

Employment Connection

Financial Statements
and Other Audit Report

December 31, 2023 and 2022



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Employment Connection
St. Louis, Missouri

Opinion

We have audited the accompanying financial statements of Employment Connection (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Employment Connection as of December 31, 2023, and the changes in its net assets and its cash flows for the year 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Employment Connection 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 these 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 Employment Connection'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 generally accepted auditing standards and *Government Auditing Standards* 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, including omissions, 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Employment Connection'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 Employment Connection'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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2024, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

Prior Period Financial Statements

The financial statements of Employment Connection as of December 31, 2022, were audited by other auditors whose report dated June 29, 2023, expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
St. Louis, Missouri

December 13, 2024

Employment Connection
Statements of Financial Position
December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 731,983	\$ 665,984
Contracts receivable	1,126,717	1,254,052
Unconditional promises to give	697,067	655,023
Other receivables, net	176,422	180,166
Prepaid expenses and other assets	<u>68,454</u>	<u>51,423</u>
Total current assets	<u>2,800,643</u>	<u>2,806,648</u>
Long-term assets		
Property and equipment, net	2,066,765	2,121,657
Investments	<u>2,215,321</u>	<u>1,976,224</u>
Total long-term assets	<u>4,282,086</u>	<u>4,097,881</u>
Total assets	<u><u>\$ 7,082,729</u></u>	<u><u>\$ 6,904,529</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 78,157	\$ 66,767
Accrued payroll and related liabilities	<u>161,253</u>	<u>176,127</u>
Total current liabilities	<u>239,410</u>	<u>242,894</u>
Net assets		
Without donor restrictions		
Undesignated	1,844,397	1,755,730
Board-designated	<u>3,901,595</u>	<u>3,724,515</u>
Total without donor restrictions	5,745,992	5,480,245
With donor restrictions	<u>1,097,327</u>	<u>1,181,390</u>
Total net assets	<u>6,843,319</u>	<u>6,661,635</u>
Total liabilities and net assets	<u><u>\$ 7,082,729</u></u>	<u><u>\$ 6,904,529</u></u>

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

Employment Connection
Statement of Activities
For the Year Ended December 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 182,742	\$ 282,191	\$ 464,933
United Way	55,785	632,067	687,852
Grants and contract revenue	5,176,212	235,285	5,411,497
Investment return, net	231,973	-	231,973
Net rental loss	(73,733)	-	(73,733)
Miscellaneous	39,113	-	39,113
Net assets released from restrictions	<u>1,233,606</u>	<u>(1,233,606)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>6,845,698</u>	<u>(84,063)</u>	<u>6,761,635</u>
Functional expenses			
Program services	6,182,858	-	6,182,858
Support services	<u>515,011</u>	<u>-</u>	<u>515,011</u>
Total functional expenses	<u>6,697,869</u>	<u>-</u>	<u>6,697,869</u>
Change in net assets from operations	<u>147,829</u>	<u>(84,063)</u>	<u>63,766</u>
Non-operating			
Insurance claim			
Proceeds	232,363	-	232,363
Expenses	<u>(114,445)</u>	<u>-</u>	<u>(114,445)</u>
Total non-operating	<u>117,918</u>	<u>-</u>	<u>117,918</u>
Change in net assets	265,747	(84,063)	181,684
Net assets, beginning of year	<u>5,480,245</u>	<u>1,181,390</u>	<u>6,661,635</u>
Net assets, end of year	<u>\$ 5,745,992</u>	<u>\$ 1,097,327</u>	<u>\$ 6,843,319</u>

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

Employment Connection
Statement of Activities
For the Year Ended December 31, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses), and other support			
Contributions	\$ 370,510	\$ -	\$ 370,510
United Way	1,250	655,023	656,273
Grants and contract revenue	4,173,519	1,165,743	5,339,262
Investment return, net	(185,982)	-	(185,982)
Net rental loss	(60,230)	-	(60,230)
Miscellaneous	(4,581)	-	(4,581)
Net assets released from restrictions	<u>1,842,280</u>	<u>(1,842,280)</u>	<u>-</u>
Total revenues, gains (losses), and other support	<u>6,136,766</u>	<u>(21,514)</u>	<u>6,115,252</u>
Functional expenses			
Program services	<u>5,857,743</u>	<u>-</u>	<u>5,857,743</u>
Support services	<u>423,097</u>	<u>-</u>	<u>423,097</u>
Total functional expenses	<u>6,280,840</u>	<u>-</u>	<u>6,280,840</u>
Change in net assets	(144,074)	(21,514)	(165,588)
Net assets, beginning of year	<u>5,624,319</u>	<u>1,202,904</u>	<u>6,827,223</u>
Net assets, end of year	<u><u>\$ 5,480,245</u></u>	<u><u>\$ 1,181,390</u></u>	<u><u>\$ 6,661,635</u></u>

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

Employment Connection
Statement of Functional Expenses
For the Year Ended December 31, 2023

	Program Services			Support Services				
	CEP Program	Managed Work Services	Total Program Services	Management and General	Fundraising	Total Support Services	Building Rental	Total
Personnel expenses								
Salaries	\$ 2,466,426	\$ 205,576	\$ 2,672,002	\$ 240,611	\$ 82,343	\$ 322,954	\$ 58,943	\$ 3,053,899
Fringe benefits	805,739	71,591	877,330	46,320	7,682	54,002	12,960	944,292
Participant wages and other expenses	<u>1,042,621</u>	<u>947,518</u>	<u>1,990,139</u>	<u>795</u>	<u>-</u>	<u>795</u>	<u>-</u>	<u>1,990,934</u>
Total personnel expenses	4,314,786	1,224,685	5,539,471	287,726	90,025	377,751	71,903	5,989,125
Professional fees	15,259	13,879	29,138	45,328	-	45,328	1,650	76,116
Consulting and subcontracting	111,796	1,329	113,125	-	60,000	60,000	-	173,125
Equipment rental	6,182	1,137	7,319	441	342	783	288	8,390
Repairs and maintenance	72,347	9,009	81,356	3,492	2,643	6,135	3,415	90,906
Insurance	56,247	4,921	61,168	2,507	1,787	4,294	4,346	69,808
Supplies and postage	87,187	2,910	90,097	843	785	1,628	548	92,273
Printing and reproduction	7,543	285	7,828	5	195	200	3	8,031
Rent	24,325	-	24,325	-	-	-	-	24,325
Telephone	24,708	3,751	28,459	1,172	616	1,788	501	30,748
Travel	2,086	6	2,092	20	164	184	2	2,278
Other utilities	41,937	2,721	44,658	1,526	1,059	2,585	3,130	50,373
Other expenses	55,929	6,722	62,651	934	7,399	8,333	577	71,561
Interest	3,726	-	3,726	-	-	-	-	3,726
Depreciation	<u>80,662</u>	<u>6,783</u>	<u>87,445</u>	<u>3,511</u>	<u>2,491</u>	<u>6,002</u>	<u>6,279</u>	<u>99,726</u>
	4,904,720	1,278,138	6,182,858	347,505	167,506	515,011	92,642	6,790,511
Less expenses netted with revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(92,642)</u>	<u>(92,642)</u>
Total expenses	<u>\$ 4,904,720</u>	<u>\$ 1,278,138</u>	<u>\$ 6,182,858</u>	<u>\$ 347,505</u>	<u>\$ 167,506</u>	<u>\$ 515,011</u>	<u>\$ -</u>	<u>\$ 6,697,869</u>

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

Employment Connection
Statement of Functional Expenses
For the Year Ended December 31, 2022

	Program Services			Support Services			Building Rental	Total
	CEP Program	Managed Work Services	Total Program Services	Management and General	Fundraising	Total Support Services		
Personnel expenses								
Salaries	\$ 2,332,618	\$ 224,597	\$ 2,557,215	\$ 177,372	\$ 75,525	\$ 252,897	\$ 48,143	\$ 2,858,255
Fringe benefits	681,670	74,782	756,452	38,431	11,500	49,931	13,407	819,790
Participant wages and other expenses	<u>1,199,478</u>	<u>813,978</u>	<u>2,013,456</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,013,456</u>
Total personnel expenses	4,213,766	1,113,357	5,327,123	215,803	87,025	302,828	61,550	5,691,501
Professional fees	21,201	14,885	36,086	41,528	-	41,528	1,856	79,470
Consulting and subcontracting	66,527	1,730	68,257	-	30,000	30,000	-	98,257
Equipment rental	6,273	1,154	7,427	448	347	795	291	8,513
Repairs and maintenance	60,841	5,723	66,564	2,714	2,012	4,726	2,840	74,130
Insurance	47,349	3,798	51,147	2,009	1,417	3,426	3,742	58,315
Supplies and postage	42,661	1,547	44,208	549	489	1,038	357	45,603
Printing and reproduction	6,221	461	6,682	170	94	264	74	7,020
Rent	26,400	-	26,400	-	-	-	-	26,400
Telephone	22,866	3,439	26,305	910	585	1,495	464	28,264
Travel	2,206	42	2,248	120	589	709	21	2,978
Other utilities	38,100	2,483	40,583	1,384	1,064	2,448	2,815	45,846
Other expenses	45,899	12,017	57,916	1,646	26,526	28,172	963	87,051
Interest	4,045	2,975	7,020	-	-	-	-	7,020
Depreciation	<u>83,812</u>	<u>5,965</u>	<u>89,777</u>	<u>3,346</u>	<u>2,322</u>	<u>5,668</u>	<u>6,865</u>	<u>102,310</u>
	4,688,167	1,169,576	5,857,743	270,627	152,470	423,097	81,838	6,362,678
Less expenses netted with revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(81,838)</u>	<u>(81,838)</u>
Total Expenses	<u>\$ 4,688,167</u>	<u>\$ 1,169,576</u>	<u>\$ 5,857,743</u>	<u>\$ 270,627</u>	<u>\$ 152,470</u>	<u>\$ 423,097</u>	<u>\$ -</u>	<u>\$ 6,280,840</u>

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

Employment Connection
Statements of Cash Flows
For the Years Ended December 31, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities		
Change in net assets	\$ 181,684	\$ (165,588)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	99,726	102,310
Net realized and unrealized investment loss/(gain)	(170,055)	241,444
Changes in operating assets and liabilities		
Contracts receivable	127,335	(356,915)
Unconditional promises-to-give	(42,044)	(16,589)
Other receivables	3,744	(1,384)
Prepays and other assets	(17,031)	7,851
Accounts payable	11,390	(37,141)
Accrued payroll and related liabilities	(14,874)	(4,604)
Net cash provided by (used in) operating activities	<u>179,875</u>	<u>(230,616)</u>
Cash flows from investing activities		
Purchase of property and equipment	(44,834)	(7,188)
Purchase of investments	(145,847)	(224,668)
Proceeds from sale of investments	76,805	-
Net cash used in investing activities	<u>(113,876)</u>	<u>(231,856)</u>
Cash flows from financing activities		
Payments on long term debt	-	(200,000)
Net cash provided by (used in) financing activities	<u>-</u>	<u>(200,000)</u>
Net increase (decrease) in cash and cash equivalents	65,999	(662,472)
Cash and cash equivalents, beginning of year	<u>665,984</u>	<u>1,328,456</u>
Cash and cash equivalents, end of year	<u><u>\$ 731,983</u></u>	<u><u>\$ 665,984</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 3,726	\$ 7,020
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The accompanying notes are an integral part of these financial statements.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Employment Connection's (Organization) financial statements. These accounting policies conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and have been consistently applied.

History and business activity

The Organization is a not-for-profit organization engaged in assisting persons with limited opportunities to achieve self-sufficiency. The Organization's operations are funded through various federal, state and local grantor organizations. It operates from a facility located in St. Louis, Missouri.

Financial statement presentation

The Organization reports its information regarding financial position and activities according to two classes of net assets depending upon the existence or nature of any donor restriction. The following is a description of these classes of net assets:

- *Net assets without donor restrictions* - Net assets available for use in general operations and not subject to donor restrictions. Those resources over which the Board of Directors has discretionary control. Designated amounts represent those resources the Board has set aside for a particular purpose. See footnote 7 for more information on board designated net assets as of December 31, 2023 and 2022.
- *Net assets with donor restrictions* - Net assets received with donor or grantor stipulations that limit the use of the donated assets. 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. When stipulated time restrictions expire or purpose restrictions are met, these net assets are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that the resources be maintained in perpetuity with use of income for general operations or donor-restricted purposes. The Organization had no net assets with donor restrictions that were perpetual in nature as of December 31, 2023 and 2022.

Contributions received are recorded as net assets with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. The Organization reports contributions with donor restrictions as support without donor restrictions in the current year when the Organization meets the donor restrictions in the same period.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of estimates

The preparation of the financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and disclosures. Accordingly, actual results could vary from those estimates.

Description of program services and supporting activities

The following program services and supporting activities are included in the accompanying financial statements:

Program Services - The program component of the Organization includes the following:

- Competitive Employment Program (CEP) - The competitive employment program works to reduce crime and homelessness by assisting individuals with significant barriers into employment, leading to a career. Individuals in CEP participate in the world of work job readiness training and are then connected with a career specialist with which they create a personalized plan which addresses each of their barriers to self sufficiency.
- Managed Work Services - Managed work services is designed to meet the needs of area employers in response to high turnover in entry level positions as well as clients in need of establishing a work history or in need of employment.

Supporting Activities - The supporting activities of the Organization include the following:

- Management and General - Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning of the Board; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.
- Fundraising - Provides the structure necessary to encourage and secure financial support from corporations, foundations, and individuals for operations.

Cash and cash equivalents

Cash and cash equivalents include all bank account balances and short-term investments with an original maturity of three months or less.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract and other receivables

Contract and other receivables are reported at the amount management expects to collect on balances for managed work services performed outstanding at year end. The Organization recognizes an allowance for expected credit losses ("AECL") on contract and other receivables, related to other receivables, in an amount equal to the current expected credit losses. The estimation of the AECL is based on an analysis of historical loss experience, current receivables aging, and management's assessment of current conditions and reasonable and supportable expectations of future conditions, as well as an expense associated with the AECL. Management provides for probable uncollectible amounts through a charge to expenses and a credit to the AECL. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the AECL and a credit to contract receivable or other receivable. An allowance for uncollectible credit losses was recorded as \$16,996 and \$17,176 as of December 31, 2023 and 2022, respectively.

Contracts receivable and other receivable consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contracts receivable	\$ 1,126,717	\$ 1,254,052	\$ 897,137
Other receivables, net	<u>176,422</u>	<u>180,166</u>	<u>178,782</u>
	<u><u>\$ 1,303,139</u></u>	<u><u>\$ 1,434,218</u></u>	<u><u>\$ 1,075,919</u></u>

Unconditional promises-to-give

Unconditional promises-to-give are recognized as support in the period the promises are received. The Organization provides an allowance for uncollectible promises-to-give equal to the estimated collection losses that will be incurred in the collection of all promises-to-give. The estimated losses are based on historical collection experience coupled with a review of the current status of the existing uncollectible promises-to-give. Unconditional promises-to-give due in the next 12 months are recorded at their net realizable value. Unconditional promises-to-give due in subsequent years are reported at the present value of their net realizable value. All unconditional promises-to-give are due in the next 12 months. Organization management is of the opinion that an allowance is not necessary at December 31, 2023 and 2022.

Property and equipment

Property and equipment is stated at cost for purchased assets or at fair value at date of donation for contributed assets, net of accumulated depreciation. The Organization capitalizes individual assets greater than \$1,000. Significant repairs that extend the life of an asset are capitalized; all other repairs are charged to expense as incurred.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and equipment (continued)

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building	40
Building improvements	5 - 20
Furniture and equipment	3 - 15

Asset impairment assessments

The Organization reviews long-lived assets for impairment whenever events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is recognized to the extent that the sum of undiscounted estimated future cash flows expected to result from use of the assets is less than carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to its fair value.

Investments

Investments consist of mutual funds and are stated at fair value based on quoted market prices. Gains or losses on sales of investments are determined using the specific identification method.

Net investment return (loss) is reported in the statements of activities and consists of interest and dividends, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Fair value measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Organization determines the fair values of its financial instruments based on the fair value hierarchy established which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurements (continued)

Financial instruments are considered Level 1 when valuation can be based on quoted prices in active markets for identical assets or liabilities. Level 2 financial instruments are valued using quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data of substantially the full term of the assets or liabilities. Financial instruments are considered Level 3 when their values are determined using pricing models, discounted cash flow methodologies or similar techniques and at least one significant model assumption or input is unobservable and when determination of the fair value requires significant management judgment or estimation.

Public support - contributions and grants

The Organization records contributions when received as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met. When a donor 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 in the statements of activities. Donor-restricted contributions in which the restrictions are met within the same year as received are reported as contributions with donor restrictions when received and are released to net assets without donor restrictions as the restrictions are met. The Organization considers United Way funds as contributions and accordingly, records the promise-to-give with a time restriction that is released during the stipulated time period.

Revenue recognition

The Organization's revenue streams under contracts with customers are comprised of grant and contract revenue and rental activity.

For each revenue stream identified above, revenue recognition is subject to the completion of performance obligations. For each contract with a customer, the Organization determines whether the performance obligations in the contracts are distinct or should be bundled. Factors to be considered include the pattern of transfer, whether customers can benefit from the resources, and whether the resources are readily available. The Organization's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time. The Organization recognizes the revenue over a period of time if the customer receives and consumes the benefit that the Organization provided, or if the Organization's performance does not create an asset with an alternative use, and has an enforceable right to payment for the performance. The revenue is recognized at a given point in time when the control of the goods or service is transferred to the customer and when the customer can direct its use and obtain substantial benefit from the goods. The transaction price is calculated as the amount of consideration to which the Organization expects to be entitled.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance proceeds

Insurance proceeds, recorded on the statement of activities, were recognized for flood damage and mold remediation that occurred in 2023. Under ASC 610-30, Revenue Recognition-Other Income-Gains and Losses on Involuntary Conversions, when an involuntary conversion occurs, to the extent the cost of a nonmonetary asset differs from the amount of monetary assets received, the transaction results in the realization of a gain or loss that shall be recognized in the statement of activities. Insurance proceeds received were \$232,363 and expenditures related to the claim were \$114,445 for the year ended December 31, 2023.

Functional allocation of expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. These expenses require allocation on a reasonable basis that is consistently applied. Expenses by function have been allocated among program and support classifications on the basis of estimates by the Organization's management. Compensation and benefits are allocated on the basis of estimates of time and effort. Depreciation and occupancy are allocated on a square footage basis.

Concentration of credit risk

Financial instruments, which potentially subject the Organization to concentration of credit risk, consist principally of contract receivables and cash and cash equivalents. The Organization places its cash and cash equivalents with high credit quality financial institutions. The Organization from time to time during the year may have bank balances in excess of its insured limits. Management has deemed this as a normal business risk.

Income taxes

The Organization constitutes a qualified, not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code (the Code) and is exempt from federal income taxes on related income under Section 501(a) of the Code. Thus no provision for income taxes has been made in the statements of activities.

The Organization follows the provisions of ASC 740-10-25, Income Taxes, requiring disclosure of uncertain tax positions. There have been no interest or penalties neither recognized in the statements of activities nor in the statements of financial position related to uncertain tax positions. In addition, no tax positions exist for which it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease within the next 12 months. The Organization evaluates its uncertain tax positions, if any, on a continual basis through review of its policies and procedures, review of its regular tax filings, and discussions with outside experts.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent events

The Organization has performed a review of events subsequent to the statement of financial position date through December 13, 2024, the date the financial statements were available to be issued. No subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

Change in accounting principle

On January 1, 2023, the Organization adopted Accounting Standards Update ("ASU") 2016-13 Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets that are not measured at fair value through the change in net assets. Under the standard, disclosures are required to provide users of the financial statements with information in analyzing the Organization's exposure to credit risk and the measurement of credit losses. Financial assets held by the Organization that are subject to the guidance in FASB ASC 326 are other receivables and are shown net of the allowance for credit losses on the statements of financial position.

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following at December 31:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 731,983	\$ 665,984
Contracts receivable	1,126,717	1,254,052
Unconditional promises to give	697,067	655,023
Other receivables, net	176,422	180,166
Investments	<u>2,215,321</u>	<u>1,976,436</u>
	4,947,510	4,731,661
Less: With donor restrictions	(1,032,327)	(1,181,390)
Less: Board designated investments	<u>(1,754,348)</u>	<u>(1,522,376)</u>
	<u><u>\$ 2,160,835</u></u>	<u><u>\$ 2,027,895</u></u>

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

2. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS (continued)

As part of the Organization's liquidity management, it has a policy to structure financial assets to be available for general expenditures, liabilities and other obligations as they become due. Additionally, as of December 31, 2023 and 2022 respectively, the Organization had \$1,754,348 and \$1,522,376 of board designated investments. Although there is no intention to spend from this board designated fund, these amounts could be made available if needed.

3. INVESTMENTS

Investments consist of the following at December 31:

	<u>2023</u>	<u>2022</u>
DFA International Core Equity	\$ 268,448	\$ 236,732
DFA US Core Equity	345,217	288,656
DFA 5 year Global Fixed Income	263,758	232,215
Vanguard Short-Term Inv Grade	601,220	544,471
Other Equity	685,420	625,686
Other Fixed Income	<u>51,258</u>	<u>48,464</u>
	<u>\$ 2,215,321</u>	<u>\$ 1,976,224</u>

Net investment return consists of the following for the years ended:

	<u>2023</u>	<u>2022</u>
Interest and Dividends	\$ 72,198	\$ 64,892
Investment Advisory Fees	(10,280)	(9,430)
Realized Gain (Loss) on Investments	-	(18,580)
Unrealized Gain (Loss) on Investments	<u>170,055</u>	<u>(222,864)</u>
	<u>\$ 231,973</u>	<u>\$ (185,982)</u>

The Organization invests in various types of investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

4. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2023</u>	<u>2022</u>
Land	\$ 305,000	\$ 305,000
Buildings	3,003,577	3,003,577
Building improvements	191,593	191,592
Furniture and equipment	<u>403,408</u>	<u>358,575</u>
	3,903,578	3,858,744
Accumulated depreciation	<u>(1,836,813)</u>	<u>(1,737,087)</u>
	<u><u>\$ 2,066,765</u></u>	<u><u>\$ 2,121,657</u></u>

Depreciation expense was \$99,726 and \$102,310 for the years ended December 31, 2023 and 2022, respectively.

5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
DFA International Core Equity	\$ 268,448	\$ -	\$ -	\$ 268,448
DFA US Core Equity	345,217	-	-	345,217
DFA 5 year Global Fixed Income	263,758	-	-	263,758
Vanguard Short-Term Inv Grade	601,220	-	-	601,220
Other Equity	685,420	-	-	685,420
Other Fixed Income	<u>51,258</u>	<u>-</u>	<u>-</u>	<u>51,258</u>
	<u><u>\$ 2,215,321</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,215,321</u></u>

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2022:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
DFA International Core Equity	\$ 236,732	\$ -	\$ -	\$ 236,732
DFA US Core Equity	288,656	-	-	288,656
DFA 5 year Global Fixed Income	232,215	-	-	232,215
Vanguard Short-Term Inv Grade	544,471	-	-	544,471
Other Equity	625,686	-	-	625,686
Other Fixed Income	<u>48,464</u>	<u>-</u>	<u>-</u>	<u>48,464</u>
	<u><u>\$ 1,976,224</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,976,224</u></u>

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

6. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a bank with interest payable monthly at prime rate (8.50% and 7.50% at December 31, 2023 and 2022), expiring November 2025. There were no outstanding borrowings as of December 31, 2023 and 2022.

7. BOARD DESIGNATED ASSETS

Board designated net assets consisted of the following at December 31:

	<u>2023</u>	<u>2022</u>
Investments	\$ 1,754,348	\$ 1,522,376
Board Designated Post-Retirement Benefits Fund	80,482	80,482
Net Investment in Property and Equipment	<u>2,066,765</u>	<u>2,121,657</u>
	<u>\$ 3,901,595</u>	<u>\$ 3,724,515</u>

8. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
United Way Allocation for Subsequent Year (a)	\$ 632,067	\$ 655,023
Other Timing Restrictions	65,000	-
Subject to Expenditure for Specified Purposes	<u>400,260</u>	<u>526,367</u>
	<u>\$ 1,097,327</u>	<u>\$ 1,181,390</u>

(a) The Organization receives funding from the United Way to carry out programs which meet community health and human service needs. The Organization receives a monthly allocation from the United Way for its participation in these programs. Each December, the Organization is awarded its funding level for the following year's allocation. This amount is reflected as net assets with donor restrictions as of December 31, 2023 and 2022.

Net assets were released from donor restrictions by incurring expenses, satisfying the restricted purposes or by occurrence of other events specified by donors as follows:

	<u>2023</u>	<u>2022</u>
Satisfaction of Purpose Restrictions	\$ 578,583	\$ 1,203,846
Expiration of Time Restrictions	<u>655,023</u>	<u>638,434</u>
	<u>\$ 1,233,606</u>	<u>\$ 1,842,280</u>

Employment Connection
Notes to Financial Statements
December 31, 2023 and 2022

9. RETIREMENT PLANS

The Organization has a 403(b) retirement plan covering all eligible employees. The Organization contributes three percent of the salary of each eligible employee monthly to a tax deferred annuity account assigned to each participant. Each year after December 31, the Organization may make an additional contribution for all eligible employees employed as of December 31 for an amount not to exceed two percent of an eligible employee's total earnings for the year. An eligible employee is an active employee who has been a full-time employee for two consecutive years. Total expense incurred by the Organization under this plan for the years ended December 31, 2023 and 2022 was \$87,321 and \$80,253, respectively.

10. COMMITMENTS AND CONTINGENCIES

The Organization has committed to leases for fifteen rental units for individuals they are assisting. The lease commitment at December 31, 2023 and 2022 total \$102,988 and \$87,831, respectively. The leases are renewable each year and expire each September.

11. SIGNIFICANT FUNDERS

Revenues from three funders accounted for approximately 40% of revenues during the year ended December 31, 2023. Revenues from one funder accounted for approximately 10% of revenues during the year ended December 31, 2022.

OTHER AUDIT REPORT

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Employment Connection
St. Louis, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Employment Connection (the "Organization"), which comprise the statement of financial position as of December 31, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended and the related notes to the financial statements, and have issued our report thereon dated December 13, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Armanino LLP". The signature is written in a cursive, flowing style.

Armanino^{LLP}
St. Louis, Missouri

December 13, 2024