

**EMPLOYMENT CONNECTION**  
**AUDITED FINANCIAL STATEMENTS**  
**AND**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Years Ended December 31, 2021 and 2020**

# EMPLOYMENT CONNECTION

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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Employment Connection

### **Opinion**

We have audited the accompanying financial statements of Employment Connection (the Organization), which comprise the statement of financial position as of December 31, 2021, 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 the Organization as of December 31, 2021, 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization'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 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 the Organization'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 the Organization'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 Matters**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated June \_\_, 2022, 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 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, 2020, were audited by other auditors whose report dated July 28, 2021, expressed an unmodified opinion on those statements.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, with 'LLP' in a smaller, simpler font to the right.

St. Louis, Missouri  
June 29, 2022

**EMPLOYMENT CONNECTION  
STATEMENTS OF FINANCIAL POSITION**

**ASSETS**

|                                | <b>December 31,</b>        |                            |
|--------------------------------|----------------------------|----------------------------|
|                                | <b>2021</b>                | <b>2020</b>                |
| <b>CURRENT ASSETS</b>          |                            |                            |
| Cash and cash equivalents      | \$ 1,328,456               | \$ 1,317,719               |
| Contract receivables           | 897,137                    | 879,715                    |
| Unconditional promises-to-give | 638,434                    | 622,358                    |
| Other receivables              | 178,782                    | 210,584                    |
| Prepaid and other              | 59,274                     | 81,014                     |
| Total current assets           | <u>3,102,083</u>           | <u>3,111,390</u>           |
| <b>PROPERTY AND EQUIPMENT</b>  | <b>2,216,779</b>           | 2,301,233                  |
| <b>INVESTMENTS</b>             | <b><u>1,993,000</u></b>    | <u>1,820,993</u>           |
|                                | <b><u>\$ 7,311,862</u></b> | <b><u>\$ 7,233,616</u></b> |

**LIABILITIES AND NET ASSETS**

**CURRENT LIABILITIES**

|   |                |                |
|---|----------------|----------------|
| Accounts payable                        | \$ 103,908     | \$ 68,778      |
| Accrued payroll and related liabilities | 180,731        | 158,017        |
| Current portion of note payable         | 200,000        | 200,000        |
| Total current liabilities               | <u>484,639</u> | <u>426,795</u> |

**NET ASSETS**

|                                  |                            |                            |
|----------------------------------|----------------------------|----------------------------|
| Without donor restrictions       |                            |                            |
| Undesignated                     | 1,448,576                  | 1,166,944                  |
| Board designated                 | 4,175,743                  | 4,008,110                  |
|                                  | <u>5,624,319</u>           | 5,175,054                  |
| With donor restrictions          | 1,202,904                  | 1,631,767                  |
|                                  | <u>6,827,223</u>           | <u>6,806,821</u>           |
| Total liabilities and net assets | <b><u>\$ 7,311,862</u></b> | <b><u>\$ 7,233,616</u></b> |

See notes to independent auditor's report.

**EMPLOYMENT CONNECTION  
STATEMENTS OF ACTIVITIES**

|   | Years Ended December 31,         |                               |                     |                                  |                               |                     |
|---|----------------------------------|-------------------------------|---------------------|----------------------------------|-------------------------------|---------------------|
|   | 2021                             |                               |                     | 2020                             |                               |                     |
|   | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total               | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total               |
| <b>REVENUES AND OTHER SUPPORT</b>           |                                  |                               |                     |                                  |                               |                     |
| Contributions                               | \$ 686,768                       | \$ -                          | \$ 686,768          | \$ 278,196                       | \$ -                          | \$ 278,196          |
| United Way                                  | 1,250                            | 638,434                       | 639,684             | 21,000                           | 622,358                       | 643,358             |
| Grants and contract revenue                 | 3,107,421                        | 1,365,082                     | 4,472,503           | 4,345,744                        | 1,924,816                     | 6,270,560           |
| Net Investment Return                       | 252,088                          | -                             | 252,088             | 141,239                          | -                             | 141,239             |
| Net rental loss                             | (62,274)                         | -                             | (62,274)            | (47,483)                         | -                             | (47,483)            |
| Miscellaneous                               | (1,518)                          | -                             | (1,518)             | (891)                            | -                             | (891)               |
| Payroll protection program loan forgiveness | -                                | -                             | -                   | 689,627                          | -                             | 689,627             |
| Net assets released from restrictions       | 2,432,379                        | (2,432,379)                   | -                   | 1,461,042                        | (1,461,042)                   | -                   |
| Total revenue and other support             | <u>6,416,114</u>                 | <u>(428,863)</u>              | <u>5,987,251</u>    | <u>6,888,474</u>                 | <u>1,086,132</u>              | <u>7,974,606</u>    |
| <b>EXPENSES</b>                             |                                  |                               |                     |                                  |                               |                     |
| Program services                            | 5,423,198                        | -                             | 5,423,198           | 5,817,330                        | -                             | 5,817,330           |
| Support services                            | 543,651                          | -                             | 543,651             | 371,935                          | -                             | 371,935             |
| Total expenses                              | <u>5,966,849</u>                 | <u>-</u>                      | <u>5,966,849</u>    | <u>6,189,265</u>                 | <u>-</u>                      | <u>6,189,265</u>    |
| CHANGE IN NET ASSETS                        | 449,265                          | (428,863)                     | 20,402              | 699,209                          | 1,086,132                     | 1,785,341           |
| NET ASSETS, Beginning                       | <u>5,175,054</u>                 | <u>1,631,767</u>              | <u>6,806,821</u>    | <u>4,475,845</u>                 | <u>545,635</u>                | <u>5,021,480</u>    |
| NET ASSETS, Ending                          | <u>\$ 5,624,319</u>              | <u>\$ 1,202,904</u>           | <u>\$ 6,827,223</u> | <u>\$ 5,175,054</u>              | <u>\$ 1,631,767</u>           | <u>\$ 6,806,821</u> |

**EMPLOYMENT CONNECTION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2021

|  | Program             |                             |                     | Support                   |                   |                   |                    |                     |
|--|---------------------|-----------------------------|---------------------|---------------------------|-------------------|-------------------|--------------------|---------------------|
|  | CEP<br>Program      | Managed<br>Work<br>Services | Total<br>Program    | Management<br>and General | Fundraising       | Total<br>Support  | Building<br>Rental | Total               |
| Salaries   | \$ 2,062,996        | \$ 198,579                  | \$ 2,261,575        | \$ 260,069                | \$ 128,258        | \$ 388,327        | \$ 52,107          | \$ 2,702,009        |
| Fringe Benefits  | 690,457             | 60,759                      | 751,216             | 60,532                    | 23,388            | 83,920            | 13,942             | 849,078             |
| Participant Wages and Expenses                                       | 920,035             | 703,617                     | 1,623,652           | -                         | -                 | -                 | -                  | 1,623,652           |
| Total personnel expense  | <u>3,673,488</u>    | <u>962,955</u>              | <u>4,636,443</u>    | <u>320,601</u>            | <u>151,646</u>    | <u>472,247</u>    | <u>66,049</u>      | <u>5,174,739</u>    |
| Professional Fees  | 32,866              | 15,479                      | 48,345              | 2,123                     | 1,646             | 3,769             | 1,380              | 53,494              |
| Consulting and Subcontracting  | 215,023             | 1,070                       | 216,093             | -                         | 30,000            | 30,000            | -                  | 246,093             |
| Equipment Rental   | 7,144               | 1,268                       | 8,412               | 320                       | 492               | 812               | 382                | 9,606               |
| Repairs and Maintenance  | 69,350              | 6,690                       | 76,040              | 2,835                     | 2,120             | 4,955             | 3,205              | 84,200              |
| Insurance  | 43,869              | 3,478                       | 47,347              | 1,850                     | 1,303             | 3,153             | 3,481              | 53,981              |
| Supplies and Postage   | 76,969              | 10,714                      | 87,683              | 3,531                     | 2,768             | 6,299             | 2,282              | 96,264              |
| Printing and Reproduction  | 2,198               | 9                           | 2,207               | 3                         | 3                 | 6                 | 2                  | 2,215               |
| Rent   | 26,300              | -                           | 26,300              | -                         | -                 | -                 | -                  | 26,300              |
| Telephone  | 22,563              | 3,540                       | 26,103              | 1,084                     | 593               | 1,677             | 604                | 28,384              |
| Travel   | 2,642               | -                           | 2,642               | 121                       | 13                | 134               | 7                  | 2,783               |
| Other Utilities  | 36,844              | 2,434                       | 39,278              | 1,365                     | 948               | 2,313             | 2,801              | 44,392              |
| Other Expenses   | 100,085             | 8,265                       | 108,350             | 682                       | 11,122            | 11,804            | 314                | 120,468             |
| Interest   | 3,658               | 6,000                       | 9,658               | -                         | -                 | -                 | -                  | 9,658               |
| Depreciation   | 80,593              | 7,704                       | 88,297              | 3,766                     | 2,716             | 6,482             | 5,981              | 100,760             |
|  | <u>4,393,592</u>    | <u>1,029,606</u>            | <u>5,423,198</u>    | <u>338,281</u>            | <u>205,370</u>    | <u>543,651</u>    | <u>86,488</u>      | <u>6,053,337</u>    |
| Less Expenses Netted with Revenues<br>on the Statement of Activities | -                   | -                           | -                   | -                         | -                 | -                 | (86,488)           | (86,488)            |
| Total Expenses   | <u>\$ 4,393,592</u> | <u>\$ 1,029,606</u>         | <u>\$ 5,423,198</u> | <u>\$ 338,281</u>         | <u>\$ 205,370</u> | <u>\$ 543,651</u> | <u>\$ -</u>        | <u>\$ 5,966,849</u> |

**EMPLOYMENT CONNECTION**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
Year Ended December 31, 2020

|  | Program             |                             |                     | Support                   |                   |                   | Building<br>Rental | Total               |
|--|---------------------|-----------------------------|---------------------|---------------------------|-------------------|-------------------|--------------------|---------------------|
|  | CEP<br>Program      | Managed<br>Work<br>Services | Total<br>Program    | Management<br>and General | Fundraising       | Total<br>Support  |                    |                     |
| Salaries   | \$ 1,433,002        | \$ 316,004                  | \$ 1,749,006        | \$ 152,349                | \$ 94,445         | \$ 246,794        | \$ 36,896          | \$ 2,032,696        |
| Fringe Benefits  | 399,310             | 75,879                      | 475,189             | 27,723                    | 20,056            | 47,779            | 9,978              | 532,946             |
| Participant Wages and Expenses                                       | 1,501,868           | 1,320,430                   | 2,822,298           | -                         | -                 | -                 | -                  | 2,822,298           |
| Total personnel expense  | 3,334,180           | 1,712,313                   | 5,046,493           | 180,072                   | 114,501           | 294,573           | 46,874             | 5,387,940           |
| Professional Fees  | 17,554              | 22,507                      | 40,061              | 1,202                     | 932               | 2,134             | 1,921              | 44,116              |
| Consulting and Subcontracting  | 179,854             | 3,889                       | 183,743             | -                         | 36,100            | 36,100            | -                  | 219,843             |
| Equipment Rental   | 5,422               | 997                         | 6,419               | 387                       | 300               | 687               | 252                | 7,358               |
| Repairs and Maintenance  | 56,819              | 4,861                       | 61,680              | 2,100                     | 1,570             | 3,670             | 2,388              | 67,738              |
| Insurance  | 31,418              | 2,559                       | 33,977              | 1,342                     | 948               | 2,290             | 2,457              | 38,724              |
| Supplies and Postage   | 133,583             | 6,416                       | 139,999             | 1,601                     | 1,361             | 2,962             | 1,047              | 144,008             |
| Printing and Reproduction  | 2,825               | 31                          | 2,856               | 12                        | 279               | 291               | 8                  | 3,155               |
| Rent   | 16,475              | -                           | 16,475              | -                         | -                 | -                 | -                  | 16,475              |
| Telephone  | 17,646              | 3,509                       | 21,155              | 1,073                     | 861               | 1,934             | 667                | 23,756              |
| Travel   | 2,552               | 4                           | 2,556               | 141                       | 303               | 444               | 14                 | 3,014               |
| Other Utilities  | 31,125              | 2,108                       | 33,233              | 1,176                     | 818               | 1,994             | 2,397              | 37,624              |
| Other Expenses   | 103,139             | 18,303                      | 121,442             | 6,172                     | 11,462            | 17,634            | 3,826              | 142,902             |
| Interest   | 6,323               | 6,646                       | 12,969              | 251                       | 195               | 446               | 231                | 13,646              |
| Depreciation   | 86,342              | 7,930                       | 94,272              | 3,945                     | 2,831             | 6,776             | 6,510              | 107,558             |
|  | 4,025,257           | 1,792,073                   | 5,817,330           | 199,474                   | 172,461           | 371,935           | 68,592             | 6,257,857           |
| Less Expenses Netted with Revenues<br>on the Statement of Activities | -                   | -                           | -                   | -                         | -                 | -                 | (68,592)           | (68,592)            |
| Total Expenses   | <u>\$ 4,025,257</u> | <u>\$ 1,792,073</u>         | <u>\$ 5,817,330</u> | <u>\$ 199,474</u>         | <u>\$ 172,461</u> | <u>\$ 371,935</u> | <u>\$ -</u>        | <u>\$ 6,189,265</u> |

**EMPLOYMENT CONNECTION**  
**STATEMENTS OF CASH FLOWS**

|   | <b>Years Ended December 31,</b> |                            |
|---|---------------------------------|----------------------------|
|   | <b>2021</b>                     | <b>2020</b>                |
| <b>OPERATING ACTIVITIES</b>   |                                 |                            |
| Change in net assets  | \$ 20,402                       | \$ 1,785,341               |
| Adjustments to reconcile change in net assets<br>to net cash provided by operating activities |                                 |                            |
| Net realized and unrealized investment gain   | (212,337)                       | (118,973)                  |
| Depreciation  | 100,760                         | 107,558                    |
| Changes in  |                                 |                            |
| Contract receivables  | (17,422)                        | (413,761)                  |
| Unconditional promises-to-give  | (16,076)                        | (207,453)                  |
| Other receivables   | 31,802                          | 14,046                     |
| Prepays and other   | 21,740                          | (38,661)                   |
| Accounts payable  | 35,130                          | 12,683                     |
| Accrued payroll and related liabilities   | 22,714                          | 5,774                      |
| Net cash provided (used) by operating activities  | <u>(13,287)</u>                 | <u>1,146,554</u>           |
| <b>INVESTING ACTIVITIES</b>   |                                 |                            |
| Purchase of property and equipment  | (16,306)                        | (19,048)                   |
| Purchase of investments   | (101,612)                       | (249,186)                  |
| Proceeds from sales of investments  | 141,942                         | 227,561                    |
| Net cash provided (used) by investing activities  | <u>24,024</u>                   | <u>(40,673)</u>            |
| <b>FINANCING ACTIVITIES</b>   |                                 |                            |
| Increase in line of credit  | -                               | (50,000)                   |
| Net cash used by financing activities   | <u>-</u>                        | <u>(50,000)</u>            |
| <b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>  | <b>10,737</b>                   | 1,055,881                  |
| <b>CASH AND CASH EQUIVALENTS, Beginning</b>   | <b><u>1,317,719</u></b>         | <u>261,838</u>             |
| <b>CASH AND CASH EQUIVALENTS, Ending</b>  | <b><u>\$ 1,328,456</u></b>      | <b><u>\$ 1,317,719</u></b> |

See notes to independent auditor's report.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 — 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 policies generally accepted in the United States of America (U.S. GAAP).

**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 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*** - Those resources over which the Board of Directors has discretionary control. Designated amounts represent those net assets that the Board has set aside for a particular purpose.

***Net assets with donor restrictions*** - Those resources subject to donor-imposed restrictions that will be satisfied by actions of the Organization or the passage of time, or the Organization will maintain in perpetuity.

**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 or 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.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Description of Program Services and Supporting Activities (Continued)**

**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 of Directors; 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.

**Contract Receivables**

Contract receivables are reported at the amount management expects to collect on balances for managed work services performed outstanding at year end. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements. Organization management is of the opinion that an allowance is not necessary at December 31, 2021 and 2020.

**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 doubtful accounts 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, 2021 and 2020.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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

|                         | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 40           |
| Building Improvements   | 5 - 20       |
| Furniture and Equipment | 3 - 15       |

**Asset Impairment Assessments**

The Agency 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 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, 2021 and 2020**

**NOTE 1 — 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 government contracts 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, 2021 and 2020**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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 statement 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 balance sheets 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.

**Subsequent Events**

The Organization has performed a review of events subsequent to the statement of financial position date through June 29, 2022, the date the financial statements were available to be issued.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE 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 balance sheet date, comprise the following:

|                                | <u>Years Ended December 31,</u> |                    |
|--------------------------------|---------------------------------|--------------------|
|                                | <u>2021</u>                     | <u>2020</u>        |
| Cash and Cash Equivalents      | \$1,328,456                     | \$1,317,719        |
| Contract Receivables           | 897,137                         | 879,715            |
| Unconditional Promises-to-Give | 638,434                         | 622,358            |
| Other Receivables              | <u>178,782</u>                  | <u>210,584</u>     |
|                                | 3,042,809                       | 3,030,376          |
| Less: With Donor Restrictions  | <u>1,202,904</u>                | <u>1,631,767</u>   |
|                                | <u>\$1,839,905</u>              | <u>\$1,398,609</u> |

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, 2021 and 2020 respectively, the Organization had \$1,993,000 and \$1,820,993 in investments with board designations. Although there is no intention to spend from this board designated fund, these amounts could be made available if a need arose.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 3 — INVESTMENTS**

Investments consist of the following:

|                                | December 31,        |                     |                     |                     |
|--------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                | 2021                |                     | 2020                |                     |
|                                | Cost                | Fair Value          | Cost                | Fair Value          |
| Mutual Funds                   |                     |                     |                     |                     |
| DFA International Core Equity  | \$ 161,229          | \$ 32,149           | \$ 161,229          | \$ 210,088          |
| DFA US Core Equity             | 164,054             | 309,225             | 177,959             | 274,043             |
| DFA 5 year Global Fixed Income | 238,525             | 232,752             | 205,420             | 203,820             |
| Vanquard Short-Term Inv Grade  | 539,501             | 543,648             | 461,341             | 478,137             |
| Other Equity                   | 448,228             | 628,119             | 512,824             | 617,253             |
| Other Fixed Income             | 36,430              | 47,107              | 36,430              | 37,652              |
|                                | <u>\$ 1,587,967</u> | <u>\$ 1,993,000</u> | <u>\$ 1,555,203</u> | <u>\$ 1,820,993</u> |

Net investment return consists of the following:

|                                     | Years Ended December 31, |                   |
|-------------------------------------|--------------------------|-------------------|
|                                     | 2021                     | 2020              |
| Interest and Dividends              | \$ 49,584                | \$ 30,057         |
| Investment Advisory Fees            | (9,833)                  | (7,791)           |
| Realizes Gain (Loss) on Investments | 32,764                   | (6,448)           |
| Unrealized Gain on Investments      | <u>179,573</u>           | <u>125,421</u>    |
| Totals                              | <u>\$ 252,088</u>        | <u>\$ 141,239</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 statement of financial position. All mutual funds are considered Level 1 investments at December 31, 2021 and 2020.

The Organization entered into separate agreements with two for-profit limited liability companies, to develop and own housing for low income tenants with a 99.98 percent interest and serving as a limited partner. The managing member has assumed all of the risk and has provided guarantees related to future capital contributions. The Organization's involvement in these entities is to provide supportive services related to its mission in exchange for annual priority payments equal to \$40,000.

The Organization sold its interest in both LLCs for \$64,000 on February 15, 2020 which is recorded as a gain in the Statement of Activities during the year ended December 31, 2020.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 4 — PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

|                               | December 31,        |                     |
|-------------------------------|---------------------|---------------------|
|                               | 2021                | 2020                |
| Land                          | \$ 305,000          | \$ 305,000          |
| Building                      | 3,003,577           | 3,003,577           |
| Building Improvements         | 184,404             | 170,171             |
| Furniture and Equipment       | <u>358,575</u>      | <u>356,500</u>      |
|                               | 3,851,556           | 3,835,248           |
| Less Accumulated Depreciation | <u>1,634,777</u>    | <u>1,534,015</u>    |
|                               | <u>\$ 2,216,779</u> | <u>\$ 2,301,233</u> |

Depreciation expense was \$100,760 and \$107,558 for the year ended December 31, 2021 and 2020, respectively.

**NOTE 5 — LINE OF CREDIT**

The Organization has a \$100,000 line of credit with a bank with interest payable monthly at prime rate (3.25% at December 31, 2021 and 2020), expiring November 2022. There were no outstanding borrowings as of December 31, 2021 and 2020.

**NOTE 6 — LONG-TERM DEBT**

Long-term debt consists of an unsecured note payable to Deaconess Foundation for \$200,000, payable quarterly at 3% with principal at maturity in June 2022.

**NOTE 7 — PAYCHECK PROTECTION PROGRAM LOAN**

In May 2020, the Organization received a loan of \$685,600 pursuant to the Payroll Protection Program (PPP) under the Federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act). Under the terms of the PPP, certain amounts of the loan may be forgiven if they are used for qualifying expenses as described in the CARES Act, including qualifying payroll costs, covered rent payments, and covered utilities. The Organization used the loan amount for such qualifying expenses. The Organization received notification of the forgiveness of the PPP loan together with accrued interest of \$4,027 in August 2021 which was recorded as income on the statement of activities in 2020 under ASC 958 Contributions Received and Contributions Made.

According to the rules of the SBA, the Organization is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full, and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Organization's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Organization may be required to adjust previously reported amounts and disclosures in the financial statements.

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
December 31, 2021 and 2020

**NOTE 8 — BOARD DESIGNATED ASSETS**

Board designated net assets consisted of the following at December 31, 2021:

|  | December 31,        |                     |
|--|---------------------|---------------------|
|  | <u>2021</u>         | <u>2020</u>         |
| Investments                                    | \$ 1,878,482        | \$ 1,626,395        |
| Board Designated Post-Retirement Benefits Fund | 80,482              | 80,482              |
| Net Investment in Property and Equipment       | <u>2,216,779</u>    | <u>2,301,233</u>    |
|  | <u>\$ 4,175,743</u> | <u>\$ 4,008,110</u> |

**NOTE 9 — NET ASSETS WITH DONOR RESTRICTIONS**

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

|   | December 31,        |                     |
|---|---------------------|---------------------|
|   | <u>2021</u>         | <u>2020</u>         |
| Subject to the Passage of Time:                 |                     |                     |
| United Way Allocation for Subsequent Year (a)   | \$ 638,434          | \$ 622,358          |
| Subject to Expenditure for a Specified Purpose: |                     |                     |
| Competitive employment programs                 | <u>564,470</u>      | <u>1,009,409</u>    |
|   | <u>\$ 1,202,904</u> | <u>\$ 1,631,767</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, 2021 and 2020.

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:

|                                      | Years Ended December 31, |                     |
|--------------------------------------|--------------------------|---------------------|
|                                      | <u>2021</u>              | <u>2020</u>         |
| Satisfaction of Purpose Restrictions | \$ 1,810,021             | \$ 1,046,317        |
| Expiration of Time Restrictions      | <u>622,358</u>           | <u>414,905</u>      |
|                                      | <u>\$ 2,432,379</u>      | <u>\$ 1,461,042</u> |

**EMPLOYMENT CONNECTION**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2021 and 2020**

**NOTE 10 — 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, 2021 and 2020 were \$84,655 and \$32,083, respectively.

**NOTE 11 — OPERATING LEASES**

The Organization maintains operating leases on two of its copy machines and two office spaces. Total rental expense for these leases was \$35,905 and \$22,575 for the years ended December 31, 2021 and 2020, respectively.

Future minimum lease commitments are as follows:

| <u>Year Ending</u><br><u>December 31,</u> |                  |
|---|------------------|
| 2022                                      | \$ 13,000        |
| 2023                                      | 8,100            |
| 2024                                      | 755              |
|   | <u>\$ 21,855</u> |

The Organization leases a portion of its building to several other unrelated entities under month-to-month leases. Rental income is reported net of expenses on the statement of activities. A detail of building rental expenses appears on the statement of functional expenses.

**NOTE 12 — COMMITMENTS AND CONTINGENCIES**

The Organization has committed to leases for fifteen rental units for individuals they are assisting. The lease commitment at December 31, 2021 and 2020 total \$114,111 and 102,344, respectively.

## **INDEPENDENT AUDITORS' 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**

Board of Directors  
Employment Connection

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) (a nonprofit organization), which comprise the statement of financial position as of December 31, 2021, 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 June 29, 2022.

### **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 the 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 have not been 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.

The logo for UHY LLP is written in a black, cursive, handwritten-style font. The letters 'UHY' are larger and more prominent than 'LLP', which is written in a smaller, similar script.

St. Louis, Missouri  
June 29, 2022

## **INDEPENDENT AUDITOR'S REPORT COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Employment Connection

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Employment Connection's (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Organization's major federal programs for the year ended December 31, 2021. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Organization's federal programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Organization's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Organization's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 and 2021-003. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Employment Connection's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Employment Connection's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

## Report on Internal Control over Compliance (Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-001, 2021-002 and 2021-003, to be significant deficiencies when considered in the aggregate.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Employment Connection's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, cursive font, followed by 'LLP' in a smaller, simpler font.

St. Louis, Missouri  
June 29, 2022

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2021**

| Federal Grantor, Program Title (Cluster, Pass-Through Grantor)                               | Federal Assistance Listing Number | Pass-Through Identification Number | Total Federal Expenditures |
|--|-----------------------------------|------------------------------------|----------------------------|
| <b>U.S. Department of Treasury</b>   |                                   |                                    |                            |
| Coronavirus Relief Fund  |                                   |                                    |                            |
| Passed through City of St. Louis, Department of Human Services, Office of Homeless Services  | 21.019                            | 75504                              | \$ <u>284,375</u>          |
| <b>Total U.S. Department of Treasury</b>   |                                   |                                    | <b><u>284,375</u></b>      |
| <b>U.S. Department of Housing and Urban Development</b>                                      |                                   |                                    |                            |
| Continuum of Care  |                                   |                                    |                            |
| Passed through St. Louis County, Department of Human Services, Division of Homeless Services | 14.267                            | MO0304L7E001900                    | 67,120                     |
|  | 14.267                            | MO0003L7E001911                    | <u>266,254</u>             |
|  |                                   |                                    | <u>333,374</u>             |
| Homeless Prevention and Rapid Re-housing   |                                   |                                    |                            |
| Passed through St. Louis County, Department of Human Services, Division of Homeless Services | 14.231                            | HS2021-2301                        | 2,866                      |
|  | 14.231                            | HS2021-2300                        | 26,186                     |
|  | 14.231                            | HS2020-2302                        | 81,526                     |
|  | 14.231                            | HS2020-2303                        | 1,399                      |
| Passed through Missouri Housing Development Commission                                       | 14.231                            | CV-864 (County)                    | 38,391                     |
|  | 14.231                            | 22-770-E (County)                  | 3,391                      |
|  | 14.231                            | 21-751-E (County)                  | 23,295                     |
|  | 14.231                            | E-20-MW-29-006                     | 79,157                     |
|  | 14.231                            | CV-863 (City)                      | 60,055                     |
|  | 14.231                            | 22-768-E (City)                    | 3,246                      |
|  | 14.231                            | 21-752-E (City)                    | <u>20,191</u>              |
|  |                                   |                                    | <u>339,703</u>             |
| Community Development Block Grant (CDBG)   |                                   |                                    |                            |
| Passed through City of St. Louis Development Administration                                  | 14.218                            | 21-11-61                           | 130,000                    |
|  | 14.218                            | 21-14-61                           | 80,000                     |
| Passed through St. Louis County Office of Community Development                              | 14.218                            | B-20-UC-29-001                     | <u>11,507</u>              |
|  |                                   |                                    | <u>221,507</u>             |
| <b>Total U.S. Department of Housing and Urban Development</b>                                |                                   |                                    | <b><u>894,584</u></b>      |

See Notes to Schedule of Expenditures of Federal Awards.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)**  
**Year Ended December 31, 2021**

| <b>Federal Grantor, Program Title (Cluster, Pass-Through Grantor)</b>   | <b>Federal Assistance Listing Number</b> | <b>Pass-Through Identification Number</b> | <b>Total Federal Expenditures</b> |
|---|--|---|-----------------------------------|
| <b>U.S. Department of Agriculture</b>   |  |   |                                   |
| Food and Nutrition Service State Administrative Matching Grants for Supplemental Nutrition Assistance Programs (SNAP) |  |   |                                   |
| Passed through Illinois Department of Human Services  | 10.561                                   | FCSZG00251                                | \$ 141,561                        |
| <b>Total U.S. Department of Agriculture</b>   |  |   | <b>141,561</b>                    |
| <b>U.S. Department of Health and Human Services</b>   |  |   |                                   |
| Temporary Assistance for Needy Families (TANF)  |  |   |                                   |
| Passed through Illinois Department of Human Services  | 93.558                                   | FCSYG00076                                | 236,328                           |
| <b>Total U.S. Department of Health and Human Services</b>   |  |   | <b>236,328</b>                    |
| <b>U.S. Department of Labor</b>   |  |   |                                   |
| Workforce Innovation and Opportunity Act (WIOA) Youth Activities  |  |   |                                   |
| Passed through St. Louis County, Department of Human Services, Division of Homeless Services                          | 17.259                                   | HS2020-7014                               | 242,956                           |
| <b>Total U.S. Department of Labor</b>   |  |   | <b>242,956</b>                    |
|   |  |   | <b>\$ 1,515,429</b>               |

See Notes to Schedule of Expenditures of Federal Awards.

**EMPLOYMENT CONNECTION**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended December 31, 2021**

**NOTE 1 — BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant and loan activity of Employment Connection (the Organization) for the year ended December 31, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because this Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Organization. Pass-through entity identifying numbers are presented where available.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICES**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal awards were expended in the form of noncash assistance.

**NOTE 3 — INDIRECT COST RATE**

The Organization has elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance on the Temporary Assistance for Needy Families program and the Workforce Investment and Opportunity Act program.

**EMPLOYMENT CONNECTION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended December 31, 2021**

**PART I: SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements*

Type of auditor's report issued.

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  No

Type of auditor's report issued on compliance for major programs.

*Unmodified*

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes  None Reported

Identification of major programs:

Assistance Listing Number  
21.019  
93.558  
17.259

Name of Federal Program or Cluster  
Coronavirus Relief Fund  
Temporary Assistance for Needy Families  
Workforce Investment and Opportunity Act

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

Yes  No

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART II: FINDINGS RELATED TO GENERAL PURPOSE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

There were no findings related to the general purpose financial statements for the year ended December 31, 2021.

**PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding No.:** 2021-001: Assistance Listing Number 93.558, U.S. Department of Health and Human Services, Temporary Assistance for Needy Families

**Criteria:** Reports must be submitted no later than 35 days after quarter-end.

**Condition:** One of two financial reports selected was not filed within the deadline. The report for the second quarter, ending September 30, 2021 was not filed until November 23, 2021.

**Cause:** Due to competing resources and the ongoing effect of the pandemic, the Organization had challenges in completing the reporting within the outlined timeframe.

**Effect:** Reporting was not submitted within the timeframe established by the pass-through agency.

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization.

**Finding No.:** 2021-002: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** The contract with the City of St. Louis includes reporting requirements that reporting must be filed within a timely manner.

**Condition:** Two of three financial reports selected were determined not to be filed on a timely basis. The January 2021 report was filed in April 2021. The June 2021 report was filed in August 2021.

**Cause:** Due to competing resources and the ongoing effect of the pandemic, the Organization had challenges in completing the reporting within the outlined timeframe.

**Effect:** Reporting was not submitted within the timeframe established by the pass-through agency.

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS (Continued)**

**Finding No.:** 2021-003: Assistance Listing Number 17.259, U.S. Department of Labor, Workforce Innovation and Opportunity Act (WIOA)

**Criteria:** The Subrecipient shall record all costs incurred in the performance of this contract as incurred and report these costs to County no later than the close of business on the 10th working day of the following month.

**Condition:** One of two financial reports selected was not filed within the deadline. The report for May 2021 was not filed until June 16, 2021. The deadline to submit is 10 days after month end.

**Cause:** Due to competing resources and the ongoing effect of the pandemic, the Organization had challenges in completing the reporting within the outlined timeframe.

**Effect:** Reporting was not submitted within the timeframe established by the pass-through agency.

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization.

**PART IV: PRIOR YEAR FINDINGS**

**Finding No.:** 2020-001: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** Bank reconciliations ensure accounting records are accurate and errors are caught in a reasonable amount of time.

**Condition:** Employment Connection does not complete bank reconciliations in a reasonable amount of time after bank statements are received.

**Cause:** Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic.

**Effect:** Administrative staff had less time to complete the bank reconciliations in a timely manner and as a result, bank errors may not have been caught timely and could have resulted in losses to Employment Connection.

**Recommendation:** Employment Connection complete bank reconciliations timely.

**Remediation:** Bank reconciliations have been completed in a timely manner subsequent to the communication of the finding in 2021.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART IV: PRIOR YEAR FINDINGS (Continued)**

**Finding No.:** 2020-002: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** To ensure program funding is used in compliance with federal laws and regulations, Employment Connection should ensure controls over internal spreadsheets used to calculate salaries and fringe benefits are adequate.

**Condition:** Employment Connection did not have adequate controls in place to ensure salaries and fringe benefit calculations were accurate.

**Cause:** Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic.

**Effect:** Administrative staff had less time to thoroughly verify all calculations included in billing backup which could have resulted in questioned costs.

**Recommendation:** Employment Connection ensure controls over reporting are functioning adequately.

**Remediation:** In 2021, Employment Connection hired an additional Accounting Assistant within their Accounting Department. This additional position assists with preparation and verification of billing schedules documenting salaries and fringe benefits. This helped ensure controls over reporting are functioning adequately and any errors are discovered and corrected in a timely manner.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART IV: PRIOR YEAR FINDINGS (Continued)**

**Finding No.:** 2020-003: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** Time sheets used to allocate hours to program expenses should be signed by both the employee and the employee's supervisor.

**Condition:** Some time sheets used to allocate hours to federal programs were not signed or were not signed timely.

**Cause:** Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. These included allowing staff to work a hybrid schedule with staff being in the office on a rotating schedule one day per week.

**Effect:** There was a delay in signatures or missing signatures on documents including timesheets. In addition, Employment Connection did not update their procedures to allow timesheets to be signed electronically or approval of their timesheets by mail which could result in hours not being accurately allocated for program expense calculations.

**Recommendation** - Employment Connection ensure time sheets are signed timely by the employee and supervisor or develop alternative oversight procedures to ensure timesheet allocations are accurate.

**Remediation:** Employment Connection's timesheet signature procedures have been updated to allow timesheets to be signed and approved by attaching a PDF of the timesheet to an Outlook email from the staff member forwarded to their supervisor who may also sign and approve in the same manner. The outlook emails are printed and considered part of the timesheet.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART IV: PRIOR YEAR FINDINGS (Continued)**

**Finding No.:** 2020-004: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** The contract between the City of St. Louis and Employment Connection requires the recipient files contain adequate proof of income for all adults in the household. The contract indicates acceptable proof of income includes one month worth of paychecks within the last three months. Additionally, Employment Connection requires a program manager review of the files to ensure the files are complete.

**Condition:** Employment connection did not maintain complete recipient files for one recipient and one file was not approved by a manager.

**Cause:** Due to the COVID-19 pandemic, Employment Connection received increased funding, but had inexperienced staff which diverted managers' time to training, making them less available to review the increased number of applications for assistance.

**Effect:** Files were incomplete and may have resulted in ineligible clients receiving services.

**Recommendation:** Employment Connection develop procedures to ensure recipient files are reviewed by a program manager or an alternative person if the manager is unable to review in a timely manner.

**Remediation:** The Co-Managers of Housing and Client Services have designated senior staff members to assist with the review and approval process of client files and vouchers.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART IV: PRIOR YEAR FINDINGS (Continued)**

**Finding No.:** 2020-005: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** The contract with St. Louis County requires recipients to make 80% or less of Area Median Income. In addition, the maximum payment allowable under the contract must not exceed the lesser of a total of 9 months times the Unit Fair Market Rent or \$8,000.

**Condition:** Employment connection did not ensure one recipient made less than 80% of Area Median Income and did not have a procedure in place to ensure clients did not receive more than the maximum payment allowed under the contract.

**Cause:** Due to the COVID-19 pandemic, Employment Connection received increased funding, which required additional staff to be hired to administer these grants. Training of these new staff while working partially in a virtual setting made review of an increased number of applications for assistance challenging.

**Effect:** This could have resulted in recipients not meeting all program requirements.

**Recommendation:** Employment Connection ensure recipient files are reviewed to ensure all supporting documentation is in the recipient file prior to paying the assistance

**Remediation:**, Staff have received ongoing reviews of contract requirements and staff have been trained to document alternative methods of verifying contract eligibility.

**EMPLOYMENT CONNECTION**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended December 31, 2021**

**PART IV: PRIOR YEAR FINDINGS (Continued)**

**Finding No.:** 2020-006: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** The contract with the City of St. Louis includes reporting requirements for the Subcontractor paid by Employment Connection to implement a housing data base.

**Condition:** Employment connection did not meet the reporting requirements and deadlines outlined in the contract with the City of St. Louis.

**Cause:** Due to the COVID-19 pandemic, Employment Connection administrative staff spent a substantial amount of time implementing COVID-19 pandemic safety protocols to protect the safety of staff, volunteers and clients. In addition, Employment Connection received funding to assist clients with surviving the pandemic.

**Effect:** Subcontractor reports were not sent timely, resulting in noncompliance with the city contract.

**Recommendation:** Employment Connection ensure required reporting is timely.

**Remediation:** In 2021, Employment Connection hired an additional Accounting Assistant within their accounting department. This additional position assists with preparation and verification of invoice and reporting. This finding is not considered fully remediated due to finding 2021-002 in the current year.

**Finding No.:** 2020-007: Assistance Listing Number 21.019, Department of the Treasury, Coronavirus Relief Fund

**Criteria:** The contract with the City of St. Louis requires recipients to be city residents.

**Condition:** Employment connection used the city program funding to provide assistance to a St. Louis County resident.

**Cause:** Due to the COVID-19 pandemic, Employment Connection received increased funding with decreased staffing. Errors discovered by staff were not corrected.

**Effect:** A recipient was not in compliance with the city contract.

**Recommendation:** Employment Connection implement procedures to ensure errors discovered during the payment review process are corrected prior to payment.

**Remediation:** In 2021, Employment Connection hired an additional Accounting Assistant to assist with preparation and verification of invoice and reporting. This provides more time for other accounting staff to ensure that data entry errors are corrected as part of the payment process.

## Corrective Action Plan

### FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding No 2021-001; Assistance Listing Number 93.558

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization.

**Action Plan:** In 2021, Employment Connection hired an additional Accounting Assistant within their Accounting Department. This additional position has been trained in preparation of this report. To date in 2022, one quarterly financial report was due and Employment Connection submitted that report within the 35 day window.

Finding No 2021-002; Assistance Listing Number 21.019

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization

**Action Plan:** The addition of the Accounting Assistant position to the accounting department helped distribute work so that more attention could be given to individual billing deadlines. Progress was made in 2021 on meeting billing deadlines for this contract and continues to be made in 2022 on all contracts.

Finding No 2021-003; Assistance Listing Number 17.259

**Recommendation:** Reporting should be filed within the deadlines established by the federal agency and pass-through organization.

**Action Plan:** The ongoing pandemic continues to be a challenge as staff continue to work remotely as these invoices require a heavy amount of paper documentation from various staff members. We continue to follow up with staff and get documentation and will make an effort to do this earlier than previously so we can meet billing deadlines.