

Employment Connection

Financial Statements
and Supplementary Information
and Single Audit Reports and Schedules

December 31, 2024 and 2023



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Employment Connection

Opinion

We have audited the accompanying financial statements of Employment Connection (the "Organization"), which comprise the statements of financial position as of December 31, 2024 and 2023, and the related statements of activities, functional expenses, and cash flows for the years 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, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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 audits. 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 September 26, 2025, 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.



St. Louis, Missouri

September 26, 2025

Employment Connection
Statements of Financial Position
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 457,884	\$ 731,983
Contracts receivable	1,336,704	1,126,717
Unconditional promises to give	598,860	697,067
Other receivables, net	238,989	186,318
Prepaid expenses and other assets	<u>25,845</u>	<u>68,454</u>
Total current assets	<u>2,658,282</u>	<u>2,810,539</u>
Long-term assets		
Investments	2,389,366	2,215,321
Property and equipment, net	<u>1,986,352</u>	<u>2,066,765</u>
Total long-term assets	<u>4,375,718</u>	<u>4,282,086</u>
 Total assets	 <u><u>\$ 7,034,000</u></u>	 <u><u>\$ 7,092,625</u></u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 110,269	\$ 78,157
Accrued payroll and related liabilities	<u>178,377</u>	<u>171,149</u>
Total current liabilities	<u>288,646</u>	<u>249,306</u>
Net assets		
Without donor restrictions		
Undesignated	1,827,829	1,844,397
Board-designated	<u>4,002,719</u>	<u>3,901,595</u>
Total without donor restrictions	5,830,548	5,745,992
With donor restrictions	<u>914,806</u>	<u>1,097,327</u>
Total net assets	<u>6,745,354</u>	<u>6,843,319</u>
 Total liabilities and net assets	 <u><u>\$ 7,034,000</u></u>	 <u><u>\$ 7,092,625</u></u>

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

Employment Connection
Statement of Activities
For the Year Ended December 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains (losses) and other support			
Contributions	\$ 250,104	\$ 213,664	\$ 463,768
United Way	71,797	568,860	640,657
Grants and contract revenue	4,839,994	-	4,839,994
Investment return, net	181,539	-	181,539
Net rental loss	(70,085)	-	(70,085)
Miscellaneous	18,315	-	18,315
Net assets released from restrictions	<u>965,045</u>	<u>(965,045)</u>	<u>-</u>
	<u>6,256,709</u>	<u>(182,521)</u>	<u>6,074,188</u>
Functional expenses			
Program services	5,454,402	-	5,454,402
Support services	<u>599,732</u>	<u>-</u>	<u>599,732</u>
Total functional expenses	<u>6,054,134</u>	<u>-</u>	<u>6,054,134</u>
Change in net assets from operations	<u>202,575</u>	<u>(182,521)</u>	<u>20,054</u>
Non-operating			
Insurance claim			
Proceeds	98,336	-	98,336
Expenses	<u>(216,355)</u>	<u>-</u>	<u>(216,355)</u>
Total non-operating	<u>(118,019)</u>	<u>-</u>	<u>(118,019)</u>
Change in net assets	84,556	(182,521)	(97,965)
Net assets, beginning of year	<u>5,745,992</u>	<u>1,097,327</u>	<u>6,843,319</u>
Net assets, end of year	<u><u>\$ 5,830,548</u></u>	<u><u>\$ 914,806</u></u>	<u><u>\$ 6,745,354</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>
	<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 Functional Expenses
For the Year Ended December 31, 2024

	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	\$ 1,895,222	\$ 226,930	\$ 2,122,152	\$ 292,859	\$ 106,102	\$ 398,961	\$ 60,440	\$ 2,581,553
Payroll taxes and fringe benefits	<u>667,068</u>	<u>75,357</u>	<u>742,425</u>	<u>52,006</u>	<u>8,610</u>	<u>60,616</u>	<u>10,404</u>	<u>813,445</u>
Total personnel expenses	2,562,290	302,287	2,864,577	344,865	114,712	459,577	70,844	3,394,998
Participant wages and other expenses	1,208,888	782,055	1,990,943	-	-	-	-	1,990,943
Professional fees	14,683	13,238	27,921	43,474	-	43,474	-	71,395
Consulting and subcontracting	101,328	3,071	104,399	168	60,127	60,295	62	164,756
Equipment rental	6,249	699	6,948	349	264	613	128	7,689
Repairs	73,979	8,561	82,540	4,322	2,955	7,277	3,216	93,033
Insurance	69,008	7,714	76,722	4,159	2,571	6,730	5,215	88,667
Supplies and postage	75,199	1,823	77,022	576	634	1,210	248	78,480
Printing and reproduction	4,222	281	4,503	17	78	95	6	4,604
Rent	3,286	-	3,286	-	-	-	-	3,286
Telephone	21,081	2,557	23,638	1,417	622	2,039	366	26,043
Travel	2,961	-	2,961	3	298	301	-	3,262
Other utilities	48,540	4,075	52,615	2,248	1,481	3,729	3,556	59,900
Other expenses	45,067	4,256	49,323	1,215	5,315	6,530	367	56,220
Interest	2,961	-	2,961	-	-	-	-	2,961
Depreciation	<u>75,056</u>	<u>8,987</u>	<u>84,043</u>	<u>4,895</u>	<u>2,967</u>	<u>7,862</u>	<u>5,248</u>	<u>97,153</u>
	4,314,798	1,139,604	5,454,402	407,708	192,024	599,732	89,256	6,143,390
Less expenses netted with revenues on the Statement of Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(89,256)</u>	<u>(89,256)</u>
	<u>\$ 4,314,798</u>	<u>\$ 1,139,604</u>	<u>\$ 5,454,402</u>	<u>\$ 407,708</u>	<u>\$ 192,024</u>	<u>\$ 599,732</u>	<u>\$ -</u>	<u>\$ 6,054,134</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
Payroll taxes and fringe benefits	805,739	71,591	877,330	46,320	7,682	54,002	12,960	944,292
Total personnel expenses	3,272,165	277,167	3,549,332	286,931	90,025	376,956	71,903	3,998,191
Participant wages and other expenses	1,042,621	947,518	1,990,139	795	-	795	-	1,990,934
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	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	80,662	6,783	87,445	3,511	2,491	6,002	6,279	99,726
	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	-	-	-	-	-	-	(92,642)	(92,642)
	<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
Statements of Cash Flows
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities		
Change in net assets	\$ (97,965)	\$ 181,684
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	97,153	99,726
Net realized and unrealized investment loss/(gain)	(120,732)	(170,055)
Net insurance proceeds	118,019	(117,918)
Changes in operating assets and liabilities		
Contracts receivable	(209,987)	127,335
Unconditional promises to give	98,207	(42,044)
Other receivables	(52,671)	3,744
Prepays and other assets	42,609	(17,031)
Accounts payable	32,112	11,390
Accrued payroll and related liabilities	7,228	(14,874)
Net cash provided by (used in) operating activities	<u>(86,027)</u>	<u>61,957</u>
Cash flows from investing activities		
Purchase of property and equipment	(16,740)	(44,834)
Purchase of investments	(65,974)	(145,847)
Proceeds from sale of investments	12,661	76,805
Net insurance proceeds	<u>(118,019)</u>	<u>117,918</u>
Net cash provided by (used in) investing activities	<u>(188,072)</u>	<u>4,042</u>
Net increase (decrease) in cash and cash equivalents	(274,099)	65,999
Cash and cash equivalents, beginning of year	<u>731,983</u>	<u>665,984</u>
Cash and cash equivalents, end of year	<u><u>\$ 457,884</u></u>	<u><u>\$ 731,983</u></u>

Supplemental disclosure of cash flow information

Cash paid during the year for interest	\$ 2,961	\$ 3,726
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The accompanying notes are an integral part of these financial statements.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

1. NATURE OF OPERATIONS

Employment Connection (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. The primary revenue sources include grants, contributions, and contract revenue for services provided to clients.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies is presented to assist in understanding the Organization's 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.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 8 for more information on board designated net assets as of December 31, 2024 and 2023.
- *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, 2024 and 2023.

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.

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.

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, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Certain cash balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The Organization has cash balances on deposit with various banks in amounts that at times may exceed federally insured limits.

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 for other receivables in the amount of \$9,252 and \$16,996 as of December 31, 2024 and 2023, respectively.

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

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Contracts receivable	\$ 1,336,704	\$ 1,126,717	\$ 1,254,052
Other receivables, net	<u>238,989</u>	<u>186,318</u>	<u>180,166</u>
	<u>\$ 1,575,693</u>	<u>\$ 1,313,035</u>	<u>\$ 1,434,218</u>

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on historical collection experience coupled with a review of the current status of the existing uncollectible promises to give. 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 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. Management has evaluated and is of the opinion that no allowance for uncollectible promises to give was necessary as of December 31, 2024 and 2023.

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:

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

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. In the opinion of management, no such impairment existed for the years ended December 31, 2024 and 2023.

Investments

The Organization carries investments in mutual funds with readily determinable fair values based on quoted market prices. Gains or losses on sales of investments are determined using the specific identification method.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments (continued)

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. Investment income restricted by a donor is reported as net assets without donor restrictions if the restrictions are met (either by passage of time or by use) in the reporting period in which the income is recognized.

Contributions and grants

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. Promises to give are considered conditional when a measurable barrier and right of return or release exists. The promises to give become unconditional and are recognized as revenue when the barriers upon which they depend are overcome. When the satisfaction of the barrier(s) are accomplished in the same period that the contribution is made, conditional contributions are recorded as unconditional. Unconditional contributions are recognized as revenue when the promise is made.

The Organization records contributions when received as with or without donor restrictions, depending on the existence and/or nature of any donor restrictions. 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. Grants and contract revenue are either recorded as contributions or exchange transactions based on criteria contained in the grant award. The contributions are recognized when the promise is made or when the barriers upon which they depend are overcome, while the exchange transactions are recognized when the performance obligations are met.

- Grant awards that are contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as refundable advances.
- Grant awards that are exchange transactions reimburse a predetermined amount based on services performed without regard to expenses. Revenue is recognized when the Organization satisfies its performance obligations which typically occurs when the services are rendered.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

For exchange transactions, 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.

Insurance proceeds

Insurance proceeds, recorded in 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.

Leases

The Organization has operating leases for client residential housing, programmatic office space, and various office equipment. Operating leases are required to be included in the right-of-use ("ROU") assets and lease liabilities on the statement of financial position. ROU assets represent the Organization's right to use an underlying asset for the lease term and lease liabilities represent the Organization's obligation to make lease payments arising from the lease at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. The ROU asset is subsequently measured throughout the lease term at the amount of the remeasured lease liability, plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received and any impairment recognized. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. For operating leases with a term of one year or less, the Organization has elected to not recognize a lease liability or ROU asset on the statement of financial position. Instead, lease payments are recognized as expenses on a straight-line basis over the lease term.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Organization determines if an arrangement is a lease, or contains a lease, at inception of a contract or when the terms of an existing contract are changed. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As the Organization's leases do not provide an implicit rate, the Organization uses the risk free rate commensurate with the lease term based on the information available at commencement date in determining the present value of lease payments. The lease ROU asset also includes any lease payments made and excludes lease incentives. Option periods are included in the ROU asset and liability when it is reasonably certain the option will be exercised. Rent expense for lease payments is recognized on a straight-line basis over the lease term.

For any lease agreements with lease and non-lease components, the Organization has elected to apply the practical expedient that allows equipment leases and their associated maintenance services to be accounted for as a single combined operating lease component. The Organization has elected to account for operating costs as nonlease components. The Organization is a lessee in lease agreements with third parties that do not have any material restrictions or covenants in their lease agreements, sale-leaseback transactions, land easements or residual value guarantees.

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. Salaries, payroll taxes, fringe benefits, consulting expenses, professional fees, office supplies, telephone, and equipment rental are allocated on the basis of estimates of time and effort for full time equivalent employees. Depreciation, utilities, repairs and maintenance, cleaning supplies, and insurance are allocated on the basis of square footage.

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, 2024 and 2023

3. 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>2024</u>	<u>2023</u>
Financial assets available for the next 12 months		
Cash and cash equivalents	\$ 457,884	\$ 731,983
Contracts receivable	1,336,704	1,126,717
Unconditional promises to give	598,860	697,067
Other receivables, net	238,989	186,318
Investments	<u>2,389,366</u>	<u>2,215,321</u>
	<u>5,021,803</u>	<u>4,957,406</u>
Amounts not available for general expenditures		
Less: With donor restrictions	(914,806)	(1,032,327)
Less: Board designated investments	(1,935,887)	(1,754,348)
Less: Other board designated net assets	<u>(80,482)</u>	<u>(80,482)</u>
	<u>(2,931,175)</u>	<u>(2,867,157)</u>
	<u>\$ 2,090,628</u>	<u>\$ 2,090,249</u>

The Organization has a line of credit totaling \$100,000 of which none had been drawn down as of December 31, 2024 and 2023. 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, 2024 and 2023 respectively, the Organization had \$1,935,887 and \$1,754,348 of board designated investments. Although there is no intention to spend from this board designated fund, these amounts could be made available if needed.

The Organization has historically received approximately 65% of their operating revenue from government agencies for performing services or incurring expenses to run programs. If these services were not performed or programs were not operating, the associated expenses would not be incurred.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

4. INVESTMENTS

Investments consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
DFA International Equities	\$ 537,280	\$ 528,676
DFA Domestic Equities	837,998	770,414
DFA 5 Year Global Fixed Income	265,347	263,758
Vanguard Short-Term Inv Grade	659,128	601,220
Real Estate Investment Trusts (REITs)	50,410	51,258
DFA Commodities	<u>39,203</u>	<u>-</u>
	<u>\$ 2,389,366</u>	<u>\$ 2,215,326</u>

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

	<u>2024</u>	<u>2023</u>
Interest and Dividends	\$ 72,480	\$ 72,198
Investment Advisory Fees	(11,673)	(10,280)
Unrealized Gain (Loss) on Investments	<u>120,732</u>	<u>170,055</u>
	<u>\$ 181,539</u>	<u>\$ 231,973</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.

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at December 31:

	<u>2024</u>	<u>2023</u>
Land	\$ 305,000	\$ 305,000
Buildings	3,003,577	3,003,577
Building improvements	208,334	191,593
Furniture and equipment	<u>403,408</u>	<u>403,408</u>
	3,920,319	3,903,578
Accumulated depreciation	<u>(1,933,967)</u>	<u>(1,836,813)</u>
	<u>\$ 1,986,352</u>	<u>\$ 2,066,765</u>

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

5. PROPERTY AND EQUIPMENT (continued)

Depreciation expense was \$97,153 and \$99,726 for the years ended December 31, 2024 and 2023, respectively.

6. FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. The Organization determines the fair value of its financial instruments based on a fair value hierarchy, 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:

- Level 1: Quoted prices in active markets for identical assets or liabilities that the Organization has the ability to access.
- Level 2: Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in active markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, such as third-party valuations and management's estimate.

Investments consist of mutual funds. Following is a description of the valuation methodologies used for instruments measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such instruments pursuant to the valuation hierarchy.

- Mutual Funds (Equity Securities, REITs, and Commodities) - Mutual funds and equity securities held by the Organization are open-ended mutual funds that are registered with the Securities Exchange Commission ("SEC") valued at the daily closing price as reported by the fund and deemed to be actively traded.
- Fixed Income Securities - Fixed income securities (bonds, global portfolios, etc.) are valued based on yield curves and market spreads rather than direct quotes.

Management determines the fair value measurement valuation policies and procedures, which are subject to Board assessment and approval. At least annually, management determines if the current valuation techniques used in fair value measurements are still appropriate. During the year, there have been no changes in the methodologies used to derive the fair value of the Organization's assets and liabilities.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

6. FAIR VALUE MEASUREMENTS (continued)

The following table sets forth by level, within the fair value hierarchy, the Organization's assets at fair value as of December 31, 2024:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair Value</u>
DFA International Equities	\$ 537,280	\$ -	\$ -	\$ 537,280
DFA Domestic Equities	837,998	-	-	837,998
DFA 5 Year Global Fixed Income	-	265,347	-	265,347
Vanguard Short-Term Inv Grade	659,128	-	-	659,128
Real Estate Investment Trusts (REITs)	50,410	-	-	50,410
DFA Commodity Securities	<u>39,203</u>	<u>-</u>	<u>-</u>	<u>39,203</u>
	<u>\$ 2,124,019</u>	<u>\$ 265,347</u>	<u>\$ -</u>	<u>\$ 2,389,366</u>

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 Equities	\$ 528,676	\$ -	\$ -	\$ 528,676
DFA Domestic Equities	770,414	-	-	770,414
DFA 5 Year Global Fixed Income	-	263,758	-	263,758
Vanguard Short-Term Inv Grade	601,215	-	-	601,215
Real Estate Investment Trusts (REITs)	<u>51,258</u>	<u>-</u>	<u>-</u>	<u>51,258</u>
	<u>\$ 1,951,563</u>	<u>\$ 263,758</u>	<u>\$ -</u>	<u>\$ 2,215,321</u>

7. LINE OF CREDIT

The Organization has a \$100,000 line of credit with a bank with interest payable monthly at prime rate (7.50% and 8.50% at December 31, 2024 and 2023, respectively), expiring November 2025. There were no outstanding borrowings as of December 31, 2024 and 2023.

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

8. BOARD DESIGNATED ASSETS

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

	<u>2024</u>	<u>2023</u>
Board Designated Contingency Fund	\$ 1,935,887	\$ 1,754,348
Board Designated Post-Retirement Benefits Fund	80,482	80,482
Net Investment in Property and Equipment	<u>1,986,352</u>	<u>2,066,765</u>
	<u>\$ 4,002,721</u>	<u>\$ 3,901,595</u>

9. NET ASSETS WITH DONOR RESTRICTIONS

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

	<u>2024</u>	<u>2023</u>
United Way Allocation for Subsequent Year (a)	\$ 568,860	\$ 632,067
Other Timing Restrictions	30,000	65,000
Subject to Expenditure for Specified Purposes	<u>315,946</u>	<u>400,260</u>
	<u>\$ 914,806</u>	<u>\$ 1,097,327</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, 2024 and 2023.

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>2024</u>	<u>2023</u>
Satisfaction of Purpose Restrictions	\$ 297,972	\$ 578,583
Expiration of Time Restrictions	<u>667,073</u>	<u>655,023</u>
	<u>\$ 965,045</u>	<u>\$ 1,233,606</u>

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

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, 2024 and 2023 was \$81,553 and \$87,321, respectively.

11. LEASE COMMITMENTS

The Organization has one lease for programmatic office space with a monthly payment of \$253 that automatically renews annually but has a 30 day cancellation policy at anytime during the agreement. Due to the cancellation policy associated with this lease, no right of use asset or lease liability is recognized as of December 31, 2024 and 2023.

The Organization has committed to leases for various rental units for individuals they are assisting. The lease commitment at December 31, 2024 and 2023 total \$147,395 and \$102,988, respectively. The leases are renewable each year and expire each September. As these are annual leases that could change depending on the needs of the clients, management has assessed to determine that these are short-term leases based on the varying possibilities and contingencies. No right of use asset or lease liability is recognized for these as of December 31, 2024 and 2023.

The Organization signed a new lease in September 2024 for various office equipment that has a monthly payment of \$235.17 and expires in August 2029. The lease has an additional agreement for non-lease components that are included in the future maturities table below. Due to the insignificance of this lease, no right of use asset or lease liability is recognized as of December 31, 2024 and 2023. See below for the future lease commitments over the next 5 years for this operating lease.

Future maturities of operating lease obligations were as follows:

Year ending December 31,

2025	\$ 3,302
2026	3,302
2027	3,302
2028	3,302
2029	<u>2,201</u>
	<u>\$ 15,409</u>

Employment Connection
Notes to Financial Statements
December 31, 2024 and 2023

12. SIGNIFICANT FUNDERS

Revenues from four funders accounted for approximately 52% of revenues during the year ended December 31, 2024. Revenues from three funders accounted for approximately 40% of revenues during the year ended December 31, 2023. A significant reduction in these funds would have a material effect on the Organization's financial position.

The Organization is required to fulfill certain conditions such as provide specific services or incur qualified expenses under grant agreements or contracts. Failure to fulfill the conditions could result in the return of the funds or no release of the funds. No amounts have been reflected in these financial statements for these contracts until conditions are satisfied.

13. SUBSEQUENT EVENTS

The Organization has performed a review of events subsequent to the statement of financial position date through September 26, 2025, the date the financial statements were available to be issued.

In February 2025, Employment Connection entered into an operating agreement to become a 25% member of University Crossing Developer, LLC, a joint venture with Bywater Development Group, LLC (75% interest). The joint venture was formed to acquire, develop, and operate an affordable housing project in St. Louis County, Missouri. Employment Connection made an initial capital contribution of \$25. The joint venture is expected to be accounted for under the equity method of accounting in future periods.

In addition, Employment Connection established a wholly owned limited liability company, EC University Crossing, LLC, in February 2025. This entity is intended to support the University Crossing development project and will be consolidated in future periods.

No other subsequent events have occurred that would have a material impact on the presentation of the Organization's financial statements.

SUPPLEMENTARY INFORMATION



INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

To the Board of Directors of
Employment Connection

We have audited the financial statements of Employment Connection as of and for the year ended December 31, 2024 and 2023 and our report thereon dated September 26, 2025, which expressed an unmodified opinion on those financial statements, appears on pages 1 - 2. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The information on pages 25 - 28 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.

Armanino LLP

St. Louis, Missouri

September 26, 2025

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

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Grantee Name	Employment Connection
ID Numbers	Audit: 54666 Grantee: 675676 UEI: G8CRECP5LBN3 FEIN: 431106386
Audit Period	1/1/2024 12:00:00 AM - 12/31/2024 12:00:00 AM
Last Update	9/19/2025 3:47:03 PM
Program Count	3

EXPENDITURES BY PROGRAM

CSFA #	Program Name	State	Federal	Total	Match
444-80-3357	Illinois Youth Investment Program-Summer Jobs	0.00	0.00	0.00	0.00
444-80-0707	Supplemental Nutrition Assistance Program - SNAP Job Placement/SNAP to Success	0.00	195,723.54	195,723.54	0.00
444-80-0699	TANF Employment & Training Program - Job Placement with Retention Program	0.00	283,517.60	283,517.60	0.00
	All other federal expenditures		2,051,795.72	2,051,795.72	
TOTALS		0.00	2,531,036.86	2,531,036.86	0.00

EXPENDITURES BY CATEGORY

Amount	Category
209,714.07	Personal Services (Salaries and Wages)
72,663.90	Fringe Benefits
8,973.94	Supplies
29,893.54	Occupancy - Rent and Utilities
1,966.14	Telecommunications
60,936.07	Direct Administrative Costs
56,218.01	Miscellaneous Costs
38,875.47	Indirect Costs
479,241.14	TOTAL

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

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09/19/25

State Agency	Department Of Human Services
CSFA Number	444-80-3357
Program Name	Illinois Youth Investment Program-Summer Jobs
Popular Name	Illinois Youth Investment Program-Summer Jobs
Program Contact	Name: Brandon Bax Phone: (217)558-2695 Email: DHS.PositiveYouthDevelopment@Illinois.gov
State Amount Expended	0.00
Federal Amount Expended	0.00

Expenditures by Category

0.00	TOTAL
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**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

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State Agency	Department Of Human Services
CSFA Number	444-80-0707
Program Name	Supplemental Nutrition Assistance Program - SNAP Job Placement/SNAP to Success
Popular Name	SNAP Job Placement/SNAP to Success
Program Contact	Name: Anita Battle-Morris Phone: 3125204193 Email: anita.battle-morris@illinois.gov
State Amount Expended	0.00
Federal Amount Expended	195723.54

Expenditures by Category

95,618.27	Personal Services (Salaries and Wages)
33,017.45	Fringe Benefits
5,313.87	Supplies
13,419.45	Occupancy - Rent and Utilities
861.55	Telecommunications
24,001.55	Direct Administrative Costs
6,063.93	Miscellaneous Costs
17,427.47	Indirect Costs
195,723.54	TOTAL

**Illinois Grant Accountability and Transparency
Consolidated Year-End Financial Report**

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09/19/25

State Agency	Department Of Human Services
CSFA Number	444-80-0699
Program Name	TANF Employment & Training Program - Job Placement with Retention Program
Popular Name	TANF Job Placement with Retention Program
Program Contact	Name: Anita Battle-Morris Phone: 3125204193 Email: anita.battle-morris@illinois.gov
State Amount Expended	0.00
Federal Amount Expended	283517.60

Expenditures by Category

114,095.80	Personal Services (Salaries and Wages)
39,646.45	Fringe Benefits
3,660.07	Supplies
16,474.09	Occupancy - Rent and Utilities
1,104.59	Telecommunications
36,934.52	Direct Administrative Costs
50,154.08	Miscellaneous Costs
21,448.00	Indirect Costs
283,517.60	TOTAL

SINGLE AUDIT REPORTS AND SCHEDULES

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

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 statements of financial position as of December 31, 2024, 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 September 26, 2025.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified.

Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a significant deficiency.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2024-001 and 2024-002.

Employment Connection's Response to Findings

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

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.



St. Louis, Missouri

September 26, 2025



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM, INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM
GUIDANCE

To the Board of Directors of
Employment Connection

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Employment Connection (the "Organization")'s 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 the Organization's major federal programs for the year ended December 31, 2024. 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, 2024.

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.

Report on Internal Control Over Compliance

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 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 item 2024-002 to be a significant deficiency.

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

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 The Organization's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Organization's response was not subjected to the 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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Organization as of and for the year ended December 31, 2024, and have issued our report thereon dated September 26, 2025, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by the Uniform Guidance 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



St. Louis, Missouri

September 26, 2025

Employment Connection
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
<u>Expenditures of Federal Awards</u>				
U.S. Department of Justice Crime Victim Assistance Pass-through program from:				
Missouri Department of Social Services	16.575	ER130220057 - 001	\$ 80,000	\$ -
Total U.S. Department of Justice			<u>80,000</u>	<u>-</u>
U.S. Department of Treasury Coronavirus State and Local Fiscal Recovery Funds Pass-through program from:				
City of St. Louis, Department of Health Services	21.027	HD #24-23 ER130220057 -	23,708	-
Missouri Department of Social Services	21.027	002	<u>93,776</u>	<u>-</u>
Total U.S. Department of Treasury			<u>117,484</u>	<u>-</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Employment Connection
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Housing & Urban Development				
Continuum of Care				
Pass-through program from:				
St. Louis County, Department of Human Services, Division of Homeless Services	14.267	HS2023-2014	203,400	-
St. Louis County, Department of Human Services, Division of Homeless Services	14.267	HS2024-1215	78,135	-
St. Louis County, Department of Human Services, Division of Homeless Services	14.267	HS2023-2015	98,166	-
St. Louis County, Department of Human Services, Division of Homeless Services	14.267	HS2024-2033	93,104	-
Total Continuum of Care			<u>472,805</u>	<u>-</u>
Homeless Prevention and Rapid Re-housing				
Pass-through program from:				
St. Louis County, Department of Human Services, Division of Homeless Services	14.231	HS2023-2001	47,741	-
St. Louis County, Department of Human Services, Division of Homeless Services	14.231	HS2024-1105	40,834	-
St. Louis County, Department of Human Services, Division of Homeless Services	14.231	HS2023-2002	28,732	-
Missouri Housing Development Commission	14.231	HS24-1010	238,000	-
Missouri Housing Development Commission	14.231	23-728-C	45,564	-
Missouri Housing Development Commission	14.231	25725	5,202	-
Missouri Housing Development Commission	14.231	25-727	91	-
Total Homeless Prevention and Rapid Re-housing			<u>406,164</u>	<u>-</u>
Community Development Block Grant (CDBG) Cluster				
Pass-through program from:				
City of St. Louis Community Development Administration	14.218	24-SA-11-61	125,500	-
City of St. Louis Community Development Administration	14.218	24-11-83	25,000	-
City of St. Louis Community Development Administration	14.218	24-11-83	33,555	-
City of St. Louis Community Development Administration	14.218	24-14-61	157,500	-
Total Community Development Block Grant (CDBG) Cluster			<u>341,555</u>	<u>-</u>
Total U.S. Department of Housing & Urban Development			<u>1,220,524</u>	<u>-</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Employment Connection
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2024

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal AL Number	Pass-Through Entity Identifying Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Food and Nutrition Service State Administrative Matching Grants for Supplemental Nutrition Assistance Programs (SNAP)				
Pass-through program from:				
Illinois Department of Human Services	10.561	FCSBG00251	123,833	-
Illinois Department of Human Services	10.561	FCSBG00251	<u>71,891</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>195,724</u>	<u>-</u>
U.S. Department of Health and Human Services				
Temporary Assistance for Needy Families (TANF)				
Pass-through program from:				
Illinois Department of Human Services	93.558	FCSCG00076	154,821	-
Illinois Department of Human Services	93.558	FCSCG00076	<u>128,697</u>	<u>-</u>
			<u>283,518</u>	<u>-</u>
Total U.S. Department of Health and Human Services			<u>283,518</u>	<u>-</u>
U.S. Department of Labor				
Workforce Innovation and Opportunity Act (WIOA) Youth Activities				
Pass-through program from:				
St. Louis County, Department of Human Services, Division of Workforce Development	17.259	HS2023-7007	262,129	-
St. Louis County, Department of Human Services, Division of Workforce Development	17.259	HS2023-7008	<u>371,659</u>	<u>-</u>
Total U.S. Department of Labor			<u>633,788</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 2,531,038</u>	<u>\$ -</u>

The accompanying notes to the Schedule of Expenditures of Federal Awards
are an integral part of this schedule.

Employment Connection
Notes to Schedule of Expenditures of Federal Awards
December 31, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Employment Connection (the "Organization") under programs of the federal government for the year ended December 31, 2024. 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 the 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 limited as to reimbursement. Pass-through entity identifying numbers are presented where available and applicable. No federal awards were expended in the form of noncash assistance.

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, the Workforce Investment and Opportunity Act program and the Emergency Solutions Grant - Homeless Prevention and Rapid Re-housing (Coronavirus).

Employment Connection
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	Yes
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 2 CFR 200.516(a)?	No
Identification of major programs:	

<u>Name of Federal Program or Cluster</u>	<u>AL Number</u>
Community Development Block Grant Cluster	14.218
Temporary Assistance for Needy Families	93.558
Workforce Investment and Opportunity Act	17.259
Dollar threshold used to distinguish between Type A and Type B programs	\$750,000
Auditee qualified as low-risk auditee?	No

Employment Connection
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

SECTION II - SUMMARY OF FINANCIAL STATEMENT FINDINGS

Finding number: 2024 - 001

Criteria: Organizations receiving federal awards are required to develop and implement effective internal controls over financial reporting. This includes documented independent review and approval of bank reconciliations and journal entries by someone other than the preparer. Additionally, an annual reconciliation of grant revenue recognized based on documented grant outcomes.

Condition: Following the departure of the Chief Operating Officer (COO) in September of 2024, journal entries and bank reconciliations prepared by the Chief Financial Officer (CFO) were not consistently independently reviewed and approved by someone other than the preparer.

Additionally, the Organization lacked an annual formal internal control to reconcile amounts billed to granting agencies based on performance outcomes with expenses incurred.

We noted that during this period, the Board of Directors, the Finance Committee, and the Chief Executive Officer reviewed monthly financial statements, including budget-to-actual comparisons. These reviews provided some level of oversight and reduced, but did not eliminate, the risk of material misstatement.

Cause: This condition occurred due to a leadership transition when the Chief Operating Officer resigned. Review responsibilities were not reassigned, and the CFO temporarily assumed both preparer and reviewer roles.

Effect or potential effect: The lack of independent review of the bank reconciliation and journal entries increased the risk that errors or irregularities in journal entries or reconciliations could occur and not be detected in a timely manner. Also, the lack of annual reconciliation of grant amounts billed based on outcomes with expenses occurred could lead to misstatement of grant revenue.

Recommendation: We recommend that management ensure journal entries and bank reconciliations are independently reviewed and approved on a timely basis. In the absence of a COO or other designated finance executive, review responsibility could be assigned to the CEO, Treasurer, or another member of the Finance Committee. We also recommend that the Organization implement a year-end reconciliation process comparing grant amounts billed to agencies based on tracked performance outcomes with expenses incurred.

View of responsible officials: Beginning in fiscal year 2025, management will implement a formal year-end reconciliation process to verify that all recorded revenue is supported by documented, collectible outcomes. This control is designed to enhance the accuracy and reliability of revenue recognition. Additionally, to reinforce financial oversight, any journal entries or bank reconciliations performed by the CFO will be subject to independent review and approval by the CEO. These measures aim to improve transparency, reduce the risk of misstatements, and ensure the integrity of financial reporting.

Responsible party: Nora Davis, Chief Financial Officer

Employment Connection
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2024

SECTION III - SUMMARY OF FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding number:	2024-002: Community Development Block Grant Cluster - 14.218, Workforce Investment and Opportunity Act - 17.259, and 93.558 - Temporary Assistance for Needy Families
Criteria:	Uniform Guidance (2 CFR 200.303 and 2 CFR 200.430) requires that charges to federal awards be accurate, allowable, and supported by sufficient documentation. Internal controls should be designed and implemented to provide reasonable assurance that payroll costs are accurately billed to federal programs.
Condition:	During testing of payroll disbursements for allowable costs and activities allowed/unallowed compliance requirement under the Workforce Innovation and Opportunity Act (WIOA), Community Development Block Grant, and Temporary Assistance for Needy Families (TANF) the following billing errors were identified in our audit testing: • WIOA: Two payroll billing errors were identified, totaling \$31. • CDBG: One payroll billing error was identified, totaling \$505. • TANF: Two payroll billing error were identified, totaling \$7. Payroll charges are entered by accounting staff and subject to monthly review by the CFO. While this review process represents a key control, the errors identified indicate that the review was not sufficiently detailed to detect all inaccuracies.
Cause:	The errors resulted from insufficient internal control over the review of grant invoices and supporting documentation before billed to grantors.
Effect or potential effect:	The absence of a robust review process increases the risk of noncompliance with grant requirements and the potential for inaccurate billing to federal programs, even if the financial impact is not material.
Recommendation:	We recommend enhancing the existing review process to ensure payroll charges billed to federal programs are supported by underlying documentation such as payroll registers, time records, and allocation spreadsheets. This could include developing a standardized reconciliation checklist or requiring secondary review for accuracy. Strengthening the existing control will help minimize the risk of billing errors due to human oversight.
Views of responsible officials:	Salary and fringe benefit allocations to grants are entered by accounting staff and subject to monthly review by the CFO. While this control provides a layer of oversight, the manual nature of data entry and review introduces a risk of human error. To strengthen the reliability of this control, management will implement enhanced review procedures, including more detailed reconciliations and cross-verification steps. These improvements are designed to reduce the likelihood of errors and ensure the accuracy and integrity of grant-related payroll charges.
Responsible party:	Nora Davis, Chief Financial Officer

Employment Connection
Summary Schedule of Prior Audit Findings
For the Year Ended December 31, 2024

There were no prior year findings.



Corrective Action Plan For the Year Ended December 31, 2024

Finding 2024-001: Significant Deficiency over Financial Reporting related to Oversight

Corrective Action Plan: Implement a year-end reconciliation process to ensure grant revenue is supported by documented outcomes and independent review of all journal entries and bank reconciliations.

To address the significant deficiency over financial reporting, the Organization will implement a year-end reconciliation process beginning in fiscal year 2025 to ensure that all grant revenue recorded is supported by documented performance outcomes and corresponds with actual expenses incurred. This process will enhance the accuracy of revenue recognition and strengthen financial reporting. Additionally, to improve oversight and segregation of duties, all journal entries and bank reconciliations prepared by the Chief Financial Officer will be independently reviewed and approved by the Chief Executive Officer on a timely basis.

Name of Responsible Person: Nora Davis, Chief Financial Officer

Anticipated Completion Date: April 30, 2026

Finding 2024-002: Significant Deficiency over Internal Controls related to Allowable Costs

Corrective Action Plan: Strengthen detailed process for review over payroll charges billed to federal programs.

To address the significant deficiency over allowable costs identified in the Single Audit, the Organization will enhance its existing review procedures by implementing a more detailed monthly review process. This will include verifying payroll charges against supporting documentation such as payroll registers, time records, and allocation spreadsheets. Management will also explore the development of a standardized reconciliation checklist and introduce a secondary review step to ensure accuracy and completeness. These measures, combined with continued monthly oversight by the CFO, are intended to reduce the risk of billing errors due to human oversight and reinforce the reliability of payroll cost allocations.

Name of Responsible Person: Nora Davis, Chief Financial Officer

Anticipated Completion Date: April 30, 2026

Signature: