EMPLOYMENT CONNECTION

DECEMBER 31, 2019

EMPLOYMENT CONNECTION

FINANCIAL STATEMENTS
with
INDEPENDENT AUDITORS' REPORT

YEARS ENDED DECEMBER 31, 2019 AND 2018

CONTENTS

CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

12101 Woodcrest Executive Dr., Ste. 300
St. Louis, MO 63141-5047
Tel: 314-205-2510
Fax: 314-205-2505
www.connerash.com

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Employment Connection
St. Louis, Missouri

Report on the Financial Statements

We have audited the accompanying financial statements of Employment Connection (a nonprofit organization) which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Employment Connection as of December 31, 2019 and 2018, 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.

Other Matters

Our audits were 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 August 20, 2020, on our consideration of Employment Connection'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 Employment Connection'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 Employment Connection's internal control over financial reporting and compliance.

Conner Ash P.C.

St. Louis, Missouri
August 20, 2020

EMPLOYMENT CONNECTION

STATEMENTS OF FINANCIAL POSITION

December 31, 2019 and 2018

	2019	2018
ASSETS		
CURRENT ASSETS		
Cash and equivalents	**$ 261,838**	$ 203,632
Contract receivables	**465,954**	307,512
Pledge receivables	**414,905**	427,874
Other receivables	**224,630**	140,062
Prepaid assets	**42,353**	36,780
TOTAL CURRENT ASSETS	**1,409,680**	1,115,860
OTHER ASSETS		
Investments	**1,680,395**	1,460,417
Property and equipment, net of accumulated depreciation	**2,389,743**	2,474,443
TOTAL OTHER ASSETS	**4,070,138**	3,934,860
	$ 5,479,818	$ 5,050,720
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Deferred revenue	**$ -**	$ 13,329
Accounts payable	**56,095**	54,247
Accrued payroll and related liabilities	**152,243**	196,371
Line of credit	**50,000**	-
TOTAL CURRENT LIABILITIES	**258,338**	263,947
LONG TERM LIABILITIES		
Note payable	**200,000**	-
TOTAL LIABILITIES	**458,338**	263,947
NET ASSETS		
Without donor restrictions		
Undesignated	**520,464**	428,388
Board designated	**3,955,381**	3,818,924
	4,475,845	4,247,312
With donor restrictions	**545,635**	539,461
TOTAL NET ASSETS	**5,021,480**	4,786,773
	$ 5,479,818	$ 5,050,720

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and special events	$ 208,574	$ -	$ 208,574
United Way	-	414,905	414,905
Grants and contract revenue	4,558,092	-	4,558,092
Interest and investment income	221,157	-	221,157
Net rental loss	(12,830)	-	(12,830)
Miscellaneous	2,702	-	2,702
Net assets released from restrictions			
Restrictions satisfied by payments	408,731	(408,731)	-
TOTAL REVENUE AND SUPPORT	5,386,426	6,174	5,392,600
EXPENSES			
Program services	4,798,563	-	4,798,563
Support services	359,330	-	359,330
TOTAL EXPENSES	5,157,893	-	5,157,893
CHANGE IN NET ASSETS	228,533	6,174	234,707
NET ASSETS AT BEGINNING OF YEAR	4,247,312	539,461	4,786,773
NET ASSETS AT END OF YEAR	$ 4,475,845	$ 545,635	$ 5,021,480

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF ACTIVITIES

Year Ended December 31, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER SUPPORT			
Contributions and special events	$ 191,212	$ -	$ 191,212
United Way	39,159	427,874	467,033
Grants and contract revenue	3,380,581	-	3,380,581
Interest and investment income (loss)	(134,310)	-	(134,310)
Net rental loss	(17,201)	-	(17,201)
Miscellaneous	100	-	100
Net assets released from restrictions			
Restrictions satisfied by payments	532,625	(532,625)	-
TOTAL REVENUE AND SUPPORT	3,992,166	(104,751)	3,887,415
EXPENSES			
Program services	4,062,449	-	4,062,449
Support services	380,033	-	380,033
TOTAL EXPENSES	4,442,482	-	4,442,482
CHANGE IN NET ASSETS	(450,316)	(104,751)	(555,067)
NET ASSETS AT BEGINNING OF YEAR	4,697,628	644,212	5,341,840
NET ASSETS AT END OF YEAR	$ 4,247,312	$ 539,461	$ 4,786,773

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2019

	Program			Support				
	CEP program	Managed work services	Total program	Management and general	Fund-raising	Total support	Building rental	Total
Salaries	$ 1,057,321	$ 250,689	$ 1,308,010	$ 196,628	$ 63,647	$ 260,275	$ 17,915	$ 1,586,200
Fringe benefits	333,903	60,532	394,435	36,544	20,616	57,160	7,340	458,935
Participant wages and expenses	943,663	1,718,371	2,662,034	-	-	-	-	2,662,034
Total personnel expense	2,334,887	2,029,592	4,364,479	233,172	84,263	317,435	25,255	4,707,169
Professional fees	14,610	20,666	35,276	1,077	835	1,912	1,200	38,388
Subcontracting	90,620	-	90,620	-	15,130	15,130	-	105,750
Equipment rental	16,925	1,457	18,382	566	439	1,005	367	19,754
Repairs and maintenance	34,082	4,758	38,840	2,008	1,515	3,523	2,036	44,399
Insurance	30,413	2,731	33,144	1,372	982	2,354	2,311	37,809
Supplies and postage	21,813	5,144	26,957	665	743	1,408	440	28,805
Printing and reproduction	390	506	896	10	2	12	36	944
Telephone	15,227	3,819	19,046	1,229	1,069	2,298	485	21,829
Travel	8,516	135	8,651	209	282	491	26	9,168
Other utilities	32,575	2,387	34,962	1,320	920	2,240	2,647	39,849
Other expenses	16,448	6,740	23,188	1,402	3,557	4,959	531	28,678
Interest	2,371	6,141	8,512	29	23	52	154	8,718
Depreciation	88,298	7,312	95,610	3,812	2,699	6,511	6,908	109,029
Total expenses	$ 2,707,175	$ 2,091,388	$ 4,798,563	$ 246,871	$ 112,459	$ 359,330	$ 42,396	$ 5,200,289

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018

	Program			Support				
	CEP program	Managed work services	Total program	Management and general	Fund-raising	Total support	Building rental	Total
Salaries	$ 1,057,255	$ 170,774	$ 1,228,029	$ 201,036	$ 56,196	$ 257,232	$ 20,020	$ 1,505,281
Fringe benefits	333,012	44,075	377,087	43,249	20,618	63,867	9,145	450,099
Participant wages and expenses	916,020	1,113,998	2,030,018	-	-	-	-	2,030,018
Total personnel expense	2,306,287	1,328,847	3,635,134	244,285	76,814	321,099	29,165	3,985,398
Professional fees	13,858	15,638	29,496	1,010	783	1,793	1,157	32,446
Subcontracting	55,291	2,000	57,291	32,500	-	32,500	-	89,791
Equipment rental	18,661	1,225	19,886	475	369	844	309	21,039
Repairs and maintenance	57,461	7,257	64,718	3,169	2,365	5,534	3,911	74,163
Insurance	28,567	2,560	31,127	1,287	921	2,208	2,174	35,509
Supplies and postage	15,778	3,939	19,717	908	758	1,666	569	21,952
Printing and reproduction	1,103	485	1,588	16	21	37	20	1,645
Telephone	22,485	4,495	26,980	1,520	1,437	2,957	761	30,698
Travel	9,826	595	10,421	20	12	32	6	10,459
Other utilities	39,302	2,793	42,095	1,567	1,088	2,655	3,215	47,965
Other expenses	23,229	7,564	30,793	1,157	1,149	2,306	735	33,834
Interest	2,769	-	2,769	-	-	-	-	2,769
Depreciation	83,023	7,411	90,434	3,733	2,669	6,402	6,327	103,163
Total expenses	$ 2,677,640	$ 1,384,809	$ 4,062,449	$ 291,647	$ 88,386	$ 380,033	$ 48,349	$ 4,490,831

See accompanying notes.

EMPLOYMENT CONNECTION

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2019 and 2018

	2019	2018
OPERATING ACTIVITIES		
Increase (decrease) in total net assets	**$ 234,707**	$ (555,067)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Unrealized investment (gain) loss	**(175,907)**	180,074
Realized investment gain	**(14,174)**	(15,134)
Depreciation and amortization	**109,029**	103,163
Effects of changes in:		
Contract receivables	**(158,442)**	49,041
Pledge receivables	**12,969**	11,033
Other receivables	**(84,568)**	17,938
Prepaid assets	**(5,573)**	(5,473)
Accounts payable and accrued expenses	**(42,280)**	103,263
Deferred revenue	**(13,329)**	9,506
Net cash used by operating activities	**(137,568)**	(101,656)
INVESTING ACTIVITIES		
Purchase of property and equipment	**(24,329)**	(36,517)
Purchase of investments	**(29,897)**	(248,970)
Proceeds from sales of investments	**-**	209,635
Net cash used by investing activities	**(54,226)**	(75,852)
FINANCING ACTIVITIES		
Increase in line of credit	**50,000**	-
Increase in long-term debt	**200,000**	-
Net cash provided by financing activities	**250,000**	-
NET INCREASE (DECREASE) IN CASH AND EQUIVALENTS	**58,206**	(177,508)
BEGINNING CASH AND EQUIVALENTS	**203,632**	381,140
ENDING CASH AND EQUIVALENTS	**$ 261,838**	$ 203,632

See accompanying notes.

1. ORGANIZATION

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 state and local grantor organizations. It operates from a facility located at 2838 Market Street in St. Louis, Missouri.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Adoption of new accounting standard

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers* (Topic 606). The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in accounting principles generally accepted in the United States of America. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Organization adopted the new standard effective January 1, 2019, the first day of the Organization’s fiscal year, using the modified retrospective method.

The adoption of this ASU did not have a significant impact on the Organization’s financial statements. The majority of the Organization’s revenue consists of contributions. Based on the Organization’s evaluation process and review of its contracts with customers, the timing and amount of revenue recognized previously is consistent with how revenue is recognized under the new standard. No changes were required to previously reported revenues as a result of the adoption.

Recent accounting pronouncement

Leases

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 supersedes the current accounting for leases. The new lease standard retains three distinct types of leases which are similar to existing guidance for lessors: operating, sales-type, and financing, and aligns many of the underlying lessor model principles with those in the new revenue standard. For lessees, the new lease standard retains two distinct types of leases, finance and operating; and (i) requires lessees to record a right of use asset and a related liability for the rights and obligations associated with a lease, regardless of lease classification, and recognize lease expense in a manner similar to current accounting and (ii) eliminates most real estate specific lease provisions.

For entities other than public business entities, certain not-for-profit entities, and certain employee benefit plans, ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2021, and interim reporting periods within annual reporting periods beginning after December 15, 2022. Early application is allowed for such entities, but no earlier than annual reporting periods beginning after December 15, 2017, including interim reporting periods within that period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial statement presentation

The financial statements are prepared in accordance with the American Institute of Certified Public Accountants Audit and Accounting Guide for Not-for-Profit Organizations. The Organization uses the accrual method of accounting for its operations.

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 revenues 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.

Revenue recognition

Revenues and expenses are recorded on an accrual basis. Revenues from government contracts and grants are recognized when goods are delivered or when services are performed. Donations are recognized as revenues in the period received. Unconditional promises to give are recognized in the period in which the pledge is made.

The Organization records increases in net assets with donor restrictions whose restrictions are met in the same period as increases in net assets without donor restrictions. For the years ended December 31, 2019 and 2018, net assets with donor restrictions were received for United Way and competitive employment programs.

Additionally, the Organization recognizes donations of land, property, and equipment as contributions without donor restrictions at the time of donation.

Cash and equivalents

Cash and equivalents include all bank account balances and short-term investments with an original maturity of three months or less. The Organization maintains certain cash and equivalent balances in financial institutions in the metropolitan St. Louis area, which provide Federal Deposit Insurance Corporation coverage on the first $250,000 at each bank. The Organization also maintains a cash equivalent balance in money market funds with financial services providers. This balance is uninsured. At December 31, 2019, the Organization’s had no uninsured balances.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Contracts receivable

Contracts receivable are reported at the amount management expects to collect on balances outstanding at year-end. Based on management's assessment of collection history, it has concluded that realization losses on balances outstanding at year-end will be immaterial.

Pledges receivable

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All the donor-restricted contributions are reported as increases in donor restricted net assets depending on the nature of the restrictions.

Contributed services

The Organization recognizes certain contributed services as both revenues and expenses in the financial statements. The services require specialized skills and are provided by individuals possessing those skills. These services would need to be purchased if not provided by donation.

Allocated 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. Expense 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.

Advertising

Advertising costs are charged to operations when incurred.

Supplies

Supplies include assets with an estimated useful life of less than one year and assets below the Organization's capitalization policy.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Use of estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from the estimates that were used.

3. FAIR VALUE MEASUREMENTS

FASB ASC 820-10, *Fair Value Measurements*, establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, and Level 3 inputs have the lowest priority. The Plan uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the Plan measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Level 1 Fair Value Measurements

Level 1 inputs are quoted prices in active markets on the actual asset being valued. An active market has sufficient transaction activity to provide pricing information on an ongoing basis.

Level 2 Fair Value Measurements

Level 2 inputs are those other than quoted prices in Level 1 that are observable and include the following: quoted prices on similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; observable inputs other than quoted prices such as yield curves, volatilities, prepayment speeds; or inputs derived principally or corroborated by observable market data by correlation or other means.

Level 3 Fair Value Measurements

Level 3 inputs are unobservable inputs for the asset reflecting internal assumptions used to arrive at an estimate or exit price. Those inputs are based on the best information available in the circumstances.

3. FAIR VALUE MEASUREMENTS – CONTINUED

The Organization's investments consisted of the following at December 31:

		2019 Fair Value Measurement Using: Quoted Prices in Active Markets for Identical Assets (Level 1)
	Fair Value	**Quoted Prices in Active Markets for Identical Assets (Level 1)**
Mutual funds	**$ 1,680,395**	**$1,680,395**
	$ 1,680,395	**$1,680,395**

		2018 Fair Value Measurement Using:
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)
Mutual funds	$ 1,460,417	$1,460,417
	$ 1,460,417	$1,460,417

4. INVESTMENTS IN LOW INCOME HOUSING PROJECTS

In 2012, Employment Connection entered into separate agreements with Callaway Quail Acquisitions, LLC and Peruque II Acquisitions, LLC, for-profit limited liability companies, to develop and own housing for low income tenants. Employment Connection has a 99.98 percent interest and serves as a limited partner of each housing project. The managing member has assumed all of the risk and has provided guarantees related to future capital contributions. Employment Connection's involvement in these entities is to provide supportive services related to its mission in exchange for annual priority payments equal to $40,000. Since Employment Connection has not assumed any risk, it has elected to record these investments at fair value using the equity method of accounting.

In September 2019, the Organization entered into agreements to sell its interest in both LLCs. The sale closed for $64,000 on February 15, 2020.

5. PROPERTY AND EQUIPMENT

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the assets as follows:

	December 31, 2019			
	Cost	**Life years**	**Accumulated depreciation**	**Book value**
Building	**$3,003,577**	**40**	**$1,070,024**	**$1,933,553**
Building improvements	**170,172**	**20**	**70,118**	**100,054**
Land	**305,000**	**-**	**-**	**305,000**
Furniture and equipment	**337,451**	**3-15**	**286,315**	**51,136**
	$3,816,200		**$1,426,457**	**$2,389,743**

	December 31, 2018			
	Cost	Life years	Accumulated depreciation	Book value
Building	$3,003,577	40	$ 994,935	$2,008,642
Building improvements	168,422	20	59,316	109,106
Land	305,000	-	-	305,000
Furniture and equipment	314,873	3-15	263,178	51,695
	$3,791,872		$1,317,429	$2,474,443

Depreciation expense for the years ended December 31, 2019 and 2018 totaled $109,029 and $103,163, respectively.

6. LINE OF CREDIT

The Organization has a $100,000 line of credit with PNC Bank. The interest is calculated using the Wall Street Journal U.S. prime rate (4.75% at December 31, 2019) recalculated monthly. Interest is payable monthly, and principal is due in full in November 2020. The Company had borrowings against this operating line of credit of $50,000 as of December 31, 2019.

7. LONG-TERM DEBT

The company signed a promissory note from Deaconess Foundation on November 26, 2018. They received the money through a wire transfer on January 2, 2019 for $200,000. Interest rate is at 3% and is due and payable in quarterly installments on each March 31, June 30, September 30 and December 31. A final payment of the principal amount and all accrued and unpaid interest shall be due and payable on December 31, 2021. Interest expense for this loan was $5,967 as of December 31, 2019.

8. BOARD DESIGNATED NET ASSETS WITHOUT DONOR RESTRICTIONS

Board designated net assets without donor restrictions consisted of the following at December 31:

	2019	2018
Investments and cash equivalents held by investment companies	**$1,485,156**	$1,263,999
Board designated post-retirement benefits fund	**80,482**	80,482
Net investment in property and equipment	**2,389,743**	2,474,443
Total board designated net assets	**$3,955,381**	$3,818,924

9. NET ASSETS WITH DONOR RESTRICTIONS

The Organization's net assets with donor restrictions consisted of the following as of December 31:

	2019	2018
Time Restricted		
United Way	**$414,905**	$427,874
Purpose Restricted		
Competitive employment programs	**130,730**	111,587
	$545,635	$539,461

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The Organization receives support from donor-restricted contributions. A donor's restriction requires resources to be used in a specific manner or in a future period, therefore the Organization must maintain sufficient resources to meet its responsibilities to its donors. Consequently, financial assets may not be available for general expenditures within one year of December 31, 2019 and 2018.

The following reflects the Organization's financial assets as of December 31, 2019 and 2018, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year.

10. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS – CONTINUED

	2019	2018
Financial assets at year-end	**$ 2,985,470**	$ 2,539,497
Less those unavailable for general expenditures within one year due to:		
Donor-restricted to competitive employment programs	**130,730**	111,587
Financial assets available to meet cash needs for general expenditures within one year.	**$ 2,854,740**	$ 2,427,910

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.

11. OPERATING LEASES

The Organization maintains an operating lease on two of its copy machines. Total rental expense for this lease was approximately $7,449 for the year ended December 31, 2019. Future minimum lease commitments for years subsequent to 2019 are as follows:

2020	$ 8,100
2021	8,100
2022	8,100
2023	8,100
2024	675
	$33,075

12. LEASING ARRANGEMENTS

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.

13. INCOME TAXES

The Organization is exempt from the payment of Federal income taxes on its exempt-purpose activities under provisions of Section 501(c)(3) of the Internal Revenue Code. Since the Organization does not have revenue taxable as unrelated business income, no income tax expense has been recorded in the financial statements. The Organization routinely evaluates potential uncertain tax positions and believes they would more likely than not be substantiated upon examination by taxing authorities. The Organization files income tax returns in the U.S. Federal jurisdiction. U.S. Federal income tax returns prior to 2016 are closed.

14. 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, 2019 and 2018 were $44,832 and $45,943.

15. COMMITMENT AND CONTINGENCIES

Financial awards from federal governments in the form of grants are subject to special oversights and audits. The results of such audits could result in claims against Employment Connection for disallowed cost. No provisions have been made for any liabilities that may result from such audits since the amounts, if any, cannot be determined.

The Organization has committed to leases for sixteen rental units for individuals they are assisting. All of these leases mature in 2020. The lease commitment at December 31, 2019 totals $107,519.

16. SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2020 the date on which the financial statements were available to be issued.

In May 2020, the Organization acquired a $685,060 promissory note from the Carrollton Bank as part of the Payroll Protection Program.

In March 2020, the World Health Organization declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. Further, the United States Centers for Disease Control and Prevention confirmed the spread of the disease throughout the United States, which is impacting businesses as well as financial markets. As of the date the financial statements were available to be issued, the Organization's operations have not been significantly impacted by the COVID-19 outbreak, however the Organization continues to experience fluctuations in the fair value of its investment portfolio, particularly investments in equity investments, and such fluctuations are impacting the Organization's capital and net assets subsequent to year end. The

Organization's operations and the fair value of its investment portfolio could be adversely affected as a result of COVID-19, but the ultimate impact is not known at this point as the scale and severity of the outbreak, and resulting economic impact, is still largely unknown.

CONNER ASH P.C.
Certified Public Accountants
and Business Consultants

12101 Woodcrest Executive Dr., Ste. 300
St. Louis, MO 63141-5047
Tel: 314-205-2510
Fax: 314-205-2505
www.connerash.com

An independent member of BKR International

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
St. Louis, Missouri

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Employment Connection (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, 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 August 20, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Employment Connection's internal control over financial reporting (internal control) to determine the auditing 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 Employment Connection'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 weakness 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Employment Connection's financial statements are free of 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 determination of financial statement amounts. 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, the communication is not suitable for any other purpose.

Conner Ash P.C.

St. Louis, Missouri
August 20, 2020

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Employment Connection
St. Louis, Missouri

Report on Compliance for Each Major Federal Program

We have audited Employment Connection's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Employment Connection's major federal programs for the year ended December 31, 2019. Employment Connection's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Employment Connection's major federal programs based on our audit of the types of compliance requirements referred to above. 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Employment Connection's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Employment Connection's compliance.

Opinion on Each Major Federal Program

In our opinion, Employment Connection 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, 2019.

Report on Internal Control Over Compliance

Management of Employment Connection is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Employment Connection's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Employment Connection's 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist hat have not been identified.

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.

Conner Ash P.C.

St. Louis, Missouri
August 20, 2020

EMPLOYMENT CONNECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Identification Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Continuum of Care			
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	14.267	MO0003L7E001709	**$ 216,612**
	14.267	MO0003LE001810	**74,712**
Passed through City of St. Louis, Department of Human Services, the Office of Homeless Services	14.267	MO0012L7E011710	**121,449**
			412,773
Homeless Prevention and Rapid Re-housing			
Passed through St. Louis County, Department of Human Services, Division of Homeless Services	14.231	E15-UC-29-0006-RRH	**100,000**
	14.231	E18-US-29-0001-RRH	**63,324**
	14.231	E15-UC-29-0006-Pre	**125,000**
	14.231	E18-US-29-0001-Pre	**65,345**
Passed through City of St. Louis, Department of Human Services, the Office of Homeless Services	14.231	72301	**45,357**
	14.231	73918	**79,696**
Passed through Missouri Housing Development Commission	14.231	18-739-E (County)	**7,135**
	14.231	19-739-E (County)	**17,135**
	14.231	18-738-E (City)	**7,136**
	14.231	19-738-E (City)	**21,643**
			531,771
Community Development Block Grant (CDBG)			
Passed through City of St. Louis Development Administration	14.218	19-11-61	**106,500**
	14.218	19-14-61	**70,500**
			177,000
Total U.S. Department of Housing and Urban Development			**$ 1,121,544**

EMPLOYMENT CONNECTION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Identification Number	Federal Expenditures
U.S. Department of Agriculture			
Food and Nutrition Service State Administrative Matching Grants for Supplemental Nutrition Assistance Programs (SNAP)			
Passed through Illinois Department of Human Services	10.561	FCSXG00251	**$ 13,057**
	10.561	FCSYG00251	**40,927**
Total U.S. Department of Agriculture			**53,984**
U.S. Department of Health and Human Services			
Substance Abuse and Mental Health Services			
Passed through St. Louis County Department of Health ReCast	93.243	17001813	**66,109**
Temporary Assistance for Needy Families (TANF)			
Passed through Illinois Department of Human Services	93.558	FCSWG00076	**52,018**
	93.558	FCSYG00076	**66,850**
			118,868
Total U.S. Department of Health and Human Services			**184,977**
Total Expenditures of Federal Awards			**$ 1,360,505**

1. Basis of Presentation

The accompanying schedule of federal awards includes the federal grant activity of Employment Connection and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

EMPLOYMENT CONNECTION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2019

PART I: SUMMARY OF AUDITORS' RESULTS

1. As a result of our audit of the basic financial statements of Employment Connection for the year ended December 31, 2019, we issued an unmodified opinion on the financial statements.

2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the Independent Auditors' Report on Internal Controls Over Financial Reporting.

3. No instances of noncompliance material to the financial statements of Employment Connection were disclosed during the audit.

4. No significant deficiencies or material weaknesses relating to the audit of the major federal award programs are reported.

5. The auditors' report on compliance expresses an unmodified opinion on all the major federal programs.

6. There were no audit findings that are required to be reported in accordance with the Uniform Guidance reported in this schedule.

7. For the year ended December 31, 2019, Employment Connection had the following major program:

   HUD # 14.267 Continuum of Care

8. The dollar threshold used for distinguishing between Type A and Type B programs was total federal awards expended in excess of or equal to $750,000.

9. Employment Connection qualified as a low risk auditee.

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

There were no findings or questioned costs.

PART III: FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs.

EMPLOYMENT CONNECTION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2019

There were no findings for the year ended December 31, 2018.