6,602,659</u>	<u>\$ 6,201,346</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

Liabilities and Net Assets	2022	2021
Current Liabilities		
Accounts payable	\$ 52,947	\$ 55,106
Accrued payroll	187,700	188,226
Accrued other liabilities	40,382	43,197
Deferred revenue	103,832	-
Current portion of lease payable	47,843	35,610
Current portion of long-term debt	37,078	35,593
Total Current Liabilities	<u>469,782</u>	<u>357,732</u>
Long-Term Liabilities		
Lease payable	123,004	116,625
Long-term debt	718,871	755,946
Accrued all purpose leave	211,335	237,546
Total Long-Term Liabilities	<u>1,053,210</u>	<u>1,110,117</u>
Total Liabilities	<u>1,522,992</u>	<u>1,467,849</u>
Net Assets		
Without donor restrictions	5,079,667	4,733,497
With donor restrictions	-	-
Total Net Assets	<u>5,079,667</u>	<u>4,733,497</u>
	<u>\$ 6,602,659</u>	<u>\$ 6,201,346</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Activities
Year Ended June 30, 2022

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 2,103,277	\$ -	\$ 2,103,277
Service contracts income	1,640,537	-	1,640,537
Products income	678,308	-	678,308
Health and welfare income	263,573	-	263,573
Vocational rehabilitation	91,815	-	91,815
Other income	15,740	-	15,740
Prevocational - school districts	300	-	300
	<u>4,793,550</u>	<u>-</u>	<u>4,793,550</u>
Total Revenues			
Support and Other Income:			
Donations	-	422,945	422,945
Grants	-	153,616	153,616
United Way	-	8,062	8,062
Earnings on investments	3,013	-	3,013
Loss on investments	(1,337)	-	(1,337)
Gain on sale of fixed assets	3,413	-	3,413
Other income	123,721	-	123,721
	<u>128,810</u>	<u>584,623</u>	<u>713,433</u>
Total Support and Other Income			
Support Provided by Expiring Time and Purpose Restrictions	<u>584,623</u>	<u>(584,623)</u>	<u>-</u>
Total Revenues, Support and Other Income	5,506,983	-	5,506,983

The Accompanying Notes are an Integral
Part of the Financial Statements.

Expenses			
Program Services:			
Janitorial	1,201,951	-	1,201,951
Medicaid	1,656,961	-	1,656,961
Production	972,570	-	972,570
Rehabilitation	573,849	-	573,849
	<u>4,405,331</u>	<u>-</u>	<u>4,405,331</u>
Total Program Services			
	<u>4,405,331</u>	<u>-</u>	<u>4,405,331</u>
General and Administrative	755,482	-	755,482
	<u>755,482</u>	<u>-</u>	<u>755,482</u>
Total Expenses	<u>5,160,813</u>	<u>-</u>	<u>5,160,813</u>
Change in Net Assets	346,170	-	346,170
Net Assets at Beginning of Year	<u>4,733,497</u>	<u>-</u>	<u>4,733,497</u>
Net Assets at End of Year	<u>\$ 5,079,667</u>	<u>\$ -</u>	<u>\$ 5,079,667</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Activities
Year Ended June 30, 2021

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 2,085,401	\$ -	\$ 2,085,401
Service contracts income	1,599,765	-	1,599,765
Products income	958,463	-	958,463
Health and welfare income	239,866	-	239,866
Vocational rehabilitation	129,335	-	129,335
Prevocational - school districts	973	-	973
Other income	6,020	-	6,020
	<u>5,019,823</u>	<u>-</u>	<u>5,019,823</u>
Total Revenues			
Support and Other Income:			
Donations	-	32,015	32,015
United Way	-	20,242	20,242
PPP Loan Forgiveness Income	785,300	-	785,300
Medicaid Stabilization Income	221,048	-	221,048
Other income	180,934	-	180,934
Earnings on investments	5,381	-	5,381
Gain on investments	64,866	-	64,866
Gain on sale of fixed assets	13,267	-	13,267
	<u>1,270,796</u>	<u>52,257</u>	<u>1,323,053</u>
Total Support and Other Income			
Support Provided by Expiring Time and Purpose Restrictions	<u>54,704</u>	<u>(54,704)</u>	<u>-</u>
Total Revenues, Support and Other Income	6,345,323	(2,447)	6,342,876

The Accompanying Notes are an Integral
Part of the Financial Statements.

Expenses			
Program Services:			
Rehabilitation	569,555	-	569,555
Production	1,185,198	-	1,185,198
Medicaid	1,415,241	-	1,415,241
Janitorial	1,257,017	-	1,257,017
Distributions to Foundation	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total Program Services	<u>5,427,011</u>	<u>-</u>	<u>5,427,011</u>
General and Administrative	<u>780,487</u>	<u>-</u>	<u>780,487</u>
Total Expenses	<u>6,207,498</u>	<u>-</u>	<u>6,207,498</u>
Change in Net Assets	137,825	(2,447)	135,378
Net Assets at Beginning of Year	<u>4,595,672</u>	<u>2,447</u>	<u>4,598,119</u>
Net Assets at End of Year	<u>\$ 4,733,497</u>	<u>\$ -</u>	<u>\$ 4,733,497</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Functional Expenses
Year Ended June 30, 2022

	Program Services		
	Rehabilitation	Production	Medicaid
Direct Materials			
Purchases	\$ -	\$ 331,470	\$ -
Total Direct Materials	-	331,470	-
Direct Labor			
Client labor	1,729	64,739	-
Insurance - employee group	29,690	29,482	88,922
Insurance -workers comp	8,943	5,825	24,392
Payroll taxes	31,495	20,230	85,691
Production labor	-	89,095	3,143
Retirement costs	4,348	2,621	11,272
Staff labor	409,947	113,156	1,120,360
Total Direct Labor	486,152	325,148	1,333,780
Other Expenses			
Advertising	-	-	278
Bad debts	-	-	-
Bank charges and interest	3,119	22,128	11,472
Commissions	-	14,417	474
Data processing	12,006	9,806	30,596
Depreciation	20,471	105,345	71,302
Dues and subscriptions	54	120	534
Freight - out	-	11,036	-
Insurance - general	9,765	11,199	34,011
Office supplies/postage	499	172	3,334
Other expenses	5,521	22,682	31,942
Professional development	63	1,196	1,689
Professional services	-	-	396
Public relations	347	-	101
Rent	-	102	12,695
Repairs and maintenance	5,036	57,295	25,080
Samples	-	68	-
Service contract supplies	-	26	-
Shop and program supplies	105	3,838	1,688
Small tool and appliances	-	971	-
Sub-contracted services	160	3,560	874
Taxes and licenses	581	2,049	2,106
Telephone	6,829	-	2,786
Travel	428	289	2,716
Utilities	3,742	49,610	25,959
Vehicle operation/maintenance	18,971	43	63,148
Total Other Expenses	87,697	315,952	323,181
Total Expenses	\$ 573,849	\$ 972,570	\$ 1,656,961

The Accompanying Notes are an Integral
Part of the Financial Statements.

Program Services				
Janitorial	Distributions	Total Program Services	General and Administrative	Total Expenses
\$ -	\$ -	\$ 331,470	\$ -	\$ 331,470
-	-	331,470	-	331,470
478	-	66,946	2,777	69,723
139,320	-	287,414	34,505	321,919
28,390	-	67,550	9,447	76,997
62,073	-	199,489	32,880	232,369
745,037	-	837,275	-	837,275
15,327	-	33,568	6,751	40,319
57,476	-	1,700,939	440,404	2,141,343
1,048,101	-	3,193,181	526,764	3,719,945
-	-	278	14,301	14,579
-	-	-	10,311	10,311
639	-	37,358	5,975	43,333
57,855	-	72,746	-	72,746
863	-	53,271	21,933	75,204
8,806	-	205,924	26,723	232,647
-	-	708	8,353	9,061
-	-	11,036	-	11,036
6,074	-	61,049	26,957	88,006
-	-	4,005	20,297	24,302
5,645	-	65,790	22,881	88,671
1,196	-	4,144	1,546	5,690
-	-	396	31,750	32,146
-	-	448	11,060	11,508
1,705	-	14,502	-	14,502
4,967	-	92,378	12,081	104,459
-	-	68	-	68
47,451	-	47,477	-	47,477
-	-	5,631	34	5,665
4,053	-	5,024	382	5,406
7,711	-	12,305	2,938	15,243
206	-	4,942	1,733	6,675
-	-	9,615	1,190	10,805
-	-	3,433	282	3,715
2,661	-	81,972	5,484	87,456
4,018	-	86,180	2,508	88,688
153,850	-	880,680	228,718	1,109,398
\$ 1,201,951	\$ -	\$ 4,405,331	\$ 755,482	\$ 5,160,813

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statement of Functional Expenses
Year Ended June 30, 2021

	Program Services		
	Rehabilitation	Production	Medicaid
Direct Materials			
Purchases	\$ -	\$ 348,499	\$ -
Total Direct Materials	-	348,499	-
Direct Labor			
Client labor	2,918	69,699	189
Production labor	-	190,800	2,740
Staff labor	427,034	172,608	982,832
Payroll taxes	32,538	32,610	73,527
Insurance -workers comp	9,010	9,204	20,801
Insurance - employee group	19,589	53,760	83,001
Retirement costs	4,430	4,208	9,436
Total Direct Labor	495,519	532,889	1,172,526
Other Expenses			
Advertising	-	-	88
Bad debts	-	-	-
Commissions	-	26,208	-
Data processing	9,591	9,919	18,482
Depreciation	16,859	111,806	67,751
Distributions to Foundation	-	-	-
Dues and subscriptions	-	-	280
Freight - out	-	14,356	-
Insurance - general	9,581	11,391	28,324
Bank charges and interest	3,359	24,388	10,836
Office supplies/postage	156	55	1,428
Other expenses	3,667	19,862	18,355
Professional development	395	-	1,239
Professional services	-	520	-
Public relations	456	-	75
Rent	-	-	12,695
Repairs and maintenance	1,948	23,888	11,000
Service contract supplies	-	143	-
Shop and program supplies	537	2,626	4,506
Small tool and appliances	-	1,938	-
Sub-contracted services	-	7,403	-
Taxes and licenses	1,118	2,130	3,116
Telephone	8,977	-	3,685
Travel	319	-	915
Utilities	3,313	46,740	21,348
Vehicle operation/maintenance	13,760	437	38,592
Total Other Expenses	74,036	303,810	242,715
Total Expenses	\$ 569,555	\$ 1,185,198	\$ 1,415,241

The Accompanying Notes are an Integral
Part of the Financial Statements.

Program Services				
Janitorial	Distributions	Total Program Services	General and Administrative	Total Expenses
\$ -	\$ -	\$ 348,499	\$ -	\$ 348,499
-	-	348,499	-	348,499
6	-	72,812	542	73,354
791,506	-	985,046	1,309	986,355
57,187	-	1,639,661	407,042	2,046,703
65,308	-	203,983	29,455	233,438
29,145	-	68,160	8,408	76,568
160,458	-	316,808	31,851	348,659
15,635	-	33,709	6,300	40,009
1,119,245	-	3,320,179	484,907	3,805,086
-	-	88	13,824	13,912
-	-	-	7,584	7,584
59,377	-	85,585	-	85,585
828	-	38,820	14,837	53,657
6,608	-	203,024	21,957	224,981
-	1,000,000	1,000,000	-	1,000,000
-	-	280	7,738	8,018
-	-	14,356	(198)	14,158
7,897	-	57,193	21,234	78,427
792	-	39,375	10,696	50,071
-	-	1,639	13,127	14,766
3,255	-	45,139	44,940	90,079
-	-	1,634	3,965	5,599
-	-	520	30,734	31,254
-	-	531	7,841	8,372
1,705	-	14,400	-	14,400
2,186	-	39,022	9,611	48,633
41,538	-	41,681	43	41,724
-	-	7,669	2,755	10,424
87	-	2,025	73,629	75,654
7,879	-	15,282	-	15,282
234	-	6,598	755	7,353
-	-	12,662	1,358	14,020
-	-	1,234	394	1,628
1,336	-	72,737	7,615	80,352
4,050	-	56,839	1,142	57,981
137,772	1,000,000	1,758,333	295,580	2,053,913
\$ 1,257,017	\$ 1,000,000	\$ 5,427,011	\$ 780,487	\$ 6,207,498

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Statements of Cash Flows
Years Ended June 30,

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities		
Change in Net Assets	\$ 346,170	\$ 135,378
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
(Gain) loss on sale of assets	(3,413)	(13,267)
(Gain) loss on investments	1,337	(64,866)
Depreciation	232,647	224,981
Net change in		
Accounts receivable	48,691	(19,160)
Inventories	(11,225)	29,601
Prepaid expenses	(4,032)	6,075
Accounts payable	(2,159)	7,503
Deferred revenue	103,832	-
Accrued expenses	(3,341)	20,019
Accrued all purpose leave	(26,211)	13,664
	<u>682,296</u>	<u>339,928</u>
Net Cash Provided by Operating Activities		
	<u>682,296</u>	<u>339,928</u>
Cash Flows from Investing Activities		
Proceeds from sale of property and equipment	10,801	27,634
Purchases of property and equipment	(308,036)	(45,209)
Proceeds from sale of investments	284,283	-
Purchases of investments	-	(2,481)
	<u>(12,952)</u>	<u>(20,056)</u>
Net Cash Used by Investing Activities		
	<u>(12,952)</u>	<u>(20,056)</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

	<u>2022</u>	<u>2021</u>
Cash Flows from Financing Activities		
Proceeds from PPP refundable advance	-	(785,300)
Payments on long-term debt	(35,590)	(34,169)
Payments on capital lease	(39,221)	(38,328)
	<u> </u>	<u> </u>
Net Cash Provided (Used) by Financing Activities	(74,811)	(857,797)
	<u> </u>	<u> </u>
Net Increase (Decrease) in Cash	594,533	(537,925)
Cash at Beginning of Year	931,434	1,469,359
	<u> </u>	<u> </u>
Cash at End of Year	<u>\$ 1,525,967</u>	<u>\$ 931,434</u>
 Noncash Information		
Capitalized equipment from leases	\$ 57,833	\$ 65,048
 Balances Per Statements of Financial Position		
Cash and cash equivalents	\$ 1,481,687	\$ 887,154
Restricted Cash - USDA Note Reserve Account	44,280	44,280
	<u> </u>	<u> </u>
	<u>\$ 1,525,967</u>	<u>\$ 931,434</u>

The Accompanying Notes are an Integral
Part of the Financial Statements.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies

Nature of Activities

The Development Workshop, Inc. (the Workshop) was incorporated in August 1973 and is governed by a Board of Directors who serve without compensation. The Workshop operates a community rehabilitation program to provide vocational services, training, and employment to persons with disabilities with the goal of making them self-supporting. The Workshop serves individuals primarily in a nine county area in eastern Idaho through facilities located in Idaho Falls, Rexburg, and Salmon.

The revenues of the Workshop are derived primarily from the following sources:

1. Contracts with various governmental agencies for services provided in training and employment of persons with a wide range and severity of disabilities.
2. Sale of products and services to federal and state governmental agencies.
3. Sale of products and services in the private sector.
4. Contributions by civic organizations, foundations, corporations, trusts and individuals.

Donated services are not recorded in the books unless the services are to be capitalized, in which case the services are recorded at their fair market value.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

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

Net assets without donor restrictions are resources available to support operations. The only limits on the use of these 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.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (continued)

Net Assets With Donor Restrictions

Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose of in a particular future 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.

Property and Equipment

The Organization capitalizes property and equipment over \$5,000. Property and equipment purchased are recorded in the books at cost. Equipment that is leased under capital leases is recorded at the present value of the lease payments to be made over the term of the lease. All depreciable assets are being depreciated using the straight-line method, over their estimated useful lives that range from three to forty years.

Inventories

Inventories are valued at the lower of cost (first in, first out) or net realizable value.

Accounts Receivable

Accounts receivable are reported at the outstanding balances due from customers for products and services provided. Receivables are billed monthly. An allowance for uncollectible accounts has been established as an estimate of those balances which may not be collected. The allowance is based on experience and other circumstances which may affect the ability of clients and customers to make their payments. Receivables are considered impaired if payments are not received in accordance with the contractual terms. It is the Workshop's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. As of June 30, 2022 and 2021 there was \$3,900 and \$3,026 of accounts receivable in excess of 90 days, respectively.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (continued)

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Short-term investments consist of stocks and debt securities with original maturities of twelve months or less. Long-term investments consist of mutual funds and debt securities with original maturities greater than twelve months.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Workshop considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Contribution Revenue - Paycheck Protection Program (PPP) Loan

In fiscal year 2020, the Workshop was granted a \$785,300 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Workshop was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Workshop initially recorded the loan as a refundable advance. Proceeds from the loan were eligible for forgiveness if the Workshop maintained employment levels during its covered period and uses the funds for certain payroll, rent, and utility expense.

During the prior year, the Workshop was notified by the SBA that the entire balance of the outstanding loan had been forgiven. Since the Workshop initially recorded a note payable, it subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Workshop recognized \$785,300 of loan forgiveness income for the year ended June 30, 2021.

Accounting For Contributions

Contributions, including unconditional promises to give, are recognized when received. All contributions are recorded as increases in net assets without donor restrictions unless use of the contributed asset is 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 the payment is due, unless the contribution is clearly intended to support activities of the current fiscal year. Conditional promises, such as matching grants, are not recognized until they become unconditional, that is, until all conditions on which they depend are substantially met.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

1. Summary of Significant Accounting Policies (continued)

Tax Exempt Status

The Workshop has received a determination from the Internal Revenue Service that it qualifies as a nonprofit organization under section 501(c)(3) of the Internal Revenue Code. The Workshop also has received a determination from the State of Idaho that it qualifies as a corporation exempt from income taxes, including the minimum tax provisions, under section 63-3025C of the Idaho Code. Accordingly, there is no accounting for income taxes in the accompanying financial statements.

The 2018 through 2022 tax years remain open to examination by the Internal Revenue Service and the Idaho State Tax Commission. These taxing authorities have the authority to examine those years until the applicable statute of limitations expire.

Statement of Functional Expenses

The costs of providing various program and supporting services have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising

Advertising costs are accrued as a prepaid asset when incurred and expensed each month over the estimated benefit period. Advertising expense for the year ended June 30, 2022 was \$14,579 with \$0 included as a prepaid asset at year end. Advertising expense for the year ended June 30, 2021 was \$13,912 with \$0 included as a prepaid asset at year end.

Subsequent Events

The Workshop has evaluated subsequent events and transactions through November 17, 2022 the date the financial statements were available to be issued.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

2. Cash and Cash Equivalents

The Workshop maintains several checking and savings accounts in local financial institutions. At times the total cash and cash equivalents held by these financial institutions exceed FDIC insurance coverage. At June 30, 2022 and 2021, the Workshop had \$0 and \$468,663 uninsured and uncollateralized, respectively.

3. Restricted Cash – USDA Note Reserve Account

Cash has been restricted under a debt service agreement with the USDA to reflect the required establishment of a reserve account to be used for future note payments or for repairs or improvements to the financed facility upon prior written approval.

4. Related Party Transactions

The Development Workshop, Inc. provides administrative services to the Development Workshop Foundation, a related entity, on a reimbursement basis. Charges for services and reimbursed expenses amounted to \$69,215 and \$69,983 for the years ended June 30, 2022 and 2021, respectively.

As of June 30, 2022 and 2021, the Workshop had related party receivables outstanding from the Foundation of \$41,830 and \$9,471, respectively.

As of June 30, 2022 and 2021, the Workshop had related party payables outstanding to the Foundation of \$4,773 and \$3,355, respectively.

The Workshop receives donations from the Foundation for grants, client scholarships, fixed asset purchases, and other expenses. For the years ended June 30, 2022 and 2021, the Workshop received \$406,484 and \$28,275, respectively, of contributions from the Foundation. During the year ended June 30, 2021, the Workshop also made a one-time transfer to the Foundation of \$1,000,000, which consisted of COVID relief money received during the year.

The Workshop leases vehicles from the Foundation under capital leases. For the year ended June 30, 2022 and 2021, the Workshop paid \$45,287 and \$46,686, respectively, to the Foundation to lease vehicles.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

5. Inventories

Major classes of inventories at June 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Raw Materials	\$ 266,982	\$ 274,445
Finished Goods	121,762	103,074
	<u>\$ 388,744</u>	<u>\$ 377,519</u>

6. Membership in Transitional Living Center

During the fiscal year ended June 30, 1990, Development Workshop, Inc. purchased land for a client residential housing facility on behalf of Transitional Living Center, Inc. After the necessary financing for construction of the housing facility was in place, Development Workshop, Inc. transferred title of the land to Transitional Living Center, Inc. on August 31, 1992. Construction on the housing facility began in October 1992 and was completed in August 1994. Clients have been living in the facility since November 1993.

In 1994, Development Workshop, Inc. was reimbursed by HUD for a portion of the cost of the land for the Transitional Living Center. The remaining cost for the land, or \$25,655, represents the Workshop's membership in Transitional Living Center, Inc., a non-profit organization.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

7. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of June 30, 2022 are:

Financial assets:	
Cash and cash equivalents	\$ 1,481,687
Accounts receivable, net	353,454
Related party receivable	<u>37,057</u>
 Total financial assets available for general expenditures within one year	 <u>\$ 1,872,198</u>

8. Fair Value Measurement

FASB ASC 820 specifies a hierarchy of valuation techniques based upon whether the inputs to those valuation techniques reflect assumptions other market participants would use based upon market data obtained from independent sources (observable inputs). The following summarizes the fair value hierarchy:

- Level 1 Inputs – Unadjusted quoted market prices for identical assets and liabilities in an active market.
- Level 2 Inputs – Inputs other than the quoted process in active markets that are observable either directly or indirectly.
- Level 3 Inputs – Inputs based on prices or valuation techniques that are both unobservable and significant to the overall fair value measurements.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

8. Fair Value Measurement (continued)

FASB ASC 820 required the use of observable market data, when available, in making fair value measurements. When inputs used to measure fair value fall within different levels of the hierarchy, the level within which the fair value measurement is categorized is based on the lowest level input that is significant to the fair value measurements. Valuation techniques used need to maximize the use of observable inputs.

There were no assets reported at fair value on a recurring basis at June 30, 2022.

The fair value measurements and levels with the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2021 are as follows:

	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date Using</u>		
		<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Long-term Investments				
Corporate bonds	\$ 34,175	\$ 34,175	\$ -	\$ -
Municipal bonds	35,354	35,354	-	-
Partnerships	2,993	2,993	-	-
Real estate investment trust	2,316	2,316	-	-
Equity mutual funds	149,367	149,367	-	-
International equity mutual funds	61,415	61,415	-	-
Total Long-term Investments	<u>\$ 285,620</u>	<u>\$ 285,620</u>	<u>\$ -</u>	<u>\$ -</u>

Long-term investments are reported at fair value and measured on a recurring basis determined by reference to quoted market prices and other relevant information generated by market transactions.

The Organization recognizes transfers of assets into and out of levels as of the date an event or change in circumstances causes the transfer. There were no transfers between levels in the years ended June 30, 2022 and 2021.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

9. Employee Retirement Plan

The Workshop has a tax sheltered deferred annuity plan, as described in Section 403(b) of the Internal Revenue Code, covering all staff employees who have met the service requirements. The contribution by the Workshop for staff employees is at a rate of zero to 2.0% of the employee's compensation depending upon the employee's length of service. Workshop contributions for Service Contract Act employees are determined by the federal contract they worked on and the contractual rate specified. Voluntary contributions to the plan are permitted to a maximum allowed by IRS regulations. Contributions to the retirement plan amounted to \$40,319 and \$40,008 for the years ended June 30, 2022 and 2021, respectively.

10. Capital Leases

In the years ended June 30, 2022 and 2021, the Workshop entered into agreements with the Development Workshop Foundation to lease vehicles under capital leases. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and accordingly, it is recorded in the Workshop's assets and liabilities.

The following is an analysis of the leased assets included in fixed assets:

	<u>2022</u>	<u>2021</u>
Vehicles	\$ 244,021	\$ 186,188
Less accumulated depreciation	<u>(69,424)</u>	<u>(40,172)</u>
	<u>\$ 174,597</u>	<u>\$ 146,016</u>

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

10. Capital Leases (continued)

The lease agreements contain a bargain purchase option at the end of the lease term. The following is a schedule by years of future minimum payments required under the leases together with their present value at June 30, 2022:

2023	.....	\$	53,741
2024	.....		53,421
2025	.....		44,467
2026	.....		24,084
2027	.....		8,421
			<hr/>
Total minimum lease payments			184,134
Less amount representing interest			<hr/> (13,287)
		\$	<hr/> 170,847

Amortization of assets held under capital leases is included in depreciation expense.

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

11. Long-term Debt

Long-term debt as of June 30, is as follows:

	<u>2022</u>	<u>2021</u>
4.25% note payable to USDA, due in monthly installments of \$3,690, including interest. Original principal amount of \$750,000.	\$ 454,542	\$ 478,938
3.75% note payable to USDA, due in monthly installments of \$1,894, including interest. Original principal amount of \$408,000, secured by deed of trust. Final installment due December 2040.	<u>301,407</u>	<u>312,601</u>
	755,949	791,539
Less current portion of long-term debt	<u>(37,078)</u>	<u>(35,593)</u>
	<u>\$ 718,871</u>	<u>\$ 755,946</u>

Future installments of long-term debt as of June 30, 2022 are as follows:

2023	\$ 37,078
2024	38,624
2025	40,236
2026	41,914
2027	43,664
Thereafter	<u>554,433</u>
	<u>\$ 755,949</u>

DEVELOPMENT WORKSHOP, INC.
Notes to Financial Statements
June 30, 2022 and 2021

12. Paycheck Protection Program (PPP) Refundable Advance

In fiscal year 2020, the Workshop was granted a \$785,300 loan under the PPP administered by a Small Business Administration (SBA) approved partner. The loan was uncollateralized and fully guaranteed by the Federal government. The Workshop was eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Workshop initially recorded the loan as a refundable advance.

During the prior year, the Workshop was notified by the SBA that the entire balance of the outstanding loan had been forgiven. Since the Workshop initially recorded a refundable advance, it subsequently recorded forgiveness when the loan obligation was legally released by the SBA. The Workshop recognized \$785,300 of loan forgiveness income for the year ended June 30, 2021.

13. Statement of Cash Flows Additional Information

Interest paid by the Workshop for the years ended June 30, 2022 and 2021 amounted to \$37,853 and \$39,452, respectively.

Since the Workshop is a non-profit organization, there are no payments for income taxes.