



**RUDD & COMPANY** PLLC  
*certified public accountants | business consultants*

## **DEVELOPMENT WORKSHOP, INC.**

**Financial Statements  
with  
Independent Auditors' Report**

**June 30, 2021 and 2020**

*giving direction to your future*

**DEVELOPMENT WORKSHOP, INC.**  
**Table of Contents**  
**June 30, 2021 and 2020**

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<b>Independent Auditors' Report</b> .....	1-2
<b>Financial Statements</b>	
Statements of Financial Position.....	3-4
Statement of Activities – Year Ended June 30, 2021 .....	5-6
Statement of Activities – Year Ended June 30, 2020 .....	7-8
Statement of Functional Expenses – Year Ended June 30, 2021.....	9-10
Statement of Functional Expenses – Year Ended June 30, 2020.....	11-12
Statements of Cash Flows.....	13-14
Notes to Financial Statements.....	15-26



## **INDEPENDENT AUDITORS' REPORT**

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

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, 2021 and 2020, 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**

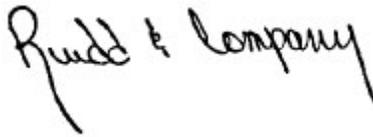
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 Development Workshop, Inc. as of June 30, 2021 and 2020, 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.

A handwritten signature in black ink that reads "Rudd & Company". The signature is written in a cursive, flowing style.

Idaho Falls, Idaho  
November 18, 2021

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

	<u>2021</u>	<u>2020</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 887,154	\$ 1,425,079
Accounts receivable (net of allowance for uncollectible accounts of \$6,000)	433,086	418,065
Related party receivable	6,116	1,977
Inventories	377,519	407,120
Prepaid expenses	34,946	41,021
Total Current Assets	<u>1,738,821</u>	<u>2,293,262</u>
Property, Plant and Equipment		
Land	1,036,187	1,036,187
Land improvements	75,102	75,102
Buildings	4,408,431	4,408,431
Machinery and equipment	2,656,818	2,699,548
Construction in progress	33,170	-
	<u>8,209,708</u>	<u>8,219,268</u>
Less accumulated depreciation	<u>(4,102,738)</u>	<u>(3,983,207)</u>
Net Property, Plant and Equipment	<u>4,106,970</u>	<u>4,236,061</u>
Other Assets		
Restricted cash - USDA Note Reserve Account	44,280	44,280
Long-term investments	285,620	218,273
Membership in Transitional Living Center	25,655	25,655
Total Other Assets	<u>355,555</u>	<u>288,208</u>
	<u>\$ 6,201,346</u>	<u>\$ 6,817,531</u>

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

	<u>2021</u>	<u>2020</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accounts payable	\$ 55,106	\$ 47,603
Accrued payroll	188,226	154,670
Accrued other liabilities	43,197	56,734
PPP refundable advance	-	785,300
Current portion of lease payable	35,610	25,218
Current portion of long-term debt	35,593	34,168
Total Current Liabilities	<u>357,732</u>	<u>1,103,693</u>
Long-Term Liabilities		
Lease payable	116,625	100,297
Long-term debt	755,946	791,540
Accrued all purpose leave	237,546	223,882
Total Long-Term Liabilities	<u>1,110,117</u>	<u>1,115,719</u>
Total Liabilities	<u>1,467,849</u>	<u>2,219,412</u>
Net Assets		
Without donor restrictions	4,733,497	4,595,672
With donor restrictions	-	2,447
Total Net Assets	<u>4,733,497</u>	<u>4,598,119</u>
	<u>\$ 6,201,346</u>	<u>\$ 6,817,531</u>

The Accompanying Notes are an Integral  
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**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  
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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 Activities**  
**Year Ended June 30, 2020**

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues, Support and Other Income			
Revenues:			
Medicaid services income	\$ 1,459,993	\$ -	\$ 1,459,993
Service contracts income	1,673,702	-	1,673,702
Products income	1,057,811	-	1,057,811
Health and welfare income	349,983	-	349,983
Vocational rehabilitation	85,876	-	85,876
Prevocational - school districts	4,114	-	4,114
Other income	4,081	-	4,081
	<u>4,635,560</u>	<u>-</u>	<u>4,635,560</u>
Total Revenues			
Support and Other Income:			
Donations	-	127,932	127,932
United Way	-	20,367	20,367
Other income	153,257	-	153,257
Earnings on investments	6,496	-	6,496
Loss on investments	(19,186)	-	(19,186)
Gain on sale of fixed assets	1,001	-	1,001
	<u>141,568</u>	<u>148,299</u>	<u>289,867</u>
Total Support and Other Income			
Support Provided by Expiring Time and Purpose Restrictions	<u>168,969</u>	<u>(168,969)</u>	<u>-</u>
Total Revenues, Support and Other Income	4,946,097	(20,670)	4,925,427

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

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Expenses			
Program Services:			
Rehabilitation	567,799	-	567,799
Production	1,266,970	-	1,266,970
Medicaid	1,253,345	-	1,253,345
Janitorial	1,243,845	-	1,243,845
	<u>4,331,959</u>	<u>-</u>	<u>4,331,959</u>
Total Program Services			
General and Administrative	761,858	-	761,858
	<u>761,858</u>	<u>-</u>	<u>761,858</u>
Total Expenses	<u>5,093,817</u>	<u>-</u>	<u>5,093,817</u>
Change in Net Assets	(147,720)	(20,670)	(168,390)
Net Assets at Beginning of Year	<u>4,743,392</u>	<u>23,117</u>	<u>4,766,509</u>
Net Assets at End of Year	<u>\$ 4,595,672</u>	<u>\$ 2,447</u>	<u>\$ 4,598,119</u>

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

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

	<b>Program Services</b>		
	<b>Rehabilitation</b>	<b>Production</b>	<b>Medicaid</b>
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.

<b>Program Services</b>				
<b>Janitorial</b>	<b>Distributions</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
\$ -	\$ -	\$ 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.**  
**Statement of Functional Expenses**  
**Year Ended June 30, 2020**

	<b>Program Services</b>		
	<b>Rehabilitation</b>	<b>Production</b>	<b>Medicaid</b>
Direct Materials			
Purchases	\$ -	\$ 448,333	\$ -
Total Direct Materials	-	448,333	-
Direct Labor			
Client labor	1,527	67,924	98
Production labor	-	207,185	4,775
Staff labor	412,404	130,927	848,699
Payroll taxes	31,061	30,065	63,935
Insurance -workers comp	7,285	7,308	15,160
Insurance - employee group	26,742	53,200	75,521
Retirement costs	4,771	5,435	8,905
Total Direct Labor	483,790	502,044	1,017,093
Other Expenses			
Advertising	-	-	-
Bad debts	-	-	-
Commissions	-	23,493	-
Data processing	10,413	7,951	20,938
Depreciation	22,878	130,434	78,741
Dues and subscriptions	-	249	720
Freight - out	-	6,239	-
Insurance - general	10,573	10,016	24,458
Interest	2,743	27,733	6,199
Office supplies/postage	48	31	377
Other expenses	3,462	24,775	17,629
Professional development	45	390	1,267
Professional services	-	-	-
Public relations	187	-	213
Rent	-	-	11,635
Repairs and maintenance	1,958	23,857	11,896
Service contract supplies	-	83	-
Shop and program supplies	403	1,656	3,081
Small tool and appliances	128	1,994	80
Sub-contracted services	-	6,608	-
Taxes and licenses	878	1,609	2,423
Telephone	9,952	-	3,263
Travel	282	-	1,273
Utilities	3,183	49,366	22,828
Vehicle operation/maintenance	16,876	109	29,231
Total Other Expenses	84,009	316,593	236,252
Total Expenses	\$ 567,799	\$ 1,266,970	\$ 1,253,345

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

<b>Program Services</b>			
<b>Janitorial</b>	<b>Total Program Services</b>	<b>General and Administrative</b>	<b>Total Expenses</b>
\$ -	\$ 448,333	\$ -	\$ 448,333
-	448,333	-	448,333
21	69,570	1,570	71,140
756,992	968,952	1,557	970,509
56,610	1,448,640	469,676	1,918,316
61,964	187,025	34,424	221,449
22,151	51,904	8,434	60,338
169,315	324,778	34,907	359,685
22,299	41,410	6,871	48,281
1,089,352	3,092,279	557,439	3,649,718
-	-	14,982	14,982
-	-	8,799	8,799
61,987	85,480	-	85,480
1,230	40,532	19,613	60,145
6,090	238,143	23,109	261,252
-	969	7,748	8,717
-	6,239	(133)	6,106
7,192	52,239	20,684	72,923
521	37,196	8,751	45,947
-	456	8,265	8,721
3,047	48,913	21,625	70,538
-	1,702	2,150	3,852
-	-	30,018	30,018
-	400	9,942	10,342
1,608	13,243	112	13,355
2,571	40,282	9,966	50,248
53,464	53,547	-	53,547
-	5,140	969	6,109
1,935	4,137	2,961	7,098
8,551	15,159	38	15,197
206	5,116	830	5,946
-	13,215	805	14,020
-	1,555	5,647	7,202
1,782	77,159	4,433	81,592
4,309	50,525	3,105	53,630
154,493	791,347	204,419	995,766
\$ 1,243,845	\$ 4,331,959	\$ 761,858	\$ 5,093,817

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

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

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities</b>		
Change in Net Assets	\$ 135,378	\$ (168,390)
Adjustments to reconcile net assets to net cash provided (used) by operating activities		
(Gain) loss on sale of assets	(13,267)	(1,001)
(Gain) loss on investments	(64,866)	19,186
Depreciation	224,981	261,252
Net change in		
Accounts receivable	(19,160)	43,022
Inventories	29,601	49,735
Prepaid expenses	6,075	1,324
Accounts payable	7,503	(13,649)
Accrued expenses	20,019	(50,539)
Accrued all purpose leave	13,664	(2,357)
	<u>339,928</u>	<u>138,583</u>
Net Cash Provided by Operating Activities		
	<u>339,928</u>	<u>138,583</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of property and equipment	27,634	1,001
Purchases of property and equipment	(45,209)	(100,331)
Proceeds from sale of investments	-	42,000
Purchases of investments	(2,481)	(37,744)
	<u>(20,056)</u>	<u>(95,074)</u>
Net Cash Used by Investing Activities		
	<u>(20,056)</u>	<u>(95,074)</u>

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

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from PPP refundable advance	(785,300)	785,300
Payments on long-term debt	(34,169)	(43,646)
Payments on capital lease	(38,328)	(27,836)
	<u>                    </u>	<u>                    </u>
Net Cash Provided (Used) by Financing Activities	(857,797)	713,818
	<u>                    </u>	<u>                    </u>
Net Increase (Decrease) in Cash	(537,925)	757,327
Cash at Beginning of Year	1,469,359	712,032
	<u>                    </u>	<u>                    </u>
Cash at End of Year	<u>\$ 931,434</u>	<u>\$ 1,469,359</u>
<b>Noncash Information</b>		
Capitalized equipment from leases	\$ 65,048	\$ 115,612
<b>Balances Per Statements of Financial Position</b>		
Cash and cash equivalents	\$ 887,154	\$ 1,425,079
Restricted Cash - USDA Note Reserve Account	44,280	44,280
	<u>                    </u>	<u>                    </u>
	<u>\$ 931,434</u>	<u>\$ 1,469,359</u>

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

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements**  
**June 30, 2021 and 2020**

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**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 (continued)**  
**June 30, 2021 and 2020**

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**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 \$1,000. 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, 2021 and 2020 there was \$3,026 and \$12,626 of accounts receivable in excess of 90 days, respectively.

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**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 the prior year, 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. No contribution revenue has been recorded for the year ended June 30, 2020.

During the current 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 (continued)**  
**June 30, 2021 and 2020**

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**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 2021 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, 2021 was \$13,912 with \$0 included as a prepaid asset at year end. Advertising expense for the year ended June 30, 2020 was \$14,982 with \$0 included as a prepaid asset at year end.

**Subsequent Events**

The Workshop has evaluated subsequent events and transactions through November 18, 2021, the date the financial statements were available to be issued.

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**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, 2021 and 2020, the Workshop had \$468,663 and \$1,218,917 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 \$69,983 and \$67,363 for the years ended June 30, 2021 and 2020, respectively.

As of June 30, 2021 and 2020, the Workshop had related party receivables outstanding from the Foundation of \$9,471 and \$6,213, respectively.

As of June 30, 2021 and 2020, the Workshop had related party payables outstanding to the Foundation of \$3,355 and \$4,236, respectively.

The Workshop receives donations from the Foundation for grants, client scholarships, fixed asset purchases, and other expenses. For the years ended June 30, 2021 and 2020, the Workshop received \$28,275 and \$120,660, 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, 2021 and 2020, the Workshop paid \$46,686 and \$32,882, respectively, to the Foundation to lease vehicles.

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**5. Inventories**

Major classes of inventories at June 30, 2021 and 2020 are summarized as follows:

	<u>2021</u>	<u>2020</u>
Raw Materials	\$ 274,445	\$ 296,788
Finished Goods	<u>103,074</u>	<u>110,332</u>
	<u>\$ 377,519</u>	<u>\$ 407,120</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 (continued)**  
**June 30, 2021 and 2020**

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**7. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor restrictions limiting their use, within one year of June 30, 2021 are:

Financial assets:

Cash and cash equivalents	\$ 887,154
Accounts receivable, net	433,086
Related party receivable	<u>6,116</u>

Total financial assets available for general expenditures within one year	<u>\$ 1,326,356</u>
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**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 (continued)**  
**June 30, 2021 and 2020**

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**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.

The fair value measurements and levels within 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:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
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>

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**8. Fair Value Measurement (continued)**

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, 2020 are as follows:

	Fair Value	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Long-term Investments				
Corporate bonds	\$ 34,413	\$ 34,413	\$ -	\$ -
Municipal bonds	36,307	36,307	-	-
Real estate investment trust	6,165	6,165	-	-
Equity mutual funds	103,550	103,550	-	-
International equity mutual funds	37,838	37,838	-	-
Total Long-term Investments	<u>\$ 218,273</u>	<u>\$ 218,273</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, 2021 and 2020.

**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 \$40,008 and \$48,281 for the years ended June 30, 2021 and 2020, respectively.

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**10. Capital Leases**

In the years ended June 30, 2021 and 2020, 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>2021</u>	<u>2020</u>
Vehicles	\$ 186,188	\$ 175,825
Less accumulated depreciation	<u>(40,172)</u>	<u>(56,014)</u>
	<u>\$ 146,016</u>	<u>\$ 119,811</u>

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, 2021:

2022	\$ 40,875
2023	40,875
2024	38,315
2025	28,688
2026	<u>11,218</u>
Total minimum lease payments	159,971
Less amount representing interest	<u>(7,736)</u>
	<u>\$ 152,235</u>

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

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**11. Long-term Debt**

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

	<u>2021</u>	<u>2020</u>
4.25% note payable to USDA, due in monthly installments of \$3,690, including interest. Original principal amount of \$750,000.	\$ 478,938	\$ 502,322
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>312,601</u>	<u>323,386</u>
	791,539	825,708
Less current portion of long-term debt	<u>(35,593)</u>	<u>(34,168)</u>
	<u>\$ 755,946</u>	<u>\$ 791,540</u>

Future installments of long-term debt as of June 30, 2021 are as follows:

2022	\$ 35,593
2023	37,078
2024	38,624
2025	40,236
2026	43,021
Thereafter	<u>596,987</u>
	<u>\$ 791,539</u>

**DEVELOPMENT WORKSHOP, INC.**  
**Notes to Financial Statements (continued)**  
**June 30, 2021 and 2020**

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**12. Paycheck Protection Program (PPP) Refundable Advance**

In the prior year 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. No forgiveness income was recorded for the year ended June 30, 2020.

During the current 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, 2021 and 2020 amounted to \$39,452 and \$45,947, respectively.

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