Report of Independent Auditors and
Financial Statements

Working Solutions CDFI

September 30, 2023 and 2022

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Report of Independent Auditors

Board of Directors
Working Solutions CDFI

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Working Solutions CDFI, which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Working Solutions CDFI as of September 30, 2023 and 2022, 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 audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Working Solutions CDFI and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 Working Solution CDFI's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

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 GAAS 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 GAAS, 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 Working Solution CDFI'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 Working Solution CDFI'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.

Moss Adams LLP

San Francisco, California
January 26, 2024

Financial Statements

Working Solutions CDFI
Statements of Financial Position
As of September 30, 2023 and 2022

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 2,825,930	$ 4,640,653
Restricted cash and cash equivalents	413,169	1,523,556
Cash and cash equivalents restricted for loan loss reserve	-	73,964
Grant receivable	4,072,009	-
Contributions receivable	255,000	514,399
Interest receivable	93,528	45,335
Other receivable	255,684	-
Loans receivable due within one year (net of allowance for loan loss)	2,128,018	2,018,694
Prepaid expenses	39,669	45,537
Total current assets	10,083,007	8,862,138
Property and equipment, net	12,822	14,258
Loans receivable, net of amounts due within one year	8,160,231	7,037,289
Operating lease asset	252,288	356,779
Lease deposit	21,604	25,251
Total assets	$ 18,529,952	$ 16,295,715
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued expenses	$ 372,811	$ 127,677
Deferred revenue, current portion	60,867	-
Operating lease liability, current portion	112,664	120,696
Loans payable due within one year	562,500	213,400
Total current liabilities	1,108,842	461,773
Agency funds	8,000	448,000
Deferred revenue, net of current portion	243,411	40,500
Operating lease liability, net of current portion	176,286	286,333
San Francisco Revolving Loan Fund payable	458,657	458,657
Drawn line of credit	750,000	-
Loans payable, net of amounts due within one year	6,375,000	7,313,351
Total liabilities	9,120,196	9,008,614
Net assets		
Without donor restrictions:		
Undesignated	4,257,778	4,448,777
Board designated	2,168,763	1,934,040
Total without donor restrictions	6,426,541	6,382,817
With donor restrictions	2,983,215	904,284
Total net assets	9,409,756	7,287,101
Total liabilities and net assets	$ 18,529,952	$ 16,295,715

See accompanying notes.

Working Solutions CDFI
Statements of Activities and Changes in Net Assets
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Totals	Without Donor Restrictions	With Donor Restrictions	Totals
Contributions and grants						
Contributions	$ 758,882	$ 910,000	$ 1,668,882	$ 498,395	$ 230,000	$ 728,395
Contributed goods and services	148,370	-	148,370	137,074	-	137,074
Government grants and contracts	-	4,072,009	4,072,009	732,970	-	732,970
Net assets released from restrictions	2,903,078	(2,903,078)	-	2,952,053	(2,952,053)	-
Total contributions and grants	3,810,330	2,078,931	5,889,261	4,320,492	(2,722,053)	1,598,439
Earned revenue						
Administration fees	108,162	-	108,162	395,719	-	395,719
Client fees	94,368	-	94,368	273,996	-	273,996
Interest income on loans	740,244	-	740,244	539,123	-	539,123
Interest income on bank deposits	922	-	922	613	-	613
Total earned revenue	943,696	-	943,696	1,209,451	-	1,209,451
Total contributions, grants, and earned revenue	4,754,026	2,078,931	6,832,957	5,529,943	(2,722,053)	2,807,890
Expenses						
Program services	3,633,551	-	3,633,551	3,353,606	-	3,353,606
Management and general	747,354	-	747,354	453,462	-	453,462
Fundraising	329,397	-	329,397	248,606	-	248,606
Total expenses	4,710,302	-	4,710,302	4,055,674	-	4,055,674
Changes in net assets	43,724	2,078,931	2,122,655	1,474,269	(2,722,053)	(1,247,784)
Net assets, beginning of year	6,382,817	904,284	7,287,101	4,908,548	3,626,337	8,534,885
Net assets, end of year	$ 6,426,541	$ 2,983,215	$ 9,409,756	$ 6,382,817	$ 904,284	$ 7,287,101

See accompanying notes.

Working Solutions CDFI
Statements of Functional Expenses
Years Ended September 30, 2023 and 2022

	2023				2022			
	Program Services	Management and General	Fundraising	Totals	Program Services	Management and General	Fundraising	Totals
Personnel costs								
Salaries	$ 1,892,771	$ 449,230	$ 221,751	$ 2,563,752	$ 1,523,210	$ 277,875	$ 166,141	$ 1,967,226
Payroll taxes	145,553	34,626	17,053	197,232	127,082	21,367	11,812	160,261
Employee benefits	317,258	69,705	37,039	424,002	227,597	40,595	22,486	290,678
Total personnel costs	2,355,582	553,561	275,843	3,184,986	1,877,889	339,837	200,439	2,418,165
Contributed goods and services	131,828	16,542	-	148,370	109,751	27,323	-	137,074
Consulting and other professional fees	150,904	70,541	11,373	232,818	328,644	17,201	23,262	369,107
Direct client costs								
Loan servicing and client expenses	282,907	-	-	282,907	325,413	-	-	325,413
Provision for loan losses	219,961	-	-	219,961	231,275	-	-	231,275
Total direct client costs	502,868	-	-	502,868	556,688	-	-	556,688
Other operating expenses								
Occupancy	104,899	14,332	8,546	127,777	104,892	15,455	8,551	128,898
Interest	132,599	-	-	132,599	147,291	-	-	147,291
Insurance	11,263	1,497	911	13,671	10,166	1,352	823	12,341
Office supplies and equipment maintenance	16,128	2,190	1,591	19,909	13,100	4,312	968	18,380
Travel and transportation	34,309	13,418	10,097	57,824	6,018	8,935	425	15,378
Technology expenses	143,939	45,517	8,616	198,072	153,193	22,844	10,304	186,341
Telephone	16,221	3,994	798	21,013	12,696	3,850	994	17,540
Marketing	6,141	394	2,483	9,018	18,580	361	1,091	20,032
Membership dues and licenses	15,826	21,980	5,414	43,220	10,232	1,290	729	12,251
Conferences and meetings	7,381	2,901	3,429	13,711	1,190	10,266	755	12,211
Depreciation and amortization	3,663	487	296	4,446	3,276	436	265	3,977
Total other operating expenses	492,369	106,710	42,181	641,260	480,634	69,101	24,905	574,640
Total expenses	$ 3,633,551	$ 747,354	$ 329,397	$ 4,710,302	$ 3,353,606	$ 453,462	$ 248,606	$ 4,055,674

See accompanying notes.

Working Solutions CDFI
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Cash flows from operating activities		
Changes in net assets	$ 2,122,655	$ (1,247,784)
Adjustments to reconcile changes in net assets to net cash used in operating activities:		
Depreciation and amortization	4,446	3,977
Change in discount of operating lease liability	2,617	27,251
Provision for loan losses	219,961	231,275
Loans receivable transferred	-	(408,000)
Changes in operating assets and liabilities:		
Grant receivable	(4,072,009)	-
Contributions receivable	259,399	85,568
Interest receivable	(48,193)	(11,302)
Other receivable	(255,684)	-
Prepaid expenses	5,868	(25,280)
Operating lease asset	104,491	85,160
Lease deposit	3,647	(3,647)
Accounts payable and accrued liabilities	245,134	(150,974)
Agency funds	(440,000)	440,000
Deferred revenue	263,778	40,500
Operating lease liability	(120,696)	(83,307)
Net cash used in operating activities	(1,704,586)	(1,016,563)
Cash flows from investing activities		
Purchases of property and equipment	(3,010)	(14,125)
Issuance of loans receivable	(6,943,442)	(3,797,836)
Collections of loans receivable	5,491,215	1,439,511
Net cash used in investing activities	(1,455,237)	(2,372,450)
Cash flows from financing activities		
Borrowings under line of credit	1,500,000	-
Principal payments on line of credit	(750,000)	-
Borrowings under loans payable	-	500,000
Principal payments of loans payable	(589,251)	(118,892)
Net cash provided by financing activities	160,749	381,108
Net changes in cash, cash equivalents, and restricted cash	(2,999,074)	(3,007,905)
Cash, cash equivalents, restricted cash, beginning of the year	6,238,173	9,246,078
Cash, cash equivalents, restricted cash, end of the year	$ 3,239,099	$ 6,238,173
Supplemental cash-flow disclosures		
Cash paid for interest	$ 132,599	$ 147,291
Noncash loans receivable transferred	$ -	$ 408,000

See accompanying notes.

Note 1 – Description of Organization

Working Solutions CDFI (Working Solutions or the Organization), is a California nonprofit corporation and a certified Community Development Financial Institution (CDFI). Working Solutions is the *First to Believe* in start-up and early-stage businesses by providing affordable capital, customized business consulting, and community connections to diverse entrepreneurs – with a focus on low-income individuals, entrepreneurs of color, and women – to increase economic opportunity in northern California. Working Solutions supports microenterprise growth to strengthen the local economy, create jobs, and build strong communities. Working Solutions provides the following services:

- Business loans from $5,000 to $100,000.
- Small business grants.
- Free, one-on-one business consulting to help entrepreneurs navigate the challenges of owning a small business with a specific focus on financial management and risk mitigation.
- Referrals to free or low-cost industry experts for legal, accounting, marketing, and other types of specialized support.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The accompanying financial statements of Working Solutions have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Under the accrual basis of accounting, contributions are recognized when promised, revenues are recognized when earned and expenses are recognized when incurred.

Working Solutions is required to report information regarding its financial position and activities according to the following classes of net assets:

> ***Without donor restrictions*** include resources for which there are no use or time restrictions. Such amounts are available to support Working Solutions' operations and programs. A portion of these net assets may be designated by the Board of Directors for specific purposes. Board-designated net assets were $2,168,763 and $1,934,040 as of September 30, 2023 and 2022, respectively, in accordance with Board required six-month reserve policy.
>
> ***With donor restrictions*** is defined as that portion of net assets that consist of a restriction on the specific use or the occurrence of a certain future event. Donor-imposed restricted contributions whose restrictions are met in the same reporting period, are reported as with donor-imposed restricted revenue on the statements of activities and changes in net assets. Once the restriction is met, contributions are reported as net assets released from restriction on the statements of activities and changes in net assets.

Use of estimates – Working Solutions prepares its financial statements in accordance with U.S. GAAP. The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although management bases these estimates on its knowledge of current events and actions it may undertake in the future, actual results could differ from those estimated.

The most significant estimate relates to an allowance for loan losses. This estimate may be adjusted as more current information becomes available and any adjustment could be significant.

Cash and cash equivalents – Working Solutions considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Working Solutions places its cash and restricted cash only with high credit quality institutions.

As of September 30, 2023 and 2022, cash and cash equivalents consisted of funds held in checking, savings, and money market accounts. Working Solutions considers money market accounts to be cash and cash equivalents as there are no limitations on withdrawals associated with these accounts that would have a material effect on their liquidation value.

Working Solutions holds funds received from certain government agencies and commercial banks in separate accounts as required by the grant and the loan agreements. Cash in these accounts is designated for lending and loan losses and is presented in the financial statements as restricted cash and cash equivalents in current assets.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the statements of financial position that sum to the total of the same such amounts shown in the statements of cash flows.

	2023	2022
Cash and cash equivalents	$ 2,825,930	$ 4,640,653
Restricted cash and cash equivalents	413,169	1,523,556
Cash and cash equivalents restricted for loan loss reserve	-	73,964
Total cash, cash equivalents, and restricted cash shown in the statement of cash flows	$ 3,239,099	$ 6,238,173

Restricted cash and cash equivalents – Cash and cash equivalents received with lender-imposed restrictions for funding the loan program are classified as restricted cash and cash equivalents for loan loss reserves or lending.

As of September 30, 2023 and 2022, Working Solutions' restricted cash was comprised of the following:

	2023	2022
Cash restricted for future loans	$ 405,169	$ 1,075,556
Cash held for others	8,000	448,000
Total	$ 413,169	$ 1,523,556

From time to time, cash and cash equivalents received with imposed restrictions for loan loss reserves associated with the loan program are classified as restricted cash and cash equivalents. The following table shows the amount of restricted cash:

	2023	2022
Loan guaranty programs through the Small Business Administration	$ -	$ 73,964

Working Solutions and the State of California's Capital Access Program (CalCap) (Note 5) jointly own a cash account held at a commercial bank. Each entity owns its contribution made to the program when enrolling eligible loans. Not included in the financial statements are CalCap's cash reserves controlled by the State of California (Note 5). As of September 30, 2023, there was no balance jointly held.

Cash held for others and agency funds – From time to time, Working Solutions will hold cash received in an agency capacity. These assets represent cash received from financial institutions, government agencies, or not for profit organizations Working Solutions is acting as an agent for. The cash received is for the ultimate benefit of unrelated organizations who participate in programs which Working Solutions helps administer funds for. Cash is recorded on the statements of financial position; a corresponding liability for the same amount is also recorded as agency funds on the accompanying statements of financial position. As of September 30, 2023 and 2022, agency funds totaled $8,000 and $448,000, respectively.

Grant receivable – In April 2023, Working Solutions was awarded a CDFI Equitable Recovery Program grant of $4,072,009 by the U.S. Department of the Treasury's Community Development Financial Institutions Fund for the purpose of strengthening CDFIs to help low-and moderate-income communities recover from the COVID-19 pandemic and invest in long-term prosperity. Total revenue recognized for the year ended September 30, 2023, was $4,072,009. The amount is reflected as an unconditional government grant for the year ended September 30, 2023, and is reflected as a grant receivable as of September 30, 2023. The grant was determined to be unconditional under ASU 2018-08 as there was no barrier that would delay revenue recognition. The grant is restricted for the purpose of originating loans as described in the grant agreement. As of September 30, 2023, $1,381,600 of loans were originated by Working Solutions under the program and the amount was released from net assets with donor restrictions. The full amount of the grant was received in October 2023.

Contributions receivable – Contributions receivable consist of the amounts due from donors on their promises to give. Contributions receivable are stated at the amounts Working Solutions expects to collect. Working Solutions records an allowance for estimated uncollectible contributions in an amount approximating anticipated losses. The provision for uncollectible amounts is computed based upon historical averages and management's consideration of current economic factors that could affect collections. Individual uncollected promises to give are written off against the allowance when collection of the individual account appears doubtful. As of September 30, 2023 and 2022, Working Solutions determined that no allowance for doubtful accounts was required.

As of September 30, 2023 and 2022, contributions receivable are expected to be collected within one year.

Interest receivable – Interest receivable consisted of interest income earned on loans receivable outstanding as of September 30, 2023 and 2022.

Interest income consists primarily of interest earned on loans and is recognized in the period earned.

Loans receivable – Working Solutions, in the normal course of its business, makes small business loans of up to $100,000 to new and existing businesses that do not qualify for such loans through conventional channels. The loans can be unsecured, partially secured or fully secured.

Management has the ability to hold loans until maturity or payoff, or to sell loans prior to maturity or payoff. Unsold loans, or portions thereof, are reported at the lower of the outstanding retained principal balance adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs, or the estimated market value.

Transfers of financial assets – Working Solutions follows the guidance in FASB ASC Topic 860, *Transfers and Servicing,* when accounting for partial loan sales. Such guidance requires a partial loan sale to meet the definition of a "participating interest", as defined in the guidance, in order for sale treatment to be allowed. Partial loan sales not meeting the definition of a participating interest remain in the statements of financial position and the proceeds from the sale are recorded as secured borrowings until the definition of participating interest is met. Working Solutions has determined that the definition of a participating interest has been met on all loan sales and, as a result, has followed the applicable accounting guidance for sale accounting. Under this guidance, all gains on sales are recognized on the date of loan sale. Management has determined estimated servicing assets and liabilities to be negligible. To date, all loans have been sold at par value, with no gain or loss recorded.

Management, with the oversight of the Board, follows specific policies and procedures that guide its practices for screening applicants, underwriting, and managing the loans. These policies are reviewed annually.

Allowance for loan losses – Allowance for loan losses reflects management's best estimate of losses inherent in the loan portfolio. The allowance is increased by provisions for loan losses charged against earnings and reduced by charge-offs, net of recoveries.

Management has established a process to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in their portfolio, including adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, and historical loss experience. Management also considers economic uncertainties and other subjective factors, including industry trends.

Management has an experienced team that works with borrowers to help them through financial challenges that could affect their ability to make loan payments. If the financial position of certain borrowers improves over time, it may be possible to recover part of the allowance for loan losses and take the recovered amount back into income.

Nonaccrual loans – Generally, loans are placed on nonaccrual status when one or more of the following occurs:

1. The scheduled loan payment becomes 90 days past due;
2. It becomes probable that the client cannot or will not make scheduled payments;
3. Full repayment of interest and principal is not expected; and
4. The loan displays potential loss characteristics.

When placed on nonaccrual, Working Solutions reverses the recorded unpaid interest. Unpaid interest is still tracked, and any subsequent payments are re-recorded as paid interest, and then any remaining is applied to principal.

Loans may be returned to accrual status when one or more of the following conditions have been met:

1. All payments (according to the original terms of the loan) are brought current;
2. A six-month period of satisfactory payment history has been established; and
3. A current evaluation of the client indicates the ability to repay the loan according to the original terms.

Impaired loans – Impairment is considered to exist when it is probable that not all amounts due will be collected under the terms of the loan receivable. Factors considered by Management in determining whether a loan is impaired include payment status, and ability of collecting scheduled principal and interest payments when due.

Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

If management determines that the value of the impaired loan is less than the recorded investment in the loan, Working Solutions includes the impairment in the calculation of the overall allowance for loan losses.

Loans receivable are considered delinquent when an account has been outstanding for more than 30 days. Loans receivable are determined to be uncollectible when all repayment efforts have been exhausted and repayment appears unlikely. Based on Working Solutions historically incurred losses, loans are deemed uncollectible and charged off generally after 120 days.

Troubled Debt Restructuring ("TDR") – Management strives to identify borrowers in financial difficulty early and works with them to amend their loan terms before it is charged off. A restructuring of a debt constitutes a TDR if the creditor for economic or legal reasons related to the debtor's financial difficulties grants a concession to the debtor that it would not otherwise consider. Concessions could include a reduction of the original interest rate to a rate or forgiveness of principal, formally amended.

Property and equipment – Property and equipment are recorded at cost when purchased or at estimated fair value at the date of receipt, if donated. Working Solutions capitalizes property and equipment with an original cost or estimated fair value exceeding $1,000. Property and equipment are depreciated by using the straight-line method over the assets' estimated useful lives. No property was donated during the years ended September 30, 2023 and 2022.

Leases – Working Solutions recognizes assets and liabilities arising from leases with terms longer than 12 months on the statements of financial position. Leases are classified as either operating or finance, with classification affecting the pattern of expense recognition in the statements of activities and changes in net assets.

Working Solutions recognized operating lease assets of $252,288 and $356,779 as of September 30, 2023 and 2022, respectively. Working Solutions recognized operating lease liabilities of $288,950 and $407,029 as of September 30, 2023 and 2022, respectively.

Contributions – Contributions consist primarily of amounts received from financial institutions.

Working Solutions recognizes all contributions when they are received or unconditionally promised, regardless of compliance with restrictions. Contributions without donor-imposed restrictions are reported as net assets without donor restrictions. Contributions with donor-imposed restrictions are reported as net assets with donor restrictions.

When the time or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported as net assets released from restrictions.

Conditional contributions and promises to give are not recognized until they become unconditional; that is when the conditions on which they depend are met. As of September 30, 2023 and 2022, there were no conditional contributions.

Contributions to be received after one year are discounted at an appropriate rate commensurate with the anticipated cash flow and risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. As of September 30, 2023 and 2022, Working Solutions did not have contributions to be received after one year.

Contributed goods and services – Donated services are reflected in the financial statements at the fair value of the services received only if the services received (a) create or enhance nonfinancial assets or (b) require specialized skills that are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

During the years ended September 30, 2023 and 2022, Working Solutions received legal and consulting services of $148,370 and $137,074, respectively. Donated services have been reflected in the accompanying financial statements as contributed goods and services, with an equivalent amount included in program costs or supporting services as an in-kind expense. The fair value of contributed goods and services is determined by management based on the invoices received from those providing the goods and services.

Government grants and contracts – Government grants and contracts consists of grants from the federal government and financial institutions. Government grants and contracts are considered conditional until the conditions in which they depend upon have been met. Grants are utilized to support Working Solutions' loan program. Grant funding received is recognized as unearned income until revenue is earned.

During the year ended September 30, 2022, Working Solutions received a conditional sub-grant from the City of Berkeley, with funding originally received from the Economic Development Administration. Under the sub-grant, Working Solutions received $408,000 of loans receivable, originated an addition $162,000 loans and earned reimbursable expenses of $162,970. Total revenue recognized for the year ended September 30, 2022, was $732,970. Another $40,500 of funding was received but not earned as of September 30, 2022, and was recognized as revenue during the year ended September 30, 2023.

Working Solutions records certain revenue from contracts with customers in accordance with Accounting Standards Codification ("ASC") Topic 606, *"Revenue from Contracts with Customers" ("Topic 606")*. Under Topic 606, Working Solutions must identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, and recognize revenue when (or as) Working Solutions satisfies a performance obligation.

Working Solutions accounts for a contract with a customer through the issuance of a participation agreement and when it has a legally enforceable contract with a customer, the arrangement identifies the rights of the parties, the contract has commercial substance, and Working Solutions determines it probable that it will collect the contract consideration. Working Solutions recognizes revenue when control of the promised goods or services transfers to customers, in an amount that reflects the consideration Working Solutions expects to be entitled to in exchange for those goods or services.

Certain sources of revenue are derived from interest and dividends earned on loans that are not within the scope of Topic 606. All revenue from contracts with customers in the scope of Topic 606 is recognized in noninterest income. Sources of revenue from contracts with customers that are in the scope of Topic 606 include the following:

Fee revenue – Fee revenue consists of administration, consulting, and client fees related to government grants and contracts. Fee revenue is recognized as revenue once the services have been provided.

Functional expenses – The costs of Working Solutions' various activities have been summarized on a functional basis in the accompanying statements of functional expenses. Expenses are allocated to program and supporting services based upon employees’ time for each function, purpose of each expenditure and service provided for each program.

Income taxes – Working Solutions is exempt from Federal and California income tax under Section 501(c)(3) of the Internal Revenue Code and Section 23701d of the State Revenue and Taxation Code. Working Solutions has been classified as a publicly supported organization as described in Section 509(a)(1) of the Internal Revenue Code. Accordingly, donors are entitled to the maximum charitable contribution allowed by law. The management of Working Solutions believes that no activities of Working Solutions jeopardized its exemption from income taxes, its classification as a “public charity” or subjected Working Solutions to taxes on unrelated business income.

U.S. GAAP requires Working Solutions management to evaluate tax positions taken by Working Solutions and recognize a tax liability (or asset), if Working Solutions has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service.

Working Solutions’ evaluation on September 30, 2023 and 2022, revealed no tax positions that would have a material impact on the financial statements. The tax returns of Working Solutions are subject to examination by federal and state taxing authorities. However, there are currently no examinations in progress or pending.

Recent accounting pronouncements – In June 2016, the Financial Accounting Standards Board issued Accounting Standards Update 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* ("ASU 2016-13"). The standard will replace today's "incurred loss" model with a "current expected credit loss" ("CECL") model. The CECL model will apply to estimated credit losses on loans receivable, held-to-maturity debt securities, unfunded loan commitments, and certain other financial assets measured at amortized cost. The CECL model is based on lifetime expected losses, rather than incurred losses, and requires the recognition of credit loss expense in the statements of activities and changes in net assets, and a related allowance for credit losses on the statements of financial position at the time of origination or purchase of a loan receivable or held-to-maturity debt security. Likewise, subsequent changes in this estimate are recorded through credit loss expense and related allowance. The CECL model requires the use of not only relevant historical experience and current conditions, but reasonable and supportable forecasts of future events and circumstances, incorporating a broad range of information in developing credit loss estimates, which could result in significant changes to both the timing and amount of credit loss expense and allowance. Changes in fair value that are not credit-related will continue to be recorded on the statements of activities and changes in net assets. The ASU also expands the disclosure requirements regarding assumptions, models, and methods for estimating the allowance for loan losses. In addition, entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. The effective date for nonprofit entities is for fiscal years beginning after December 15, 2022. Early adoption is permitted for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Entities will apply a modified retrospective approach through a cumulative-effect adjustment to net assets as of the beginning of the first reporting period in which the guidance is effective. While Working Solutions believes that the change from an incurred loss model to a CECL model has the potential to increase the allowance for loan losses at the adoption date, the impact of the adoption of the amendments to Working Solution's financial position or statement of activities and changes in net assets cannot be reasonably quantified at this time due to the complexity and extensive changes from these amendments. Working Solutions is evaluating tools to forecast future economic conditions that affect the cash flows of loans over their respective terms. Working Solutions adopted this ASU as of October 1, 2023, and is currently evaluating the impact on its financial position and statement of activities and changes in net assets.

Subsequent events – Subsequent events are events or transactions that occur after the statement of financial position date but before the financial statements are available to be issued. Working Solutions recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the financial statements. Working Solutions' financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the statement of financial position date and before the financial statements are available to be issued.

In October and December 2023, Working Solutions sold $953,717 in participations in its loan portfolio, at face value. The purpose of these sales is to raise additional lending capital, and Working Solutions retains servicing of the loans sold for a monthly fee.

Working Solutions has evaluated subsequent events through January 26, 2024, which is the date the financial statements were available to be issued.

Note 3 – Contributions Receivable

As of September 30, 2023 and 2022, contributions receivable consisted of the following:

	2023	2022
The Sobrato Family Foundation	$ 220,000	$ -
California Association for Micro Enterprise Opportunity (CAMEO)	20,000	-
HSBC Bank USA, N.A.	15,000	-
Sonoma County Economic Development Board	-	181,750
Opportunity Finance Network	-	100,000
City of San Francisco	-	99,063
Wells Fargo Foundation	-	75,000
California Capital Access Program (CalCAP)	-	48,205
Other	-	10,381
Total	$ 255,000	$ 514,399

Note 4 – Loans Receivable

Working Solutions, in the ordinary course of its business, makes small business loans of $5,000 to $100,000. The loans are for a three or five-year period, and can be unsecured, partially secured, or fully secured by business inventory and other assets and personal guarantees. Working Solutions filed UCC-l statements for all collateral. Most loans are fully amortizing, and payments are due monthly. Interest rates are fixed, and they range from 0% to 11%.

The following table discloses the outstanding loan receivable balance as of September 30, 2023 and 2022:

	2023	2022
Loans receivable, due within one year	$ 2,612,805	$ 2,480,923
Loans receivable, net of amounts due within one year	8,160,231	7,037,289
Total loans receivable	10,773,036	9,518,212
Allowance for loan loss	(484,787)	(462,229)
Total loans receivable, net	$ 10,288,249	$ 9,055,983

Risk analysis – All loans at origination are assessed for credit quality by various measures. Based on the credit quality of the borrower, a loan is given an initial risk rating within the following tiers – Excellent, Good, Acceptable, and Close Follow being the highest risk position. Performing loans that have not been modified are re-rated on their two-year anniversary, and every year thereafter. Loans that are delinquent more than 60 days, loans that have requested modification or undergone modification or restructure, or loans otherwise on the portfolio watch list are re-rated at the time of the triggering event. Existing loans may be risk rated within the initial risk rating tiers, as well as two additional tiers, Substandard and Doubtful. Depending on the tier of the risk rating of each loan, an allowance for loan loss between 1% and 100% is reserved for each loan, noted in the risk rating tiers, offset by any enrolled guarantees for each loan. As a portfolio-wide floor, the allowance for loan loss is no less than 4.5% at any given time.

As of September 30, 2023 and 2022, loans guaranteed through California IBank Small Business Loan Guarantee Program or enrolled in CalCap total $9,154,589 and $6,026,914, respectively.

The activity in the allowance for loan losses, for the years ended September 30, 2023 and 2022, is as follows:

Balance, September 30, 2021	$ 307,269
Additions	231,275
Recoveries of previously charged off loans	103,857
Direct write-offs	(180,172)
Balance, September 30, 2022	462,229
Additions	219,961
Recoveries of previously charged off loans	317,351
Direct write-offs	(514,754)
Balance, September 30, 2023	$ 484,787

The following table shows the ending balance of current and past due loans as of September 30, 2023 and 2022:

	September 30, 2023		September 30, 2022	
Greater than	Number of Loans	Amount	Number of Loans	Amount
30 days	9	$ 168,771	8	$ 165,444
60 days	4	96,244	3	69,801
> 90 days	7	140,936	2	11,055
Total past due	20	405,951	13	246,300
Current	465	10,367,085	433	9,271,912
Total outstanding loans	485	$ 10,773,036	446	$ 9,518,212

The following table presents loans amended as troubled debt restructurings as of September 30, 2023 and 2022:

	September 30, 2023		September 30, 2022	
	Number of Loans	Amount	Number of Loans	Amount
Microloans for small business	3	$ 31,034	4	$ 48,903

The modifications of loan terms during the years ended September 30, 2023 and 2022, included lowering principal and interest payments and payment deferrals.

There were no troubled debt restructurings for which there was a payment default within 12 months following the modification during the years ended September 30, 2023 and 2022.

Note 5 – Calcap Loan Loss Reserve

The Organization participates in the State's CalCap program that has been funded in part with Small Business Credit Initiative (SSBCI). SSBCI is a federal program that provides funding to States to expand access to credit for small businesses. Through this program, the State of California provides cash reserves that protect Working Solutions against potential credit losses. When an enrolled loan is charged off Working Solutions can claim 100% of the loss to CalCap. This protection is limited to the amount of cash in those reserves. As of September 30, 2023 and 2022, approximately 6% and 15%, respectively, of loans outstanding are enrolled in this program.

The following table discloses the loan loss reserve available from CalCap as of September 30, 2023 and 2022:

	2023	2022
State contributions to CalCap reserve	$ -	$ 26,918

The State contributions to CalCap reserve are for small business loans. This portion of the reserve is not included in Working Solutions' statements of financial position. Each entity owns its own contributions made to the program when enrolling eligible loans.

Note 6 – Loans Payable

Loans payable, with the exception of the U.S. Small Business Administration (SBA) Micro Lending Program, represent full recourse unsecured obligations of Working Solutions to repay borrowed money. As of September 30, 2023 and 2022, Working Solutions had outstanding debt of $6,937,500 and $7,526,751, respectively.

As of September 30, 2023 and 2022, loans payable consisted of the following:

			September 30, 2023			September 30, 2022		
	Maturities	Interest Rates	Current	Long-Term	Total	Current	Long-Term	Total
Financial institutions	2023-2029	2.00% - 3.00%	$ 562,500	$ 4,500,000	$ 5,062,500	$ 125,000	$ 5,093,750	$ 5,218,750
Public agencies	2023-2028	1.00% - 2.63%	-	-	-	88,400	344,601	433,001
Nonprofit and other institutions	2025-2029	0.00% - 3.00%	-	1,875,000	1,875,000	-	1,875,000	1,875,000
Total loans payable			$ 562,500	$ 6,375,000	$ 6,937,500	$ 213,400	$ 7,313,351	$ 7,526,751

Scheduled principal payments under the loans payable for the years ending September 30, are as follows:

For the Fiscal Years Ending,	
2024	$ 562,500
2025	1,750,000
2026	2,125,000
2027	1,000,000
2028	-
Thereafter	1,500,000
	$ 6,937,500

As of September 30, 2023 and 2022, Working Solutions had $750,000 and $1,500,000 of available undrawn sources of funding with maturities ranging from 2024 to 2026.

(a) Subordinate Debt

As of September 30, 2023, Working Solutions had subordinated debt totaling $4,500,000 from six financial institutions. Most of these subordinate loans have extension options at maturity, provided that Working Solutions continues to satisfactorily perform all its obligations under the loan agreements.

	Amount	Maturity	Extension
Bank of the West	$ 1,000,000	5/2/2029	N/A
Mechanics Bank	250,000	4/30/2023	**
Opportunity Finance Network	500,000	9/30/2029	N/A
U.S. Bank National Association	500,000	9/20/2024	N/A
Wells Fargo	250,000	12/15/2023	***
Wells Fargo	1,000,000	2/23/2026	2 year extension option available
Western Alliance Bank	1,000,000	7/1/2027	*
Total	$ 4,500,000		

* Original maturity date was 7/1/2022, but was automatically extended to 7/1/2027. No automatic extension after 7/1/2027.
** Original maturity date was 4/30/2023, but was automatically extended to 4/30/2025.
*** Loan payable matured on 12/15/2023 and was fully repaid. No additional extension.

(b) *Secured Debt*

Working Solutions has certain assets as collateral to secure recourse indebtedness under loans borrowed from the U.S. Small Business Administration (SBA). As of September 30, 2023 and 2022, this collateral included all loans made under the SBA microloan program totaling $0 and $17,000, and all funds in the four bank accounts totaling $0 and $253,872, respectively. As of September 30, 2023, the SBA loans have been repaid in full.

(c) *Covenants*

In accordance with the terms of the loan agreements with several Working Solutions lenders, Working Solutions is required to meet certain financial covenants. Working Solutions was in compliance with its financial covenants as of September 30, 2023 and 2022.

Note 7 – Lines of Credit

As of September 30, 2023 and 2022, Working Solutions had available bank lines of credit of $1,500,000 with outstanding balances of $750,000 and $0, and undrawn and available amount of $750,000 and $1,500,000, respectively.

For the years ended September 30, 2023 and 2022, the undrawn balances were on two facilities, one of which is an unsecured, full recourse line of credit from Capital One, which bears an interest rate of 2.3%. The facility had an original maturity date of April 1, 2021, and was extended to July 1, 2024. As of September 30, 2023 and 2022, the facility had available and undrawn funds of $750,000.

Working Solutions also has an unsecured revolving line of credit from HSBC Bank in the amount of $750,000. This line bears an interest rate of 2.5% and matures on March 31, 2026. $750,000 and $0 were borrowed under this agreement during the fiscal year ended September 30, 2023 and 2022, respectively.

Under terms of the agreements, Working Solutions is required to meet certain financial covenants. Working Solutions was in compliance with such covenants at September 30, 2023 and 2022.

Note 8 – Board-Designated Net Assets

Board-designated appropriations at September 30, 2023 and 2022, are as follows:

	2023	2022
Operating reserve	$ 2,168,763	$ 1,934,040
Total	$ 2,168,763	$ 1,934,040

At September 30, 2023 and 2022, the operating reserve represents 6 months of operating expense excluding depreciation, loan loss reserve, and pro-bono services.

Note 9 – With Donor-Imposed Restrictions

Net assets with donor restrictions and net assets released from restrictions (by grantor/donor) during the years ended September 30, 2023 and 2022, consist of the following:

	2022	Additions	Releases	2023
Grantor/Donor Name:				
Community Development				
Financial Institutions Fund	$ 163,933	$ 4,072,009	$ (1,692,787)	$ 2,543,155
The Sobrato Family Foundation	-	490,000	(245,000)	245,000
Silicon Valley Community Foundation	-	90,000	-	90,000
Capital One Services, LLC	20,000	50,000	(20,000)	50,000
CAMEO	-	40,000	(20,000)	20,000
Wells Fargo Bank	510,351	-	(490,291)	20,060
HSBC	10,000	15,000	(10,000)	15,000
Opportunity Finance Network				-
Google	100,000	-	(100,000)	-
U.S. Bank National Association	50,000	-	(50,000)	-
Comerica	50,000	-	(50,000)	-
The San Francisco Foundation	-	45,000	(45,000)	-
Mechanics Bank	-	50,000	(50,000)	-
Umpqua Bank	-	5,000	(5,000)	-
Silicon Valley Bank	-	125,000	(125,000)	-
Total	$ 904,284	$ 4,982,009	$ (2,903,078)	$ 2,983,215

	2021	Additions	Releases	2022
Grantor/Donor Name:				
Wells Fargo Bank	$ 1,153,275	$ -	$ (642,924)	$ 510,351
Community Development				
Financial Institutions Fund	1,826,265	-	(1,662,332)	163,933
Opportunity Finance Network				
Google	-	100,000	-	100,000
U.S. Bank National Association	40,000	50,000	(40,000)	50,000
Comerica	-	50,000	-	50,000
Capital One Services, LLC	20,000	20,000	(20,000)	20,000
HSBC	17,857	10,000	(17,857)	10,000
The San Francisco Foundation	300,000	-	(300,000)	-
The Sobrato Family Foundation	200,000	-	(200,000)	-
Bank of the West	27,273	-	(27,273)	-
Walter & Elise Haas Foundation	41,667	-	(41,667)	-
Total	$ 3,626,337	$ 230,000	$ (2,952,053)	$ 904,284

Net assets with donor restrictions and net assets released from restrictions during the years ended September 30, 2023 and 2022, by purpose and time, consist of the following:

	2022	Additions	Releases	2023
Purpose:				
Lending/Operations	$ 705,134	$ 4,117,009	$ (2,228,078)	$ 2,594,065
Geographic Restriction	89,150	-	(20,000)	69,150
Time	110,000	865,000	(655,000)	320,000
Total	$ 904,284	$ 4,982,009	$ (2,903,078)	$ 2,983,215

	2021	Additions	Releases	2022
Purpose:				
Lending/Operations	$ 3,110,390	$ 100,000	$ (2,505,256)	$ 705,134
Geographic Restriction	449,567	20,000	(380,417)	89,150
Time	66,380	110,000	(66,380)	110,000
Total	$ 3,626,337	$ 230,000	$ (2,952,053)	$ 904,284

All net assets with donor restrictions are expected to be released from restriction by September 30, 2024.

Note 10 – Liquidity and Funds Available

The following table reflects Working Solutions' financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other considerations of nonliquid assets are donor restricted assets for specific expenditures, contractual reserve requirements, or governing board designations.

	2023	2022
Financial assets:		
Cash and cash equivalents	$ 2,825,930	$ 4,640,653
Restricted cash and cash equivalents	413,169	1,523,556
Cash and cash equivalents restricted for loan loss reserve	-	73,964
Grant receivable	4,072,009	-
Contributions receivable	255,000	514,399
Interest receivable	93,528	45,335
Other receivable	255,684	-
Loans receivable, net	10,288,249	9,055,983
Financial assets	18,203,569	15,853,890
Less those unavailable for general expenditures within one year, due to:		
Restricted cash and cash equivalents	413,169	1,523,556
Loans receivable, net of amounts due within one year	8,160,231	7,037,289
Cash and cash equivalents restricted for loan loss reserve	-	73,964
Board-designated assets, operating reserve	2,168,763	1,934,040
Financial assets available to meet cash needs for general expenditures within one year	$ 7,461,406	$ 5,285,041

Working Solutions' Board has a net assets-reserves policy (Note 7). As of September 30, 2023 and 2022, $2,168,763 and $1,934,040, respectively, in board-designated assets support the Board's requirement to hold liquid assets equivalent to six months of operating cash expenses less depreciation, loan loss reserve, and pro-bono services. At time of liquidity needs, through board approval, board-designated assets can be used for general expenditures.

As of September 30, 2023 and 2022, Working Solutions had undrawn bank lines of credit totaling $750,000 and $1,500,000, respectively, which could be used for general expenditure if needed.

Note 11 – Concentrations, Risks, and Uncertainties

Working Solutions has cash on deposit with federally insured banks. Periodically, such deposits may be in excess of federally insured limits. In 2023, Working Solutions began participating in the IntraFi Insured Cash Sweep program, which allows the organization to transfer cash on deposit across a network of federally insured banks to maximize deposit insurance coverage beyond conventional federally insured limits.

Working Solutions makes small business loans in the normal course of business. A selection of the portfolio is guaranteed through one of the various programs within the California IBank Small Business Loan Guarantee Program (SBLGP). As of September 30, 2023, approximately 79% or $8,559,708 in outstanding loans were enrolled in one of the programs within SBLGP with guarantees between 80% and 95%. Additionally, the Organization participates in CalCap, which matches loan loss reserve allocations for specified enrolled loans. Management performs ongoing credit evaluations and maintains adequate reserves for loss, taking into consideration these off-balance sheet guarantees.

During the year ended September 30, 2023, Working Solutions recognized $4,072,009 of revenue from one grantor, which represents approximately 69% of total contributions and grants. During the year ended September 30, 2022, Working Solutions recognized $932,970 of revenue from two donors, which represents approximately 58% of total contributions and grants. As of September 30, 2023, approximately 89% of contributions receivable was related to one donor. As of September 30, 2022, approximately 89% of contributions receivable was related to four donors. As of September 30, 2023, Working Solutions had debt outstanding of $5,300,000 with five agencies, which represents approximately 77% of total loans payable. As of September 30, 2022, Working Solutions had debt outstanding of $4,250,000 with four agencies, which represents approximately 53% of total loans payable.

Contingencies contained within grants awarded to Working Solutions are subject to the donor's established criteria under which loans may be funded from the related grants. Should the loans funded not comply with the established criteria, Working Solutions could be held responsible for the repayments to the funding source for any disallowed loans. Management is not aware of any material noncompliance with its lending policies that would lead to disallowed loans and the related risk is considered by management to be minimal.

The World Health Organization declared the novel coronavirus outbreak a public health emergency. Working Solutions' operations are concentrated in California which has restricted gatherings and implemented shelter in place restrictions. Working Solutions implemented a responsive, phased strategy to meet the evolving needs of the organization and its small business clients in the face of combined health, economic, social, and environmental crises during year. This included pivoting to virtual operations for the entire staff team, offering payment deferments and debt relief for loan fund clients, providing emergency relief grants to small businesses to offer liquidity and to cover immediate losses, and launching a recovery loan product. Working Solutions has not observed any material decline in portfolio quality that warrants additional provisioning for loan loss at this time. Working Solutions continues to monitor the situation closely, but given the ongoing uncertainty, management can't estimate the impact to the financial statements.

Note 12 – Operating Leases

In May 2021, Working Solutions renewed its lease, leasing office space in San Francisco under a noncancelable operating lease that will expire in May 2024, with an option to extend through May 2026. The lease terms were negotiated for a discounted $5,000 rate, which returned to the standard rate of $10,671 after 12 months.

Working Solutions records the present value of future minimum lease payments as an operating asset and liability on the statements of financial position. As of September 30, 2023 and 2022, the present value discount rate was 8%. As of September 30, 2023, the operating lease asset and operating lease liability were $252,288 and $288,950, respectively. As of September 30, 2022, the operating lease asset and operating lease liability were $356,779 and $407,029, respectively.

Required minimum lease payments are as follows:

For the Years Ending September 30,	
2024	$ 122,205
2025	125,870
2026	74,694
Total lease payments	322,769
Less: present value discount	(33,819)
Operating lease liability	$ 288,950

Lease Term and Discount Rate

Weighted average remaining lease term	2.5 years
Weighted average discount rate	8%

For the years ended September 30, 2023 and 2022, rent expense totaled $127,777 and $128,898, respectively.

Note 13 – Employee Benefit Plan

Working Solutions offers a 401(k) plan (Plan) for the benefit of its employees. The Plan covers all employees who have completed 3 months of service and have attained age 21. Contributions to the Plan may not exceed the IRS annual contribution limits. The Plan provides for discretionary matching contributions equal to a uniform percentage of the employee’s contribution. The Plan also provides for a discretionary contribution. The employer contributions are vested at 20% after 2 years of employment, 40% after 3 years, 60% after 4 years, 80% after 5 years and 100% after 6 years of employment. Working Solutions incurred employer contributions expenses during the years ended September 30, 2023 and 2022, totaling $62,886 and $44,348, respectively.

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