

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
FINANCIAL STATEMENTS
Years Ended December 31, 2019 and 2018

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT ACCOUNTANT'S COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position.....	2
Statements of Activities	3
Statements of Functional Expenses.....	4
Statements of Cash Flows	5
SUPPLEMENTARY INFORMATION.....	6
Schedule 1 – Select Financial Information	7-8



business & advisory services
putting it all together

**FOUNTAIN, ARRINGTON, BASS,
MERCER & LEE, P.C.**
Certified Public Accountants

D. Clyde Fountain, C.P.A.
W. Alan Arrington, C.P.A.
David J. Bass, C.P.A.
Anthony W. Mercer, C.P.A.
John J. Lee, C.P.A.
Laura E. Toms, C.P.A.
Scott N. Wacter, C.P.A.

INDEPENDENT ACCOUNTANT'S COMPILATION REPORT

Members

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

To the Board of Directors
Powerworks Industries, Inc.
Columbus, Georgia

Management is responsible for the accompanying financial statements of Powerworks Industries, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Emphasis of Matter

Management has elected to omit substantially all the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position, changes in net assets, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

As discussed in the supplementary information, in January 2020, the World Health Organization declared COVID-19 to constitute a "Public Health Emergency of International Concern." Given the uncertainty of the situation, the duration of any business disruption and related financial impact cannot be reasonably estimated at this time. Management's evaluation of the events and conditions is described in the supplementary information.

Supplementary Information

The supplementary information contained in Schedule 1 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the representation of management. The information was subject to our compilation engagement, however, we have not audited or reviewed the supplementary information and, accordingly, do not express an opinion, nor provide any form of assurance on such supplementary information.

FOUNTAIN, ARRINGTON, BASS, MERCER & LEE, P.C.
Certified Public Accountants

Columbus, Georgia
May 7, 2020

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF FINANCIAL POSITION
December 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Cash	\$ 2,156,760	\$ 336,175
Accounts receivable - trade	1,870,371	2,736,473
Fixed assets (net of accumulated depreciation)	840,548	789,323
Deposit	<u>500</u>	<u>--</u>
 Total Assets	 <u>\$ 4,868,179</u>	 <u>\$ 3,861,971</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 55,763	\$ 51,908
Accounts payable - related party	439,313	369,252
Accrued wages	159,922	148,662
Accrued and withheld expenses	<u>160,770</u>	<u>198,523</u>
 Total liabilities	 <u>815,768</u>	 <u>768,345</u>
 NET ASSETS WITHOUT DONOR RESTRICTIONS	 <u>4,052,411</u>	 <u>3,093,626</u>
 Total Liabilities and Net Assets	 <u>\$ 4,868,179</u>	 <u>\$ 3,861,971</u>

See accountant's compilation report.

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF ACTIVITIES
For Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
REVENUE AND SUPPORT		
Federal contracts	\$ 11,287,125	\$ 10,507,623
Other contracts	77,467	126,397
Other income (loss)	19,707	(3,774)
	<u>11,384,299</u>	<u>10,630,246</u>
EXPENSES		
Program services		
Contracts	10,273,029	9,625,365
Supporting services		
Management and general	152,485	132,761
	<u>10,425,514</u>	<u>9,758,126</u>
Change in Net Assets Without Donor Restrictions	958,785	872,120
NET ASSETS, beginning of year	<u>3,093,626</u>	<u>2,221,506</u>
NET ASSETS, end of year	<u>\$ 4,052,411</u>	<u>\$ 3,093,626</u>

See accountant's compilation report.

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2019

	Program Services	Supporting Services	
	Contracts	Management and General	Total
Salaries and wages	\$ 3,815,515	\$ 96,127	\$ 3,911,642
Employee benefits	1,063,321	11,702	1,075,023
Workers' compensation	196,222	1,248	197,470
Payroll taxes	275,944	6,303	282,247
Total compensation and related expenses	5,351,002	115,380	5,466,382
Advertising	789	20	809
Professional and consulting fees	6,702	7,039	13,741
Background checks	4,395	41	4,436
Bank charges and credit card fees	5,708	501	6,209
Contributions	680	70	750
Drug screening	2,078	8	2,086
Dues and subscriptions	63,466	5,897	69,363
Employee recruitment	1,333	137	1,470
Employee relations	31,535	2,162	33,697
Equipment maintenance	67,365	135	67,500
Equipment rental	13,511	419	13,930
Source America commissions	434,415	--	434,415
Office expense	10,992	323	11,315
Pest control	1,349	67	1,416
Postage, shipping and freight	2,283	159	2,442
Printing	4,275	57	4,332
Safety and security	7,349	268	7,617
Supplies	611,748	935	612,683
Telephone	24,107	639	24,746
Repairs and maintenance	23,502	1,639	25,141
Staff training and development	8,480	604	9,084
Travel and transportation	23,718	804	24,522
Taxes and licenses	5,419	79	5,498
Technology expense	108,013	4,750	112,763
Depreciation	218,142	5,107	223,249
Contracted services	113,757	143	113,900
Indirect costs	2,876,357	--	2,876,357
Insurance	56,087	1,916	58,003
Uniforms	8,096	5	8,101
Utilities	45,890	2,821	48,711
Vehicle expense	137,627	86	137,713
Miscellaneous	2,859	274	3,133
Total Functional Expenses	\$ 10,273,029	\$ 152,485	\$ 10,425,514

The accompanying notes are an integral part of these financial statements.

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2018

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Contracts</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 3,583,429	\$ 82,725	\$ 3,666,154
Employee benefits	1,025,759	9,090	1,034,849
Workers' compensation	189,537	366	189,903
Payroll taxes	<u>259,829</u>	<u>5,418</u>	<u>265,247</u>
 Total compensation and related expenses	 5,058,554	 97,599	 5,156,153
Advertising	352	35	387
Professional and consulting fees	20,551	7,460	28,011
Background checks	17,562	82	17,644
Bank charges and credit card fees	11,266	849	12,115
Contributions	1,364	136	1,500
Drug screening	1,576	11	1,587
Dues and subscriptions	59,202	5,834	65,036
Employee recruitment	4,263	425	4,688
Employee relations	21,018	1,422	22,440
Equipment maintenance	59,247	239	59,486
Equipment rental	8,700	445	9,145
Source America commissions	404,323	--	404,323
Office expense	9,609	243	9,852
Pest control	1,337	60	1,397
Postage, shipping and freight	1,464	142	1,606
Printing	3,832	16	3,848
Safety and security	5,481	84	5,565
Supplies	559,602	560	560,162
Telephone	25,921	581	26,502
Repairs and maintenance	50,493	1,158	51,651
Staff training and development	10,077	896	10,973
Travel and transportation	21,791	927	22,718
Taxes and licenses	535	43	578
Technology expense	101,967	3,971	105,938
Depreciation	172,450	3,361	175,811
Contracted services	90,148	1,400	91,548
Indirect costs	2,640,879	--	2,640,879
Insurance	50,531	1,830	52,361
Uniforms	13,821	12	13,833
Utilities	45,998	2,652	48,650
Vehicle expense	142,856	90	142,946
Miscellaneous	<u>8,595</u>	<u>198</u>	<u>8,793</u>
 Total Functional Expenses	 <u>\$ 9,625,365</u>	 <u>\$ 132,761</u>	 <u>\$ 9,758,126</u>

The accompanying notes are an integral part of these financial statements.

POWERWORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ <u>958,785</u>	\$ <u>872,120</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	168,453	138,709
Loss on sale of fixed assets	4,600	5,000
Changes in assets and liabilities		
(Increase) decrease in accounts receivable - trade	866,102	(509,378)
Increase in deposits	(500)	--
Increase (decrease) in accounts payable	3,855	(40,951)
Increase (decrease) in accounts payable - related party	70,061	(430,848)
Increase in accrued wages	11,260	14,011
Increase (decrease) in accrued and withheld expenses	(37,753)	<u>29,588</u>
Total adjustments	<u>1,086,078</u>	<u>(793,869)</u>
Net cash provided by operating activities	<u>2,044,863</u>	<u>78,251</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of fixed assets	400	--
Acquisition of fixed assets	<u>(224,678)</u>	<u>(223,121)</u>
Net cash used by investing activities	<u>(224,278)</u>	<u>(223,121)</u>
Net Increase (Decrease) in Cash	1,820,585	(144,870)
CASH, beginning of year	<u>336,175</u>	<u>481,045</u>
CASH, end of year	<u>\$ 2,156,760</u>	<u>\$ 336,175</u>

See accountant's compilation report.

SUPPLEMENTARY INFORMATION

POWERWORKS INDUSTRIES, INC.
SCHEDULE 1 – SELECT FINANCIAL INFORMATION (Substantially All
Disclosures Required by Accounting Principles Generally Accepted in the
United States of America Are Not Included)
For the Years Ended December 31, 2019 and 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Powerworks is a not-for-profit, tax-exempt organization established to provide employment for disabled individuals to provide various products and services to federal and state government entities. Powerworks' primary source of revenue is provided under Federal government contracts. Currently, services are provided at the Fort Benning Military Installation in Ft. Benning, Georgia, and the Marine Corps Logistics Base in Albany, Georgia. Typically, the federal and state contracts are set aside to employ a predominately disabled population as provided for in the Javits-Wagner-O'Day Act and administered through Source America with oversight provided by the President's Committee for the Employment of those with Disabilities.

In 2019, of the 186 employees working set-aside contracts, 136 were disabled, earning an average wage of \$10.96 per hour plus 100% employer-funded benefits. In 2019, disabled employees working with Powerworks earned approximately \$1,690,774. In 2018, of the 173 employees working set-aside contracts, 127 were disabled, earning an average wage of \$10.75 per hour plus 100% employer-funded benefits. In 2018, disabled employees working with Powerworks earned approximately \$1,620,858.

Powerworks is an affiliate of Goodwill Industries. Goodwill provides on-site professional skills training in both certified custodial and floor care as well as grounds maintenance. During employment, Goodwill provides continuous on-site case management, life coaching and advanced placement services for the disabled. Powerworks' board of directors is primarily composed of current members of the Goodwill board and has its own slate of officers. Goodwill does not own Powerworks.

NOTE B – RELATED PARTY TRANSACTIONS

Goodwill has a management contract with Powerworks. The contract is normally renewed annually and is structured so that it can be terminated by either party. This contract requires Powerworks to pay Goodwill a management fee and to reimburse any directly identifiable expenses incurred by Goodwill on its behalf. During 2019 and 2018, Powerworks paid management fees totaling \$1,565,290 and \$1,393,615 and reimbursed Goodwill for expenses totaling \$1,060,400 and \$1,007,370, respectively. Management fees represent overhead support costs. In addition, the contract calls for Goodwill to receive compensation from Powerworks of 75% of Powerworks' monthly net income after depreciation and management fees. During the years ended December 31, 2019 and 2018, Goodwill received \$2,876,357 and \$2,640,879, respectively, under this agreement. At December 31, 2019 and 2018, the receivable owed to Goodwill from Powerworks totals \$439,313 and \$369,252, respectively.

See accountant's compilation report.

POWERWORKS INDUSTRIES, INC.
SCHEDULE 1 – SELECT FINANCIAL INFORMATION (Substantially All
Disclosures Required by Accounting Principles Generally Accepted in the
United States of America Are Not Included)
For the Years Ended December 31, 2019 and 2018

NOTE B – RELATED PARTY TRANSACTIONS (Continued)

Occasionally, Goodwill makes cash advances to Powerworks. During the years ended December 31, 2019 and 2018, Goodwill made \$0 and \$100,000 cash advances, respectively.

NOTE C – SUBSEQUENT EVENT

In January 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a “Public Health Emergency of International Concern,” resulting in federal, state and local governments and private entities mandating various restrictions, including travel restrictions, restrictions on public gatherings, stay at home orders and advisories and quarantining of people who may have been exposed to the virus. As a result, Powerworks has seen April and May 2020 revenue reduced but expect full revenue in June 2020. Although buildings were closed for a short time, they have begun to come back online, and Powerworks has provided some additional work to offset some of that revenue loss. While this is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 on our business operations cannot be reasonably estimated at this time.

See accountant’s compilation report.