

WHERE TOMORROW'S WORKFORCE BEGINS

**GENESYS
WORKS.**



DECEMBER 31, 2019 AND 2018

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)



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INDEPENDENT AUDITOR'S REPORT

Board of Directors
of **Genesys Works**

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Genesys Works and its subsidiaries (collectively, Genesys), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of consolidated 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 the consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated 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 controls. 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Genesys as of December 31, 2019 and 2018, and the consolidated changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplemental information of statements of financial position and statements of activities and changes in net assets, as listed in the table of content on pages 18 - 31, is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.



Houston, Texas
June 24, 2020



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 5,972,444	\$ 6,008,271
Accounts receivable, net	2,569,254	2,544,013
Contributions receivable	1,610,016	744,000
Prepaid expenses and other assets	293,477	313,162
Property and equipment, net	202,521	261,480
 Total assets	 <u>\$ 10,647,712</u>	 <u>\$ 9,870,926</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 268,117	\$ 280,234
Accrued expenses and other payables	548,210	543,070
Deferred revenue	147,162	336,549
Line of credit	200,000	200,000
 Total liabilities	 <u>1,163,489</u>	 <u>1,359,853</u>
Net assets:		
Without donor restrictions	7,918,200	7,553,016
With donor restrictions	1,566,023	958,057
 Total net assets	 <u>9,484,223</u>	 <u>8,511,073</u>
 Total liabilities and net assets	 <u>\$ 10,647,712</u>	 <u>\$ 9,870,926</u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 7,407,848	\$ 1,476,060	\$ 8,883,908	\$ 7,248,740	\$ 674,800	\$ 7,923,540
In-kind contributions	134,713	-	134,713	386,554	-	386,554
Net assets released from restrictions	868,094	(868,094)	-	1,980,754	(1,980,754)	-
Total public support	8,410,655	607,966	9,018,621	9,616,048	(1,305,954)	8,310,094
Revenues - program service fees	18,287,507	-	18,287,507	16,639,514	-	16,639,514
Total public support, revenues, and other	26,698,162	607,966	27,306,128	26,255,562	(1,305,954)	24,949,608
Expenses:						
Student program	21,610,415	-	21,610,415	21,581,067	-	21,581,067
Management and general	2,420,032	-	2,420,032	3,135,945	-	3,135,945
Fundraising	2,302,531	-	2,302,531	2,485,857	-	2,485,857
Total expenses	26,332,978	-	26,332,978	27,202,869	-	27,202,869
Changes in net assets	365,184	607,966	973,150	(947,307)	(1,305,954)	(2,253,261)
Net assets, beginning of year	7,553,016	958,057	8,511,073	8,500,323	2,264,011	10,764,334
Net assets, end of year	<u>\$ 7,918,200</u>	<u>\$ 1,566,023</u>	<u>\$ 9,484,223</u>	<u>\$ 7,553,016</u>	<u>\$ 958,057</u>	<u>\$ 8,511,073</u>

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED DECEMBER 31, 2019 AND 2018

	Student Program		Management and General		Fundraising		Total	
	2019	2018	2019	2018	2019	2018	2019	2018
Salaries, benefits and taxes - students	\$ 10,340,521	\$ 9,163,128	\$ -	\$ -	\$ -	\$ -	\$ 10,340,521	\$ 9,163,128
Salaries, benefits and taxes - staff	7,834,368	8,410,184	1,420,754	1,347,413	1,668,972	1,675,320	10,924,094	11,432,917
Other expenses:								
Facilities rent and expenses	821,012	1,073,525	163,961	222,077	70,731	59,970	1,055,704	1,355,572
Professional services	420,735	423,902	302,756	648,482	130,677	238,317	854,168	1,310,701
Technology and communications	506,770	734,210	225,641	232,608	11,541	26,276	743,952	993,094
Transportation	532,715	779,590	16,984	29,398	12,301	17,946	562,000	826,934
Fundraising events	127,950	135,617	9,286	184,366	276,715	273,617	413,951	593,600
Other miscellaneous expenses	356,099	311,292	90,916	101,194	54,304	44,818	501,319	457,304
Professional development	86,870	154,496	103,215	189,172	41,209	64,798	231,294	408,466
Marketing expenses	322,055	118,140	8,615	94,770	24,183	51,108	354,853	264,018
Insurance	119,071	103,032	28,544	30,092	-	10,094	147,615	143,218
Supplies and materials	79,252	78,291	26,226	48,766	2,090	15,985	107,568	143,042
Total expenses before depreciation	21,547,418	21,485,407	2,396,898	3,128,338	2,292,723	2,478,249	26,237,039	27,091,994
Depreciation of property and equipment	62,997	95,660	23,134	7,607	9,808	7,608	95,939	110,875
Total expenses	<u>\$ 21,610,415</u>	<u>\$ 21,581,067</u>	<u>\$ 2,420,032</u>	<u>\$ 3,135,945</u>	<u>\$ 2,302,531</u>	<u>\$ 2,485,857</u>	<u>\$ 26,332,978</u>	<u>\$ 27,202,869</u>
Functional expense percentages	82%	79%	9%	12%	9%	9%	100%	100%

See accompanying notes to consolidated financial statements.



CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Changes in net assets	\$ 973,150	\$ (2,253,261)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	95,939	110,875
Changes in operating assets and liabilities:		
(Increase) Decrease in:		
Accounts receivable (net)	(25,241)	(207,023)
Government grants receivable	-	5,760
Contributions receivable	(866,016)	12,686
Prepaid expenses and other assets	19,685	(64,356)
(Decrease) Increase in:		
Accounts payable	(12,117)	(26,395)
Accrued expenses and other payables	5,140	(493,433)
Deferred revenue	(189,387)	97,782
Net cash provided by (used in) operating activities	<u>1,153</u>	<u>(2,817,365)</u>
Cash flows from investing activities:		
Purchases of property and equipment	<u>(36,980)</u>	<u>-</u>
Net cash used in investing activities	<u>(36,980)</u>	<u>-</u>
Cash flows from financing activities:		
Proceeds from line of credit	<u>-</u>	<u>200,000</u>
Net cash provided by financing activities	<u>-</u>	<u>200,000</u>
Net decrease in cash and cash equivalents	(35,827)	(2,617,365)
Cash and cash equivalents, beginning of year	<u>6,008,271</u>	<u>8,625,636</u>
Cash and cash equivalents, end of year	<u>\$ 5,972,444</u>	<u>\$ 6,008,271</u>
Supplemental disclosures:		
Cash paid for interest	<u>\$ 11,898</u>	<u>\$ 2,681</u>

See accompanying notes to consolidated financial statements.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 1 - Description of Organization

Genesys Works is a Texas nonprofit corporation incorporated on April 7, 2002. Genesys Works is the sole member in the following subsidiaries: Genesys Works Twin Cities, which was formed April 7, 2009 as a Minnesota nonprofit corporation; Genesys Works Houston, which was formed December 21, 2009 as a Texas nonprofit corporation; Genesys Works Chicago, which was formed December 21, 2009 as a Texas nonprofit corporation; and Genesys Works Bay Area, which was formed December 13, 2012 as a Texas nonprofit corporation. Genesys Works also has sites in the National Capital Region and New York City, both of which have been formed under the Genesys Works incorporation.

Genesys Works and its subsidiaries (hereafter referred to as Genesys, we, us, our) provide pathways to career success for high school students in underserved communities through skills training, meaningful work experiences, and impactful relationships.

Note 2 - Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Genesys Works and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Financial Statement Presentation

The consolidated 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, revenues, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets without donor restrictions are available for operations and are not limited by donor restrictions. The Board of Directors (Board) may designate a portion of these net assets for specific purposes which makes them unavailable for use at management's discretion. As of December 31, 2019 and 2018, we did not have any funds designated by the Board for specific purposes.

Net Assets With Donor Restrictions - Net assets with donor restrictions consist of assets whose use is limited by donor or grantor-imposed time and/or purpose restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor or grantor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Financial Statement Presentation (Continued)

If donor or grantor-imposed restrictions are met in the same reporting period as the contribution or grant is recognized as revenue, we report such amount as an increase in net assets without donor restrictions. All other donor or grantor-restricted contributions and grants are reported as increases in net assets with donor restrictions, and when the restriction expires or is satisfied, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Cash and Cash Equivalents

We consider all cash and highly liquid investments with an initial maturity of three months or less, which are neither held for, nor restricted by donors for long-term purposes, to be cash and cash equivalents and available for current use. We consider amounts held in money market mutual funds to be cash equivalents and such amounts are valued through the use of a quoted market price (Level 1), which is the \$1 net asset value of the fund as of year-end. At December 31, 2019, and 2018, we had \$5,416,072 and \$2,694,754 in money market mutual funds, respectively.

Accounts Receivable

Accounts receivable consists primarily of amounts owed to us by the private and public sector for services provided through our internship training program. We record an allowance for uncollectible accounts when it is believed that any amounts receivable may not be collected in full. The amount of bad debt expense recorded each period is based on a customer-by-customer analysis, combined with historical collection experience. Accounts receivable are written off when deemed uncollectible, generally after a year. At December 31, 2019 and 2018, the allowance was \$33,035 and \$23,765, respectively.

Contributions Receivable

We record unconditional promises to give that are expected to be collected within one year at net realizable value. If material, discounts to present value are recorded for unconditional promises to give that are expected to be collected over periods in excess of one year. The present value discounts, if any, are computed using risk-free interest rates applicable to the years in which the promises are received. Amortization of the discounts is included in contribution revenue and is reported within the asset class in which the contribution was originally reported.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018

Note 2 - Summary of Significant Accounting Policies (Continued)

Property and Equipment

We record property and equipment at acquisition cost or, if donated, at estimated fair value at the date of donation. We have established a \$5,000 threshold amount for minimum capitalization. Depreciation and amortization is computed by the straight-line method over the following estimated useful lives:

Equipment	5-7 years
Furniture and fixtures	5-10 years
Vehicles	5 years
Software	5 years
Leasehold improvements	Remaining term of lease

When assets are sold or otherwise disposed of, the cost and related accumulated depreciation and amortization are removed from the accounts, and any remaining gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets or do not meet the \$5,000 threshold are expensed currently.

Revenue Recognition

Program service fees represent amounts charged to customers based on established hourly billing rates for services provided by the students through our internship training program. Program service fees received in advance are deferred to the applicable period in which the related services are performed.

Contributions are recognized when cash, securities or other assets; an unconditional promise to give; or notification of a beneficial interest is received.

Conditional promises to give are those that contain a measurable performance obligation or other barrier, as well as a right of return, and are not recognized until the conditions on which they depend have been met. If funds are received in advance of the condition being met, they are recorded as deferred revenue and are recognized as revenue once the conditions have been met. At December 31, 2019, conditional contributions of \$835,241 have not been recognized in the accompanying consolidated statement of activities because the condition(s) on which they depend has not yet been met. Of the total conditional contributions, \$475,465 depends on satisfactory progress of grant objectives, \$25,000 depends on participation in a grant stipulated program, \$140,000 depends on obtaining board approval for expansion to a geographical area specified in the grant, and \$114,710 depends on the satisfactory progress of grant objectives.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributed property and equipment is recorded at fair value at the date of donation and recognized as unrestricted support unless the donor specifies how the assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as donor-restricted support and absent explicit donor stipulations about how long those long-lived assets must be maintained, are released from donor restrictions when the donated or acquired long-lived assets are placed in service.

Contributed services that meet the recognition requirements of GAAP are recorded at fair value, except for the work of volunteers for which no monetary value has been assigned.

Functional Allocation of Expenses

The expenses of providing the program and activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain expenses have been allocated among the program and supporting services benefited, based on such estimates as square footage, salaries, or other reasonable methods.

Income Taxes

Genesys Works is a not-for-profit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code (IRC). The subsidiaries of Genesys Works are recognized as tax exempt under the IRS group exemption number 5640. We file two Return of Organization Exempt From Income Tax (Form 990) with the IRS - one return for Genesys Works and one group return for the subsidiaries.

All entities are subject to income tax on net income that is derived from business activities that are unrelated to their exempt purposes. We have determined that each entity is not subject to unrelated business income tax and accordingly, have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

GAAP requires that management evaluate tax positions taken by Genesys and recognize a tax liability if Genesys has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by Genesys and has concluded that as of December 31, 2019 and 2018, there are no uncertain positions taken or expected to be taken that would require recognition or disclosure in the consolidated financial statements. Genesys is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. Management believes it is no longer subject to income tax examination for years prior to 2016.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 2 - Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash and money market accounts with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. As of December 31, 2019, we did not have any cash deposits held in excess of the federally insured limit. As of December 31, 2018, cash deposits held in excess of the federally insured limit was \$2,303,891.

Credit risk associated with accounts receivable and contributions receivable is considered to be limited due to high historical collection rates and because outstanding amounts are due from organizations and individuals supportive of our mission.

Change in Accounting Principles

On January 1, 2019, Genesys adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*, and all related amendments (collectively, ASC 606) using the modified retrospective method. ASC 606 requires the recognition of revenue when promised goods or services are transferred to customers or clients in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The adoption of ASC 606 resulted in no significant changes to Genesys' financial reporting. Accordingly, no adjustment to beginning net assets was necessary.

On January 1, 2019, Genesys adopted ASU No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* using the modified prospective method. This ASU improved the clarity on existing guidance for the determination of exchange transactions and distinguishing between conditional and unconditional contributions. The adoption of this ASU had no impact on Genesys' consolidated financial statements.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 3 - Liquidity and Availability

The following table reflects financial assets at December 31, 2019, reduced by amounts not anticipated to be available for general expenditure within one year of the consolidated statement of financial position date. Financial assets are considered unavailable when illiquid or they are not convertible to cash within one year. Financial assets are available for general expenditure if they do not have donor or other restrictions limiting their use.

Financial assets available within one year:	<u>Amount</u>
Cash and cash equivalents	\$ 5,972,444
Accounts receivable	2,569,254
Contributions receivable	<u>1,565,342</u>
Total financial assets available within one year	10,107,040

Amounts unavailable for general expenditure within one year:

Restricted by donors	(1,566,023)
Deferred revenue representing obligations to perform	<u>(147,162)</u>
Total financial assets available to meet cash needs for general expenditures within one year	<u>\$ 8,393,855</u>

As part of our liquidity management plan, we invest cash through a daily sweep program with our financial institution, which sweeps a portion of our available cash in our bank accounts into overnight money market mutual fund investments. These short-term investment earnings are deposited to the accounts monthly.

As more fully described in Note 9, we have committed lines of credit totaling \$1,200,000, which we can draw upon in the event of an unanticipated liquidity level. At December 31, 2019, these lines of credit had \$1,000,000 available to be drawn.

Note 4 - Contributions Receivable

Contributions receivable at December 31 are estimated to be collected as follows:

	<u>2019</u>	<u>2018</u>
Receivables to be collected within one year	\$ 1,565,342	\$ 692,500
Receivables to be collected in one to five years	<u>44,674</u>	<u>51,500</u>
Total contributions and grants receivable	<u>\$ 1,610,016</u>	<u>\$ 744,000</u>

Uncollectible contributions receivable for 2019 and 2018 were expected to be minimal and therefore, no allowance was made for potentially uncollectible amounts at December 31, 2019 and 2018.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 5 - Property and Equipment

Property and equipment at December 31 consist of the following:

	2019	2018
Equipment	\$ 300,308	\$ 301,325
Furniture and fixtures	216,153	216,153
Vehicles	27,219	27,219
Software	94,706	94,706
Leasehold improvements	465,823	500,545
Total property and equipment	1,104,209	1,139,948
Accumulated depreciation and amortization	(901,688)	(878,468)
Property and equipment, net	\$ 202,521	\$ 261,480

Depreciation and amortization expense for the years ended December 31, 2019 and 2018 was \$95,939 and \$110,875, respectively.

Note 6 - Net Assets With Donor Restrictions

At December 31, 2019 and 2018, net assets with donor restrictions were available for the following:

	2019	2018
Internship training program	\$ 312,668	\$ 382,262
Strategic plan	513,212	-
Site growth	500,000	275,000
Disaster relief	20,795	40,795
Time restrictions	219,348	260,000
Total net assets with donor restrictions	\$ 1,566,023	\$ 958,057



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 7 - Net Assets Released From Donor Restrictions

During the years ended December 31, 2019 and 2018, net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or the passage of time as follows:

	<u>2019</u>	<u>2018</u>
Internship training program	\$ 364,594	\$ 955,553
Strategic plan	-	526,315
Site growth	275,000	-
Disaster relief	20,000	50,000
Time restrictions	<u>208,500</u>	<u>448,886</u>
Total net assets released from donor restrictions	<u>\$ 868,094</u>	<u>\$ 1,980,754</u>

Note 8 - Employee Benefit Plan

We sponsor a tax-deferred profit-sharing plan qualified under IRC Section 403(b) covering substantially all full-time employees. Employee contributions are voluntary and may not exceed the limit allowed by the IRS. We match 50% of the amount contributed by the employee, up to 6% of the employee's base salary. During the years ended December 31, 2019 and 2018, we matched employee voluntary contributions, resulting in contributions to the plan of \$112,245 and \$108,458, respectively, of which \$47,041 and \$7,548 were funded by forfeited funds, respectively.

Note 9 - Lines of Credit

During 2018, we established individual lines of credit of \$400,000 for Genesys Works Bay Area, Genesys Works Chicago and Genesys Works. The final availability date for these lines of credit may be determined by the bank at any time, at which time any amounts outstanding under the lines of credit convert to a term note. During 2019, the lines of credit were not utilized. However, in 2018, Genesys Works Bay Area drew down \$200,000 to assist in meeting its immediate general operating needs. The Genesys Works Bay Area line of credit is guaranteed by Genesys Works and bears interest at the LIBOR Rate plus 3.12%, payable monthly. As of December 31, 2019 and 2018, the outstanding balance on the line of credit was \$200,000.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 10 - Operating Leases

We lease equipment and office space under various operating lease agreements that expire through the year 2025. Future minimum annual lease payments under these leases at December 31, 2019 are as follows:

<u>Years Ending December 31,</u>	<u>Amount</u>
2020	\$ 683,580
2021	437,570
2022	449,212
2023	428,262
2024	333,960
Thereafter	<u>312,540</u>
Total minimum future payments	<u>\$ 2,645,124</u>

Rental expense for the years ended December 31, 2019 and 2018 totaled approximately \$822,000 and \$1,139,000, respectively.

Note 11 - Subsequent Events

During March 2020, a global pandemic was declared by the World Health Organization related to the outbreak of a novel strain of coronavirus (COVID-19). The pandemic has significantly impacted the economic conditions in the U.S. and globally, accelerating during the first half of March, as federal, state and local governments reacted to the public health crisis. We have adapted to the changing environment created by the unprecedented COVID-19 outbreak, by collaborating with clients to facilitate the ability for our interns to continue working remotely and establishing remote summer training programs at all of our sites for the upcoming 2020/2021 class year. In addition, all administrative and fundraising functions have been able to continue without disruption of service. While we expect this matter to negatively impact our operating results and financial position, the financial impact and duration cannot be reasonably estimated at this time, and we continue to implement measures to minimize the impact.



**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2019 AND 2018**

Note 11 - Subsequent Events (Continued)

We have obtained Paycheck Protection Program Loans (PPP Loans) which were established under the CARES Act and are guaranteed by the U.S. Small Business Administration. The funds received through the PPP Loans totaled \$3,947,862 and are as follows:

- Genesys Works National obtained \$766,401 on April 21, 2020;
- Genesys Works Twin Cities obtained \$1,299,593 on April 20, 2020;
- Genesys Works Houston obtained \$919,085 on April 15, 2020;
- Genesys Works Chicago obtained \$581,704 on April 17, 2020; and
- Genesys Works Bay Area obtained \$381,079 on April 21, 2020.

The PPP Loans are due in seventeen equal principal payments beginning seven months after the date of the loan, with final payment due upon the second-year anniversary of the date of the loan. The PPP Loans have a fixed interest rate of 0.98%, with accrued interest payable monthly beginning with the first principal payment. The PPP Loans may be forgiven, in whole or in part, if the entity for which the loan was obtained complies with certain requirements of the CARES Act.

Management has evaluated subsequent events through June 24, 2020, the date which the consolidated financial statements were available to be issued. There were no other events that require adjustments to or disclosure in the consolidated financial statements for the year ended December 31, 2019.

*** * * End of Notes * * ***

GENESYS
WORKS.

SUPPLEMENTAL SCHEDULES



BAY AREA
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 136,411	\$ 55,803
Accounts receivable, net	181,393	287,898
Contributions receivable	-	20,000
Prepaid expenses and other assets	2,641	126,673
 Total assets	 <u>\$ 320,445</u>	 <u>\$ 490,374</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 14,361	\$ 90,644
Accrued expenses and other payables	80,124	148,254
Deferred revenue	-	67,710
Line of credit	200,000	200,000
 Total liabilities	 <u>294,485</u>	 <u>506,608</u>
 Net assets:		
Without donor restrictions	25,960	(56,234)
With donor restrictions	-	40,000
 Total net assets	 <u>25,960</u>	 <u>(16,234)</u>
 Total liabilities and net assets	 <u>\$ 320,445</u>	 <u>\$ 490,374</u>

See accompanying notes to consolidated financial statements.



BAY AREA

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 968,988	\$ -	\$ 968,988	\$ 1,255,654	\$ 40,000	\$ 1,295,654
In-kind contributions	-	-	-	30,546	-	30,546
Net assets released from restrictions	40,000	(40,000)	-	50,000	(50,000)	-
Total public support	1,008,988	(40,000)	968,988	1,336,200	(10,000)	1,326,200
Revenues - program service fees	1,865,786	-	1,865,786	2,065,958	-	2,065,958
Total public support, revenues, and other	2,874,774	(40,000)	2,834,774	3,402,158	(10,000)	3,392,158
Expenses:						
Student program	2,415,715	-	2,415,715	3,580,417	-	3,580,417
Management and general	183,856	-	183,856	236,575	-	236,575
Fundraising	193,009	-	193,009	332,215	-	332,215
Total expenses	2,792,580	-	2,792,580	4,149,207	-	4,149,207
Changes in net assets	82,194	(40,000)	42,194	(747,049)	(10,000)	(757,049)
Net assets, beginning of year	(56,234)	40,000	(16,234)	690,815	50,000	740,815
Net assets, end of year	\$ 25,960	\$ -	\$ 25,960	\$ (56,234)	\$ 40,000	\$ (16,234)

See accompanying notes to consolidated financial statements.



CHICAGO
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 193,579	\$ 178,986
Accounts receivable, net	408,976	376,337
Contributions receivable	75,000	11,000
Prepaid expenses and other assets	408,426	35,508
Property and equipment, net	<u>47,301</u>	<u>55,854</u>
Total assets	<u>\$ 1,133,282</u>	<u>\$ 657,685</u>
 <u>Liabilities and Net Assets</u> 		
Accounts payable	\$ 14,314	\$ 6,795
Accrued expenses and other payables	740,733	129,428
Deferred revenue	<u>2,835</u>	<u>13,832</u>
Total liabilities	<u>757,882</u>	<u>150,055</u>
Net assets:		
Without donor restrictions	350,401	466,631
With donor restrictions	<u>24,999</u>	<u>40,999</u>
Total net assets	<u>375,400</u>	<u>507,630</u>
Total liabilities and net assets	<u>\$ 1,133,282</u>	<u>\$ 657,685</u>

See accompanying notes to consolidated financial statements.



CHICAGO
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 611,905	\$ 25,000	\$ 636,905	\$ 544,127	\$ 6,000	\$ 550,127
In-kind contributions	94,137	-	94,137	186,194	-	186,194
Net assets released from restrictions	41,000	(41,000)	-	261,036	(261,036)	-
Total public support	747,042	(16,000)	731,042	991,357	(255,036)	736,321
Revenues - program service fees	3,229,815	-	3,229,815	2,805,391	-	2,805,391
Total public support, revenues, and other	3,976,857	(16,000)	3,960,857	3,796,748	(255,036)	3,541,712
Expenses:						
Student program	3,494,886	-	3,494,886	3,464,546	-	3,464,546
Management and general	328,078	-	328,078	256,301	-	256,301
Fundraising	270,123	-	270,123	274,581	-	274,581
Total expenses	4,093,087	-	4,093,087	3,995,428	-	3,995,428
Changes in net assets	(116,230)	(16,000)	(132,230)	(198,680)	(255,036)	(453,716)
Net assets, beginning of year	466,631	40,999	507,630	665,311	296,035	961,346
Net assets, end of year	<u>\$ 350,401</u>	<u>\$ 24,999</u>	<u>\$ 375,400</u>	<u>\$ 466,631</u>	<u>\$ 40,999</u>	<u>\$ 507,630</u>

See accompanying notes to consolidated financial statements.



HOUSTON
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,814,548	\$ 1,739,815
Accounts receivable, net	680,917	677,268
Contributions receivable	234,000	153,000
Prepaid expenses and other assets	112,080	212,658
Property and equipment, net	<u>132,296</u>	<u>132,117</u>
 Total assets	 <u>\$ 2,973,841</u>	 <u>\$ 2,914,858</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 36,227	\$ 26,126
Accrued expenses and other payables	206,146	195,168
Deferred revenue	<u>7,081</u>	<u>3,586</u>
 Total liabilities	 <u>249,454</u>	 <u>224,880</u>
Net assets:		
Without donor restrictions	2,322,719	2,376,716
With donor restrictions	<u>401,668</u>	<u>313,262</u>
 Total net assets	 <u>2,724,387</u>	 <u>2,689,978</u>
 Total liabilities and net assets	 <u>\$ 2,973,841</u>	 <u>\$ 2,914,858</u>

See accompanying notes to consolidated financial statements.



HOUSTON

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 1,446,975	\$ 382,500	\$ 1,829,475	\$ 1,474,855	\$ 207,000	\$ 1,681,855
In-kind contributions	4,533	-	4,533	96,770	-	96,770
Net assets released from restrictions	294,094	(294,094)	-	432,158	(432,158)	-
Total public support	1,745,602	88,406	1,834,008	2,003,783	(225,158)	1,778,625
Revenues - program service fees	4,596,461	-	4,596,461	4,416,954	-	4,416,954
Total public support, revenues, and other	6,342,063	88,406	6,430,469	6,420,737	(225,158)	6,195,579
Expenses:						
Student program	5,468,094	-	5,468,094	5,599,001	-	5,599,001
Management and general	469,381	-	469,381	448,832	-	448,832
Fundraising	458,585	-	458,585	466,632	-	466,632
Total expenses	6,396,060	-	6,396,060	6,514,465	-	6,514,465
Changes in net assets	(53,997)	88,406	34,409	(93,728)	(225,158)	(318,886)
Net assets, beginning of year	2,376,716	313,262	2,689,978	2,470,444	538,420	3,008,864
Net assets, end of year	\$ 2,322,719	\$ 401,668	\$ 2,724,387	\$ 2,376,716	\$ 313,262	\$ 2,689,978

See accompanying notes to consolidated financial statements.



**NATIONAL CAPITAL REGION
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018**

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 86,217	\$ 225,834
Accounts receivable, net	118,767	137,609
Contributions receivable	450,000	50,000
Prepaid expenses and other assets	20,593	21,866
 Total assets	 <u>\$ 675,577</u>	 <u>\$ 435,309</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 10,395	\$ 2,846
Accrued expenses and other payables	139,936	235,175
 Total liabilities	 <u>150,331</u>	 <u>238,021</u>
Net assets:		
Without donor restrictions	510,246	162,288
With donor restrictions	15,000	35,000
 Total net assets	 <u>525,246</u>	 <u>197,288</u>
 Total liabilities and net assets	 <u>\$ 675,577</u>	 <u>\$ 435,309</u>

See accompanying notes to consolidated financial statements.



**NATIONAL CAPITAL REGION (WASHINGTON, D.C.)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018**

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 693,267	\$ 15,000	\$ 708,267	\$ 520,091	\$ 35,000	\$ 555,091
In-kind contributions	-	-	-	26,757	-	26,757
Net assets released from restrictions	35,000	(35,000)	-	-	-	-
Total public support	728,267	(20,000)	708,267	546,848	35,000	581,848
Revenues - program service fees	758,614	-	758,614	495,424	-	495,424
Total public support, revenues, and other	1,486,881	(20,000)	1,466,881	1,042,272	35,000	1,077,272
Expenses:						
Student program	917,115	-	917,115	650,925	-	650,925
Management and general	107,210	-	107,210	144,447	-	144,447
Fundraising	114,598	-	114,598	132,980	-	132,980
Total expenses	1,138,923	-	1,138,923	928,352	-	928,352
Changes in net assets	347,958	(20,000)	327,958	113,920	35,000	148,920
Net assets, beginning of year	162,288	35,000	197,288	48,368	-	48,368
Net assets, end of year	<u>\$ 510,246</u>	<u>\$ 15,000</u>	<u>\$ 525,246</u>	<u>\$ 162,288</u>	<u>\$ 35,000</u>	<u>\$ 197,288</u>

See accompanying notes to consolidated financial statements.



NEW YORK CITY
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 179,838	\$ -
Accounts receivable, net	60,842	-
Contributions receivable	95,000	-
Prepaid expenses and other assets	82,605	-
 Total assets	 <u>\$ 418,285</u>	 <u>\$ -</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 4,300	\$ -
Accrued expenses and other payables	34,488	-
 Total liabilities	 <u>38,788</u>	 <u>-</u>
Net assets:		
Without donor restrictions	109,497	-
With donor restrictions	270,000	-
 Total net assets	 <u>379,497</u>	 <u>-</u>
 Total liabilities and net assets	 <u>\$ 418,285</u>	 <u>\$ -</u>

See accompanying notes to consolidated financial statements.



NEW YORK CITY
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 452,092	\$ 270,000	\$ 722,092	\$ -	\$ -	\$ -
In-kind contributions	32,047	-	32,047	-	-	-
Net assets released from restrictions	-	-	-	-	-	-
Total public support	484,139	270,000	754,139	-	-	-
Revenues - program service fees	135,689	-	135,689	-	-	-
Total public support, revenues, and other	619,828	270,000	889,828	-	-	-
Expenses:						
Student program	399,693	-	399,693	-	-	-
Management and general	41,764	-	41,764	-	-	-
Fundraising	68,874	-	68,874	-	-	-
Total expenses	510,331	-	510,331	-	-	-
Changes in net assets	109,497	270,000	379,497	-	-	-
Net assets, beginning of year	-	-	-	-	-	-
Net assets, end of year	\$ 109,497	\$ 270,000	\$ 379,497	\$ -	\$ -	\$ -

See accompanying notes to consolidated financial statements.



TWIN CITIES
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 2,205,585	\$ 2,048,884
Accounts receivable, net	1,118,358	1,064,901
Contributions receivable	81,017	103,000
Prepaid expenses and other assets	47,105	37,503
Property and equipment, net	<u>11,792</u>	<u>43,332</u>
 Total assets	 <u>\$ 3,463,857</u>	 <u>\$ 3,297,620</u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 133,941	\$ 54,941
Accrued expenses and other payables	348,223	308,852
Deferred revenue	<u>22,536</u>	<u>50,414</u>
 Total liabilities	 <u>504,700</u>	 <u>414,207</u>
Net assets:		
Without donor restrictions	2,843,807	2,783,413
With donor restrictions	<u>115,350</u>	<u>100,000</u>
 Total net assets	 <u>2,959,157</u>	 <u>2,883,413</u>
 Total liabilities and net assets	 <u>\$ 3,463,857</u>	 <u>\$ 3,297,620</u>

See accompanying notes to consolidated financial statements.



TWIN CITIES
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 1,133,284	\$ 115,350	\$ 1,248,634	\$ 1,314,372	\$ 100,000	\$ 1,414,372
In-kind contributions	3,996	-	3,996	37,954	-	37,954
Net assets released from restrictions	100,000	(100,000)	-	40,323	(40,323)	-
Total public support	1,237,280	15,350	1,252,630	1,392,649	59,677	1,452,326
Revenues - program service fees	7,690,384	-	7,690,384	6,845,581	-	6,845,581
Total public support, revenues, and other	8,927,664	15,350	8,943,014	8,238,230	59,677	8,297,907
Expenses:						
Student program	7,991,583	-	7,991,583	6,973,518	-	6,973,518
Management and general	578,440	-	578,440	560,250	-	560,250
Fundraising	297,247	-	297,247	340,960	-	340,960
Total expenses	8,867,270	-	8,867,270	7,874,728	-	7,874,728
Changes in net assets	60,394	15,350	75,744	363,502	59,677	423,179
Net assets, beginning of year	2,783,413	100,000	2,883,413	2,419,911	40,323	2,460,234
Net assets, end of year	<u>\$ 2,843,807</u>	<u>\$ 115,350</u>	<u>\$ 2,959,157</u>	<u>\$ 2,783,413</u>	<u>\$ 100,000</u>	<u>\$ 2,883,413</u>

See accompanying notes to consolidated financial statements.



NATIONAL
(Excluding Washington, D.C. and New York City)
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2019 AND 2018

<u>Assets</u>	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 1,356,267	\$ 1,758,949
Contributions receivable	675,000	407,000
Prepaid expenses and other assets	1,201,544	713,768
Property and equipment, net	<u>11,133</u>	<u>30,177</u>
 Total assets	 <u><u>\$ 3,243,944</u></u>	 <u><u>\$ 2,909,894</u></u>
 <u>Liabilities and Net Assets</u>		
Accounts payable	\$ 54,579	\$ 98,883
Accrued expenses and other payables	580,078	361,007
Deferred revenue	<u>114,710</u>	<u>201,007</u>
 Total liabilities	 <u>749,367</u>	 <u>660,897</u>
Net assets:		
Without donor restrictions	1,755,569	1,820,201
With donor restrictions	<u>739,008</u>	<u>428,796</u>
 Total net assets	 <u>2,494,577</u>	 <u>2,248,997</u>
 Total liabilities and net assets	 <u><u>\$ 3,243,944</u></u>	 <u><u>\$ 2,909,894</u></u>

See accompanying notes to consolidated financial statements.



NATIONAL
(Excluding Washington, D.C. and New York City)
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2019 AND 2018

	2019			2018		
	Donor Restrictions	With Donor Restrictions	Total	Donor Restrictions	With Donor Restrictions	Total
Public support, revenues, and other:						
Public support:						
General public	\$ 2,556,270	\$ 668,212	\$ 3,224,482	\$ 2,563,793	\$ 286,800	\$ 2,850,593
In-kind contributions	-	-	-	8,333	-	8,333
Net assets released from restrictions	358,000	(358,000)	-	1,197,237	(1,197,237)	-
Total public support	2,914,270	310,212	3,224,482	3,769,363	(910,437)	2,858,926
Revenues - program service fees	2,342,139	-	2,342,139	2,095,286	-	2,095,286
Total public support, revenues, and other	5,256,409	310,212	5,566,621	5,864,649	(910,437)	4,954,212
Expenses:						
Student program	2,569,266	-	2,569,266	2,779,353	-	2,779,353
Management and general	1,851,680	-	1,851,680	2,532,081	-	2,532,081
Fundraising	900,095	-	900,095	938,486	-	938,486
Total expenses	5,321,041	-	5,321,041	6,249,920	-	6,249,920
Changes in net assets	(64,632)	310,212	245,580	(385,271)	(910,437)	(1,295,708)
Net assets, beginning of year	1,820,201	428,796	2,248,997	2,205,472	1,339,233	3,544,705
Net assets, end of year	<u>\$ 1,755,569</u>	<u>\$ 739,008</u>	<u>\$ 2,494,577</u>	<u>\$ 1,820,201</u>	<u>\$ 428,796</u>	<u>\$ 2,248,997</u>

See accompanying notes to consolidated financial statements.