

**Southwest Ohio Region
Workforce Investment Board**

Financial Statements

June 30, 2021 and 2020



Southwest Ohio Region Workforce Investment Board

Table of Contents

June 30, 2021 and 2020

Independent Auditor's Report	Page 1
Financial Statements	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4 - 5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 11



FLAGEL HUBER FLAGEL

CPAs & BUSINESS ADVISORS

Independent Auditor's Report

To the Board of Directors of
Southwest Ohio Region Workforce Investment Board

Report on the Financial Statements

We have audited the accompanying financial statements of Southwest Ohio Region Workforce Investment Board ("SWORWIB") (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of SWORWIB as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Flagel Huber Flagel

Certified Public Accountants
Cincinnati, Ohio
December 21, 2021

Southwest Ohio Region Workforce Investment Board
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 752,339	\$ 861,141
Service contract receivables	309,382	253,127
Prepaid expenses	999	8,756
Total Assets	<u>\$ 1,062,720</u>	<u>\$ 1,123,024</u>
 Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 29,644	\$ 28,772
Accrued expenses	11,925	49,484
Total Liabilities	<u>41,569</u>	<u>78,256</u>
Net Assets Without Donor Restriction	<u>1,021,151</u>	<u>1,044,768</u>
Total Liabilities and Net Assets	<u>\$ 1,062,720</u>	<u>\$ 1,123,024</u>

The accompanying notes are an integral part of these statements.

Southwest Ohio Region Workforce Investment Board
Statements of Activities
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Support and Revenue		
Contracted services	\$ 488,291	\$ 451,421
Facility operating reimbursements	168,150	279,539
Other revenue	0	8,197
Interest	2,356	9,620
Total Support and Revenue	<u>658,797</u>	<u>748,777</u>
Expenses		
Program Services:		
Adult program and dislocated workers	326,948	307,029
1916 facility	175,644	279,634
WIOA, CCMEP, and TANF youth	96,518	82,618
MUSC	0	47,466
Opioid grant	0	28,420
NEG	21,879	0
Management and general	61,425	14,007
Total Expenses	<u>682,414</u>	<u>759,174</u>
Change in Net Assets Without Donor Restriction	(23,617)	(10,397)
Net Assets Without Donor Restriction – beginning of year	<u>1,044,768</u>	<u>1,055,165</u>
Net Assets Without Donor Restriction – end of year	<u><u>\$ 1,021,151</u></u>	<u><u>\$ 1,044,768</u></u>

The accompanying notes are an integral part of these statements.

Southwest Ohio Region Workforce Investment Board

Statement of Functional Expenses

For the Year Ended June 30, 2021

	Program Services				Support Services	Total
	Adult Program and Dislocated Workers	1916 Facility	WIOA, CCMEP, and TANF Youth	NEG	Management & General	
Salaries	\$ 154,955	\$ 0	\$ 45,702	\$ 9,823	\$ 0	\$ 210,480
Payroll taxes and benefits	35,640	0	10,511	2,677	0	48,828
Accounting services	14,315	13,623	8,660	0	0	36,598
Consulting services	32,636	13,876	0	0	0	46,512
Consumable supplies	51,169	5,713	7,151	2,219	448	66,700
Mileage and travel reimbursements	3,960	0	934	6,260	15,636	26,790
Insurance	2,672	8,894	0	0	0	11,566
Marketing and promotion	14,220	0	13,165	0	0	27,385
Printing and postage	1,379	0	650	0	87	2,116
Membership dues	1,575	0	0	900	0	2,475
Equipment	2,017	0	388	0	0	2,405
Utilities	2,341	49,549	0	0	0	51,890
Building maintenance	0	82,376	0	0	0	82,376
IT expenses	9,995	0	7,424	0	0	17,419
Other	74	1,613	1,933	0	45,254	48,874
Total Expenses	\$ 326,948	\$ 175,644	\$ 96,518	\$ 21,879	\$ 61,425	\$ 682,414

The accompanying notes are an integral part of these statements.

Southwest Ohio Region Workforce Investment Board

Statement of Functional Expenses

For the Year Ended June 30, 2020

	Program Services					Support	Total
	Adult Program and Dislocated Workers	1916 Facility	WIOA, CCMEP, and TANF Youth	MUSC	Opioid Grant	Services Management & General	
Salaries	\$ 107,858	\$ 0	\$ 26,629	\$ 0	\$ 0	\$ 0	\$ 134,487
Payroll taxes and benefits	83,561	0	9,996	0	0	10,417	103,974
Accounting services	12,505	10,290	4,135	1,600	990	0	29,520
Consulting services	25,827	15,120	0	815	0	25	41,787
Consumable supplies	36,663	8,555	14,621	0	0	0	59,839
Mileage and travel reimbursements	11,742	0	0	0	0	3,565	15,307
Training	0	0	0	44,981	18,750	0	63,731
Insurance	0	9,473	0	0	0	0	9,473
Marketing and promotion	11,208	0	7,350	0	0	0	18,558
Printing and postage	4,899	0	1,476	0	0	0	6,375
Membership dues	415	0	4,150	0	0	0	4,565
Equipment	1,477	0	1,000	0	0	0	2,477
Utilities	817	73,322	0	0	0	0	74,139
Building maintenance	0	161,786	0	0	0	0	161,786
IT expenses	9,231	400	4,760	70	0	0	14,461
Other	826	688	8,501	0	8,680	0	18,695
Total Expenses	\$ 307,029	\$ 279,634	\$ 82,618	\$ 47,466	\$ 28,420	\$ 14,007	\$ 759,174

The accompanying notes are an integral part of these statements.

Southwest Ohio Region Workforce Investment Board
Statements of Cash Flows
For the Years Ended June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (23,617)	\$ (10,397)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Changes in assets and liabilities:		
Service contract receivables	(56,255)	76,144
Prepaid expenses	7,757	3,892
Accounts payable	872	(64,612)
Accrued expenses	(37,559)	21,765
Net Cash Provided by (Used In) Operating Activities	<u>(108,802)</u>	<u>26,792</u>
Change in Cash, Cash Equivalents, and Restricted Cash	(108,802)	26,792
Cash, Cash Equivalents, and Restricted Cash – Beginning of Year	<u>861,141</u>	<u>834,349</u>
Cash, Cash Equivalents, and Restricted Cash – End of Year	<u><u>\$ 752,339</u></u>	<u><u>\$ 861,141</u></u>

The accompanying notes are an integral part of these statements.

Southwest Ohio Region Workforce Investment Board

Notes to Financial Statements

June 30, 2021 and 2020

1. Organization and Purpose

Southwest Ohio Region Workforce Investment Board (SWORWIB) is the non-profit organization that implements the Workforce Innovation and Opportunity Act in the City of Cincinnati and Hamilton County, Ohio. SWORWIB develops strategies to engage employers, employees, government, education, organized labor and community-based organizations in partnership to strengthen and expand the workforce resources of the region. SWORWIB is primarily supported by federal funding through a service contract and a facility operating reimbursement arrangement with Hamilton County, Ohio but also receives revenue from grants and donations.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies followed in the preparation of the financial statements.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Financial Statement Presentation

SWORWIB reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. A description of each class as it pertains to the SWORWIB is as follows:

Net Assets Without Donor Restrictions - represent net assets available for use in SWORWIB's general operations and not subject to donor restrictions.

Net Assets With Donor Restrictions - represent net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. SWORWIB has no net assets with donor restrictions; therefore, this classification is omitted from the accompanying financial statements.

Cash, Cash Equivalents and Restricted Cash

For financial statement purposes, SWORWIB considers all highly liquid bank accounts that include interest and non-interest-bearing demand deposit accounts and certificates of deposit to be cash equivalents.

SWORWIB may maintain a portion of this cash in commercial bank accounts which, at times, could exceed federally insured limits. SWORWIB has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash.

The Organization had no restricted cash at June 30, 2021 and 2020.

Southwest Ohio Region Workforce Investment Board

Notes to Financial Statements

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Service Contract Receivables

Service contract receivables represent amounts due under service contracts and reimbursement agreements with Hamilton County, Ohio and other receivables arising from normal operations. Receivables from service contracts and reimbursement agreements with Hamilton County, Ohio represent 98% and 89% of total service contract receivables at June 30, 2021 and 2020, respectively.

SWORWIB utilizes the allowance method to account for bad debts. Accordingly, amounts are allowed for in the period they are determined uncollectible. An allowance of \$0 was recorded at June 30, 2021 and 2020. Bad debt expense with respect to receivables for the years ended June 30, 2021 and 2020 was \$0.

Revenue Recognition

The Organization accounts for program service revenue in accordance with *Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606)*. Under this guidance, revenues from contracts are measured based on the amount of consideration specified in a contract with a customer and are recognized when performance obligations (i.e., obligations to transfer goods and / or services) are satisfied, which generally occurs with the transfer of control of the goods or services to the customer.

SWORWIB has entered into a service contract with Hamilton County, Ohio to take responsibility for the system-wide functions of making policy, procedures, and guidance for the workforce development partnership created under the Workforce Innovation and Opportunity Act of 2014. Revenue is recognized ratably as services are provided. Contracted service revenue related to this service contract was \$426,303 and \$361,718, respectively for the years ended June 30, 2021 and 2020.

In addition to the service contract described above, SWORWIB has also entered into a reimbursement contract with Hamilton County, Ohio for reimbursement of building operating expenses for the facility used in delivery of SWORWIB's services to the community. Facility reimbursement revenue is recognized as expenses are incurred and totaled \$168,150 and \$279,539 for the years ended June 30, 2021 and 2020, respectively.

Revenues in total from Hamilton County, Ohio represent 77% and 89% of total revenues during 2021 and 2020, respectively. SWORWIB is economically dependent on these contractual agreements. Under WIOA of 2014 legislation, across the United States and territories, workforce boards must include a representative of TANF funds on the workforce board most related to the entities receiving the funding. Consequently, certain Hamilton, County, Ohio employees serve as a board member of the SWORWIB in accordance with WIOA law specification for certain "partners" to be board members.

Contributions

Contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence of any donor restrictions.

Support that is restricted by the donor is reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends, or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

Southwest Ohio Region Workforce Investment Board

Notes to Financial Statements

June 30, 2021 and 2020

2. Summary of Significant Accounting Policies (Continued)

Marketing and Promotion Costs

Marketing and promotion costs are charged to operations when incurred. These expenses amounted to \$27,385 and \$18,558 for the years ended June 30, 2021 and 2020, respectively.

Functional Allocation of Expenses

The financial statements report certain categories of expenses that are attributed to both program and supporting services. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization charges all expenses directly related to the fulfillment of its mission to program services based on direct identification of the costs for each program. Expenses that are not directly related to a single program or activity but are indispensable to the conduct of the Organization's programs or existence are charged to management and general. Certain administrative costs including salaries and wages, payroll taxes, employee benefits, and consumable supplies are allocated on the basis of estimates of personnel time related to each activity.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Income Tax Status

The financial statements include no provision for income taxes as SWORWIB is qualified as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. However, any income from certain activities not directly related to SWORWIB's tax exempt purpose may be subject to taxation as unrelated business income.

SWORWIB determines the recognition of uncertain tax positions, if applicable, that may subject SWORWIB to unrelated business income tax necessary by applying a more-likely-than-not recognition threshold and determines the measurement of uncertain tax positions considering the amounts and probabilities of the outcomes that could be realized upon ultimate settlement with tax authorities. SWORWIB does not have any material uncertain tax positions, including any positions that would place SWORWIB's exempt status in jeopardy at June 30, 2021 and 2020. SWORWIB believes it is no longer subject to income tax examinations for the tax years prior to 2017.

Fair Value Measurement

Fair value is defined as the price that would be received for an asset or paid to transfer a liability, in the principal or most advantageous market for the asset or liability, in an orderly transaction between market participants at the measurement date. Assets or liabilities listed at fair value require expanded disclosure about the extent to which they are measured at fair value, the information used to measure fair value and the effect of fair value measurements on earnings. Fair value measurements apply whenever standards require (or permit) assets or liabilities to be measured at fair value. SWORWIB has not expanded the use of fair value measurements in any circumstances.

Southwest Ohio Region Workforce Investment Board

Notes to Financial Statements

June 30, 2021 and 2020

3. Liquidity and Availability

The following is a summary of SWORWIB's financial assets available for general expenditure as of June 30, 2021:

Cash and cash equivalents	\$ 752,339
Accounts receivable	<u>309,382</u>
Total financial assets available to meet cash needs	<u>\$ 1,061,721</u>

As part of its liquidity management, management structures its financial assets to be available as its general expenditures, liabilities, and other obligations become due and to ensure the availability of cash or collateral to fulfill those requirements.

4. Lease Commitments

SWORWIB leases office space at the Great Oaks facility in Cincinnati, Ohio with terms expiring in September 2022. The terms of the lease require monthly payments of \$200.

SWORWIB leases building space at 1916 Central Parkway in Cincinnati, Ohio from Hamilton County. The lease terminates in December 2025. SWORWIB leases this space for \$1 a year.

Future minimum lease payments succeeding June 30, 2021 are as follows:

2022	2,400
2023	<u>600</u>
	<u>\$ 3,000</u>

Rent expense for the years ended June 30, 2021 and 2020, was \$2,400. Under WIOA of 2014 legislation, across the United States and territories, workforce boards must include a representative of federal Pell and Perkins training/college funds on the workforce board most related to the entities receiving the Pell and Perkins Funding. Consequently, the Great Oaks President/CEO is a "required partner" board member of the SWORWIB in accordance with WIOA law specification for certain "partners" to be board members.

5. Retirement Plan

SWORWIB sponsors a defined contribution plan covering all employees who have completed minimum age and service requirements. The plan allows participants to make elective deferrals up to IRS limits. Employer contributions are discretionary, but SWORWIB's practice has been to match employee contributions up to a maximum of 10% of the participant's annual compensation. Changes in the SWORWIB's retirement plan in partnership with the Cincinnati USA Regional Chamber of Commerce includes a 3% safe harbor and continuing match for employees up to 7% which became effective January 1, 2018.

Total pension expense for the years ended June 30, 2021 and 2020, was approximately \$17,000 and \$20,000, respectively.

Southwest Ohio Region Workforce Investment Board

Notes to Financial Statements

June 30, 2021 and 2020

6. Contingencies

Financial awards from federal, state, and local governmental entities in the form of grants are subject to compliance audits from those entities. In the future, if SWORWIB is chosen for such audits, they could result in claims for disallowed costs or noncompliance with funding requirements if findings are identified. No audits are currently in process and management believes that they are in compliance with the terms related to the funds they have received. Therefore, no provision has been made in the accompanying financial statements for any liabilities that may arise from such audits.

7. COVID Response

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus (the “COVID-19 outbreak” or “COVID”) and the health risks to the international community. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

In addition to complying with local health mandates, management took appropriate actions to mitigate the spread of the virus by altering its protocols to minimize personal contact within its office. However, given the continuing evolution of the outbreak, the Organization is not able to fully estimate the effects of COVID-19 on its results of operations, financial condition, or liquidity for fiscal year 2022. The pandemic could materially affect SWORWIB's ability to conduct its operations, the cost of its operations, and the generation of certain revenue, as well as from fluctuations in financial markets and fundraising, and such effects could be consequential. The full extent of the impact of COVID-19 on SWORWIB will depend on various future developments, particularly the duration and depth of the pandemic, which may be influenced by emerging medical treatments and applicable health and safety regulations. Management believes that adaptive changes in operations have been sufficient to protect the Organization from the near-term negative impact related to the outbreak through the date of this report.

8. Subsequent Events

Management evaluated the activity of SWORWIB through December 21, 2021 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.



In this ever-changing business environment, Flagel Huber Flagel goes beyond numbers and deadlines, returning the trust and confidence our clients place in us, with a caring partner relationship. We are committed to a collaborative search for ideas and solutions that help business organizations thrive and families build and preserve wealth. Our commitment is simple; financial and operational *insight*, service *integrity*, and problem solving *innovation*.

www.fhf-cpa.com

3400 South Dixie Drive, Dayton, OH 45439 | 937.299.3400
9135 Governors Way, Cincinnati, OH 45249 | 513.774.0300