

AtWork!

**Financial Statements and
Independent Auditors' Report**

September 30, 2008 and 2007



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Bellevue
Boise
Grandview
Moses Lake
Omak
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Spokane
Tri-Cities
Walla Walla
Wenatchee
Yakima

INDEPENDENT AUDITORS' REPORT

Board of Directors
AtWork!
Bellevue, Washington

We have audited the accompanying statements of financial position of AtWork! (a nonprofit Organization) as of September 30, 2008 and 2007, and the related statements of activities, changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of AtWork! as of September 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

LeMaster & Daniels PLLC

Bellevue, Washington
January 30, 2009

Statements of Financial Position

	September 30,	
	<u>2008</u>	<u>2007</u>
Assets		
<i>CURRENT ASSETS:</i>		
Cash and cash equivalents	\$ 485,380	\$ 490,630
Accounts receivable, net of allowance for doubtful accounts of \$15,000	315,480	485,379
Unconditional promises to give	2,499	100,000
Inventory	10,703	-
Employee advances	612	600
Note receivable, current portion	62,114	-
Prepaid expenses	97,781	121,591
Total current assets	<u>974,569</u>	<u>1,198,200</u>
<i>PROPERTY, PLANT, AND EQUIPMENT:</i>		
Buildings	1,402,942	1,402,942
Leasehold improvements	1,179,181	1,179,181
Furniture and equipment	456,628	391,480
Vehicles	156,151	137,860
	<u>3,194,902</u>	<u>3,111,463</u>
Less accumulated depreciation	1,562,605	1,510,297
	<u>1,632,297</u>	<u>1,601,166</u>
Construction in progress	243,765	-
Land	541,927	541,927
	<u>2,417,990</u>	<u>2,143,093</u>
<i>OTHER ASSETS:</i>		
Unconditional promises to give, net of current portion	100,000	100,000
Note receivable, net of current portion	260,624	304,852
	<u>360,624</u>	<u>404,852</u>
	<u>\$ 3,753,183</u>	<u>\$ 3,746,145</u>

See accompanying notes to financial statements.

Statements of Financial Position

September 30,

2008 2007

Liabilities and Net Assets

CURRENT LIABILITIES:

Accounts payable	\$ 180,388	\$ 58,213
Salaries and wages payable	190,723	214,552
Payroll and sales taxes payable	31,273	17,330
Total current liabilities	<u>402,384</u>	<u>290,095</u>

COMMITMENTS

NET ASSETS:

Unrestricted	2,308,927	2,414,178
Permanently restricted	1,041,872	1,041,872
Total net assets	<u>3,350,799</u>	<u>3,456,050</u>

\$ 3,753,183 \$ 3,746,145

Statements of Activities

	Years Ended September 30,	
	<u>2008</u>	<u>2007</u>
<i>Changes in Unrestricted Net Assets:</i>		
<i>SUPPORT:</i>		
Work training and rehabilitation	\$ 1,578,653	\$ 1,391,275
United Way	251,029	420,842
Hallock donation	-	400,000
Donated use of facilities	108,747	129,192
Cash and United Way designated	185,437	112,762
Division of Vocational Rehabilitation	80,600	37,420
Grants	44,499	4,000
Total support	<u>2,248,965</u>	<u>2,495,491</u>
<i>REVENUE:</i>		
Janitorial and landscaping	796,000	978,451
Production	622,271	589,213
Gain on sale of assets	9,400	207,736
Recycling	93,526	91,543
Interest	26,925	23,614
Supported employment and private pay contracts	4,200	4,200
Miscellaneous income	4,891	1,662
Total revenue	<u>1,557,213</u>	<u>1,896,419</u>
<i>TEMPORARY RESTRICTED NET ASSETS RELEASED FROM RESTRICTIONS</i>	<u>-</u>	<u>203,425</u>
Total support and revenue	<u>3,806,178</u>	<u>4,595,335</u>

See accompanying notes to financial statements.

Statements of Activities

	Years Ended September 30,	
	<u>2008</u>	<u>2007</u>
<i>EXPENSES:</i>		
Program services:		
Production	\$ 1,048,659	\$ 1,235,519
Janitorial and landscaping	1,001,394	1,078,218
Customized employment	871,240	550,803
Recycling	195,231	196,859
Total program services	<u>3,116,524</u>	<u>3,061,399</u>
Supporting services:		
General and administrative	667,118	657,462
Fundraising	127,787	106,468
Total supporting services	<u>794,905</u>	<u>763,930</u>
Total expenses	<u>3,911,429</u>	<u>3,825,329</u>
	(105,251)	770,006
<i>NET ASSETS RELEASED FROM TEMPORARY RESTRICTION</i>	-	(706,827)
<i>INCREASE IN PERMANENTLY RESTRICTED NET ASSETS</i>	<u>-</u>	<u>997,745</u>
<i>INCREASE (DECREASE) IN NET ASSETS</i>	<u>\$ (105,251)</u>	<u>\$ 1,060,924</u>

AtWork!

Statements of Changes in Net Assets

Years Ended September 30, 2008 and 2007

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<i>NET ASSETS, SEPTEMBER 30, 2006</i>	\$ 1,644,172	\$ 706,827	\$ 44,127	2,395,126
<i>INCREASE (DECREASE) IN NET ASSETS</i>	<u>770,006</u>	<u>(706,827)</u>	<u>997,745</u>	<u>1,060,924</u>
<i>NET ASSETS, SEPTEMBER 30, 2007</i>	2,414,178	-	1,041,872	3,456,050
<i>DECREASE IN NET ASSETS</i>	<u>(105,251)</u>	<u>-</u>	<u>-</u>	<u>(105,251)</u>
<i>NET ASSETS, SEPTEMBER 30, 2008</i>	<u><u>\$ 2,308,927</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,041,872</u></u>	<u><u>3,350,799</u></u>

See accompanying notes to financial statements.

Statement of Functional Expenses

	Program Services				Total
	Production	Janitorial and Landscaping	Customized Employment	Recycling	
Salaries	\$ 408,430	\$ 387,526	\$ 554,626	\$ 68,553	\$ 1,419,135
Benefits	87,788	131,788	121,867	23,446	364,889
Client wages	110,067	145,704	-	54,499	310,270
Supplies and direct materials	174,089	70,924	3,096	3,291	251,400
Payroll taxes	57,978	65,336	68,709	11,214	203,237
Facilities	112,256	14,897	8,892	1,315	137,360
Depreciation	46,228	21,830	3,775	12,658	84,491
Travel	6,387	6,579	64,394	507	77,867
Insurance	5,208	24,122	2,405	664	32,399
Telephone	8,065	15,092	22,778	1,717	47,652
Utilities	15,603	994	11,512	6,511	34,620
Auto	1,664	42,021	962	1,573	46,220
Temporary services	5,830	33,243	-	340	39,413
Professional services	-	-	600	-	600
Repairs and maintenance	810	4,974	-	4,509	10,293
Subcontract	-	16,893	-	-	16,893
Printing	218	46	2,020	109	2,393
Recognition and hospitality	1,142	3,260	2,218	417	7,037
Miscellaneous	549	969	1,947	30	3,495
Dues and fees	645	-	230	-	875
Outside commissions	-	10,218	-	-	10,218
Training	1,067	43	728	2,662	4,500
Shipping/freight	4,026	-	-	-	4,026
Real estate taxes	-	3,830	-	-	3,830
Postage	116	-	32	-	148
Advertising and job recruitment	412	880	449	149	1,890
Licenses and fees	-	113	-	-	113
Aluminum recycling purchases	-	-	-	637	637
Equipment rental	81	112	-	430	623
	<u>\$ 1,048,659</u>	<u>\$ 1,001,394</u>	<u>\$ 871,240</u>	<u>\$ 195,231</u>	<u>\$ 3,116,524</u>

See accompanying notes to financial statements.

Supporting Services

<u>General and Administrative</u>	<u>Fundraising</u>	<u>Total Expenses</u>
\$ 357,416	\$ 60,673	\$ 1,837,224
71,943	8,025	444,857
-	-	310,270
15,260	23,780	290,440
44,488	6,471	254,196
15,589		152,949
34,303	626	119,420
11,892	2,279	92,038
29,219	-	61,618
9,122	1,359	58,133
16,713	-	51,333
572	-	46,792
-	-	39,413
24,674	6,917	32,191
7,910	1,692	19,895
-	-	16,893
1,609	11,296	15,298
6,064	785	13,886
8,380	807	12,682
8,748	1,756	11,379
-	-	10,218
1,235	55	5,790
-	-	4,026
-	-	3,830
1,355	856	2,359
140	275	2,305
486	135	734
-	-	637
-	-	623
<u>\$ 667,118</u>	<u>\$ 127,787</u>	<u>\$ 3,911,429</u>

Statement of Functional Expenses

	Program Services				Total
	Production	Janitorial and Landscaping	Customized Employment	Recycling	
Salaries	\$ 431,442	\$ 446,114	\$ 362,346	\$ 74,600	\$ 1,314,502
Benefits	140,109	123,956	71,941	24,905	360,911
Client wages	120,408	164,986	-	52,579	337,973
Supplies and direct materials	151,035	66,807	842	3,052	221,736
Payroll taxes	69,264	70,853	46,919	11,602	198,638
Facilities	127,732	10,811	6,062	505	145,110
Depreciation	60,998	9,588	1,187	11,851	83,624
Professional services	-	-	335	-	335
Insurance	10,653	21,989	1,852	260	34,754
Travel	4,836	6,160	36,877	831	48,704
Subcontract	34,708	27,579	-	-	62,287
Temporary services	23,502	35,475	-	128	59,105
Utilities	35,247	2,465	2,737	6,454	46,903
Auto	3,441	51,039	518	1,489	56,487
Telephone	10,857	15,414	11,548	2,104	39,923
Repairs and maintenance	1,967	6,908	-	1,306	10,181
Advertising and job recruitment	4,660	2,969	673	1,516	9,818
Printing	370	444	4,113	74	5,001
Dues and fees	735	198	10	60	1,003
Outside commissions	-	9,904	-	-	9,904
Recognition and hospitality	360	409	2,286	24	3,079
Miscellaneous	1	100	241	19	361
Real estate taxes	-	3,459	-	-	3,459
Shipping/freight	2,685	-	-	-	2,685
Postage	50	-	89	-	139
Aluminum recycling purchases	-	-	-	2,085	2,085
Training	163	186	227	124	700
Licenses and fees	38	291	-	-	329
Equipment rental	258	114	-	1,291	1,663
	<u>\$ 1,235,519</u>	<u>\$ 1,078,218</u>	<u>\$ 550,803</u>	<u>\$ 196,859</u>	<u>\$ 3,061,399</u>

See accompanying notes to financial statements

Supporting Services

<u>General</u>		<u>Total</u>
<u>and</u>		<u>Expenses</u>
<u>Administrative</u>	<u>Fundraising</u>	
\$ 342,150	\$ 55,803	\$ 1,712,455
65,912	6,780	433,603
-	-	337,973
14,157	13,076	248,969
42,587	6,804	248,029
20,739	-	165,849
19,236	-	102,860
58,214	11,198	69,747
29,874	-	64,628
12,453	2,401	63,558
-	-	62,287
-	-	59,105
11,336	-	58,239
88	-	56,575
9,242	902	50,067
5,291	570	16,042
1,196	375	11,389
1,291	4,892	11,184
8,516	1,220	10,739
-	-	9,904
5,743	679	9,501
6,501	40	6,902
-	-	3,459
-	-	2,685
355	1,728	2,222
-	-	2,085
1,119	-	1,819
1,462	-	1,791
-	-	1,663
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\$ 657,462	\$ 106,468	\$ 3,825,329
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Statements of Cash Flows

	Years Ended September 30,	
	<u>2008</u>	<u>2007</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>		
<i>CASH FLOWS FROM OPERATING ACTIVITIES:</i>		
Cash received from customers	\$ 3,923,615	\$ 3,774,766
Cash paid to suppliers and employees	(3,557,878)	(3,634,890)
Other income received	13,930	8,406
Net cash provided by operating activities	<u>379,667</u>	<u>148,282</u>
<i>CASH FLOWS FROM INVESTING ACTIVITIES:</i>		
Purchases of property, plant and equipment	(150,552)	(50,358)
Purchases for construction in progress	(243,765)	-
Proceeds from disposal of property and equipment	9,400	74,079
Net cash (used in) provided by investing activities	<u>(384,917)</u>	<u>23,721</u>
<i>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</i>	(5,250)	172,003
<i>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</i>	<u>490,630</u>	<u>318,627</u>
<i>CASH AND CASH EQUIVALENTS, END OF YEAR</i>	<u>\$ 485,380</u>	<u>\$ 490,630</u>

See accompanying notes to financial statements.

Statements of Cash Flows

Years Ended
September 30,

2008 2007

Reconciliation of Changes in Net Assets to Net Cash Provided by Operating Activities:

Changes in net assets	\$ (105,251)	\$ 1,060,924
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Donation of land	-	(497,800)
Depreciation	119,420	102,860
Gain on disposal of property and equipment	(9,400)	(207,736)
Interest imputed on note receivable	(17,886)	(13,414)
(Increase) decrease in assets:		
Accounts receivable	169,899	(54,940)
Unconditional promises to give	97,501	(200,000)
Inventory	(10,703)	5,411
Employee advances	(12)	(600)
Prepaid expenses	23,810	3,175
Increase (decrease) in liabilities:		
Accounts payable	122,175	(16,605)
Salaries and wages payable	(23,829)	(19,101)
Payroll and sales taxes payable	13,943	(12,893)
Customer deposits	-	(999)
Total adjustments	484,918	(912,642)
Net cash provided by operating activities	\$ 379,667	\$ 148,282

Supplemental Disclosure of Noncash Investing and Financing Activity:

During the year ended September 30, 2007, the property located in Kenmore was sold and AtWork! received a note for \$291,438 toward the sale price.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Organization:

AtWork! is a Washington non-profit corporation, incorporated on October 27, 1998. The organization's objective is to assist persons with disabilities to be productive, integrated and contributing members of their communities. AtWork! operates in the east King County area and maintains work training facilities in Bellevue and Issaquah, Washington.

Various programs provide an opportunity for individuals with developmental disabilities to enhance their employment skills. During the years ended September 30, 2008 and 2007, AtWork! operated the following programs:

- a. *Production* – The production shop specializes in operations that range from packaging and bulk mail to small parts assembly.
- b. *Janitorial and landscaping* – Supported crews provide on-site maintenance services for commercial facilities.
- c. *Customized employment* – Services are provided to individuals in need of support in finding and keeping a job with a local business. Also, AtWork! provides volunteering opportunities, community resources, touring and recreational, or artistic support to individuals with developmental disabilities.
- d. *Recycling* – This program provides individuals with an opportunity to work with the processing of recyclable materials.

AtWork! receives support from King County, the United Way, the Washington Department of Vocational Rehabilitation, the Washington Department of Social and Health Services, and individual donors. Revenue is earned through the operation of the programs described above.

Summary of significant accounting policies:

- a. *Financial statement presentation* – Net assets and changes therein are classified and reported using three classes of net assets - unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based on the existence or absence of donor-imposed restrictions. The Organization had no temporarily restricted net assets at September 30, 2008 or 2007.
- b. *Basis of accounting* – The financial statements of AtWork! have been prepared on the accrual basis of accounting.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Summary of significant accounting policies (continued):

- c. *Cash and cash equivalents* – AtWork! considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.
- d. *Accounts receivable* – AtWork! records trade accounts receivable from customers based on monthly billings for services performed. The past due status of individual accounts is determined by the related customer contracts. Accounts are written off as uncollectible when management determines that collection of the balance is remote.
- e. *Promises to give* – Unconditional promises to give are recognized as revenues or gains in the period received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.
- f. *Inventory* – Inventory consists of raw materials, work in process, and finished goods. Raw materials are stated at the lower of cost or market determined by the first-in, first-out method. Work in process and finished goods, adjusted for management's estimated percentage of completion for work in process are valued using the retail method.
- g. *Property, plant, and equipment* – Property, plant and equipment with useful lives greater than one year are capitalized and carried at cost. When retired or otherwise disposed of, the related carrying value and accumulated depreciation are removed from the respective accounts and the net difference, less any amount realized from disposition, is reflected in earnings. Maintenance and repairs are charged to expense. Costs of significant improvements and renewals are capitalized. AtWork! provides for depreciation using the straight-line method over the estimated useful lives of the assets. Depreciation expense was \$119,420 and \$102,860 for the years ended September 30, 2008 and 2007, respectively.

Donated property, plant, and equipment are recorded as contributions at their estimated fair value at the date of donation. Such donations are reported as increases in unrestricted nets assets unless the donor has restricted the donated asset to a specific purpose. Property, plant, and equipment restricted to a specific purpose, without a donor's stipulation as to how long the donated asset must be maintained, are released from restriction over time each year for the amount of depreciation expense related to that donated asset. Assets with a donor imposed restriction are released based on that donor restriction.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Summary of significant accounting policies (continued):

- g. *Property, plant, and equipment* (continued) – Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.
- h. *Free use of facilities* – AtWork! receives the use of the Issaquah facility at no charge from the city of Issaquah, Washington, until the year 2033. In accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, AtWork! recognizes contribution revenue at fair market value in the period received.
- i. *Donated services* – Donated services are recognized as contributions if the services create or enhance nonfinancial assets, or require specialized skills, are performed by people with those skills, and would otherwise be purchased by AtWork!. There were no services donated during the years ended September 30, 2008 and 2007.
- j. *Functional expenses* – Functional expenses are allocated between program and supporting services based on management's estimates and studies of costs attributable to the various programs or supporting services.
- k. *Advertising* – AtWork! expenses the costs of advertising as incurred. AtWork! incurred advertising expense of \$520 and \$7,980 for the years ended September 30, 2008 and 2007, respectively.
- l. *Insurance* – AtWork! participates in a self-insurance trust for purposes of unemployment insurance. Stop loss coverage is provided and is triggered when claims reach 4% of annual gross payroll.
- m. *Use of estimates* – Management uses estimates and assumptions in preparing financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.
- n. *Federal income taxes* – AtWork! is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Notes to Financial Statements

NOTE 1 — ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

Summary of significant accounting policies (continued):

- o. *Presentation* – Certain reclassifications of financial statement amounts for the year ended September 30, 2007, have been made to conform to the 2008 presentation with no effect on previously reported change in net assets.

NOTE 2 — RESTRICTED NET ASSETS:

Permanently restricted net assets consist of land in Bellevue of \$541,927 and a building of \$499,945 located on the Bellevue land. The City of Bellevue donated \$497,800 of the land to Atwork! on December 11, 2007. Also on that date the building located on the land was transferred from temporarily restricted net assets to permanently restricted net assets. The property is required to be used to provide human services. Ownership of the property will revert to the City of Bellevue if the property is no longer used to provide human services.

The Issaquah property supports general assembly and recycling. It is leased from the City of Issaquah without rent. It is required to be used as a work training facility for the life of the lease.

NOTE 3 — SALARIES AND WAGES PAYABLE:

Salaries and wages payable consisted of the following:

	<u>September 30,</u>	
	<u>2008</u>	<u>2007</u>
Salaries and wages payable	\$ 127,724	\$ 140,889
Vacations payable	<u>62,999</u>	<u>73,663</u>
	<u>\$ 190,723</u>	<u>\$ 214,552</u>

Notes to Financial Statements

NOTE 4 — LINE OF CREDIT:

AtWork! has a revolving line of credit with a bank at September 30, 2008, secured by all accounts receivable, inventory, and equipment. Borrowings under the line are limited to \$250,000 and are due on demand. Interest is computed at the bank's prime lending rate. The line expires July 2, 2009. There were no borrowings on the line at September 30, 2008.

AtWork! has a revolving line of credit with a bank at September 30, 2008, secured by all accounts receivable, inventory, equipment, and real property located in King County, State of Washington. Borrowings under the line are limited to \$365,000 and are due on demand. Interest is computed at the bank's prime lending rate. The line expires February 28, 2009. There were no borrowings on the line at September 30, 2008.

NOTE 5 — ANNUITY PLAN:

AtWork! offers a tax-deferred annuity plan qualified under Section 403(b) of the Internal Revenue Code. The plan covers all employees over the age of 21 from the first day of employment. Employees may make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

NOTE 6 — COMMITMENTS:

AtWork! entered into operating leases for office space and equipment. One lease expired in December 2008 and the other lease expires in April, 2011. Rent expense under these leases for the years ended September 30, 2008 and 2007, was \$6,788 and \$3,217, respectively.

Future minimum lease payments for the remaining lease term are as follows:

<u>Years Ending</u> <u>September 30,</u>	<u>Amount</u>
2009	\$ 5,018
2010	3,218
2011	<u>1,877</u>
	\$ 10,113
	<u><u> </u></u>

Notes to Financial Statements

NOTE 7 — CONCENTRATIONS OF CREDIT RISK:

AtWork! maintains its cash in bank deposit accounts in a large commercial bank. AtWork!'s cash balances may, at times, exceed federally insured limits. AtWork! has not experienced any losses related to these accounts and believes it is not exposed to any significant credit risk on its cash accounts.

AtWork! provides credit to its customers in the normal course of business. Ongoing credit evaluations of significant customers are performed. When considered appropriate, AtWork! obtains prepayments from customers before performing service.