Workforce Council of Southwest Ohio

Financial Statements
for the Years Ended
June 30, 2024 and 2023
and Independent Auditors' Report

Independent Auditors' Report

To the Board of Directors of
Workforce Council of Southwest Ohio

Opinion

We have audited the accompanying financial statements of Workforce Council of Southwest Ohio (a nonprofit organization), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities and changes in net assets, 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 Workforce Council of Southwest Ohio as of June 30, 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 audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Workforce Council of Southwest Ohio 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Council of Southwest Ohio's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' 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 auditors' 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 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, 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 Workforce Council of Southwest Ohio'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 Workforce Council of Southwest Ohio'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.

Locey, Mitchell & Associates, Ltd.
Certified Public Accountants
Cincinnati, Ohio

December 12, 2024

Workforce Council of Southwest Ohio

Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 759,946	$ 649,244
Certificates of deposit	205,428	204,076
Service contract receivables (no allowance for doubtful accounts necessary)	217,744	305,235
Prepaid expenses	-	12,526
Property and Equipment		
Office furniture and equipment	15,232	-
Less: accumulated depreciation	1,519	-
Net property and equipment	13,713	-
Total Assets	$ 1,196,831	$ 1,171,081
Liabilities and Net Assets without Donor Restrictions		
Accounts payable	$ 58,618	$ 46,921
Accrued expenses	10,760	3,900
Miscellaneous liabilities	500	-
Total Liabilities	69,878	50,821
Net Assets Without Donor Restrictions	1,126,953	1,120,260
Total Liabilities and Net Assets without Donor Restrictions	$ 1,196,831	$ 1,171,081

See notes to the financial statements.

Workforce Council of Southwest Ohio

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2024 and 2023

	2024	2023
Support and Revenue		
Contracted services	$ 424,265	$ 535,890
Facility operating reimbursements	544,132	440,250
Other grants	7,500	-
Interest income	25,083	11,071
Miscellaneous income	1,478	-
Total Support and Revenue	1,002,458	987,211
Expenses		
Program services	959,963	858,892
Management and general	35,802	26,776
Total Expenses	995,765	885,668
Change in Net Assets without Donor Restriction	6,693	101,543
Net Assets without Donor Restriction - Beginning of the Year	1,120,260	1,018,717
Net Assets without Donor Restriction - End of the Year	$ 1,126,953	$ 1,120,260

See notes to the financial statements.

Workforce Council of Southwest Ohio

Statement of Functional Expenses
For the Year Ended June 30, 2024

	Program Services					Support Services	
	WIOA, Adult Program and Dislocated Workers	1916 Facility	CCMEP and TANF Youth	NEG	Total Program Services	Management and General	Total
Expenses							
Salaries	$ 241,620	$ -	$ 30,000	$ 39,000	$ 310,620	$ -	$ 310,620
Payroll taxes, benefits, and other staff costs	54,586	-	-	-	54,586	2,182	56,768
Accounting services	31,300	28,975	-	-	60,275	8,750	69,025
Consulting services	84,483	-	-	-	84,483	-	84,483
Consumable supplies	6,075	9,395	-	-	15,470	271	15,741
Mileage and travel reimbursements	33,735	-	-	-	33,735	-	33,735
Conferences, conventions, and meetings	6,076	-	-	-	6,076	1,731	7,807
Insurance	3,099	11,938	-	-	15,037	-	15,037
Marketing and promotion	79,944	-	-	-	79,944	-	79,944
Printing and postage	368	-	-	-	368	-	368
Membership dues	18,324	-	-	-	18,324	-	18,324
Utilities	-	96,513	-	-	96,513	-	96,513
Building maintenance	-	159,834	-	-	159,834	-	159,834
Information technology expenses	15,421	3,685	-	-	19,106	12,058	31,164
Depreciation	-	-	-	-	-	1,519	1,519
Other	5,592	-	-	-	5,592	9,291	14,883
Total Expenses	$ 580,623	$ 310,340	$ 30,000	$ 39,000	$ 959,963	$ 35,802	$ 995,765

See notes to the financial statements.

Workforce Council of Southwest Ohio

Statement of Functional Expenses
For the Year Ended June 30, 2023

	Program Services					Support Services	
	WIOA, Adult Program and Dislocated Workers	1916 Facility	CCMEP and TANF Youth	NEG	Total Program Services	Management and General	Total
Expenses							
Salaries	$ 179,653	$ -	$ 30,000	$ 40,000	$ 249,653	$ -	$ 249,653
Payroll taxes, benefits, and other staff costs	21,122	-	-	17,860	38,982	1,437	40,419
Accounting services	28,700	17,700	-	-	46,400	-	46,400
Consulting services	53,299	-	-	-	53,299	1,000	54,299
Consumable supplies	7,337	10,933	-	-	18,270	103	18,373
Mileage and travel reimbursements	21,741	-	-	-	21,741	-	21,741
Conferences, conventions, and meetings	25,954	-	-	-	25,954	5,476	31,430
Insurance	1,717	13,506	-	-	15,223	-	15,223
Marketing and promotion	95,414	-	-	-	95,414	-	95,414
Printing and postage	508	-	-	-	508	-	508
Membership dues	22,075	-	-	-	22,075	-	22,075
Furniture and equipment	-	633	-	-	633	11,233	11,866
Utilities	-	75,291	-	-	75,291	-	75,291
Building maintenance	-	159,708	-	-	159,708	-	159,708
Information technology expenses	24,532	3,738	-	-	28,270	-	28,270
Other	7,471	-	-	-	7,471	7,527	14,998
Total Expenses	$ 489,523	$ 281,509	$ 30,000	$ 57,860	$ 858,892	$ 26,776	$ 885,668

See notes to the financial statements.

Workforce Council of Southwest Ohio

Statements of Cash Flows
For the Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Increase in net assets	$ 6,693	$ 101,543
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used for) operating activities		
Depreciation	1,519	-
Change in assets and liabilities		
Service contract receivables	87,491	(181,065)
Prepaid expenses	12,526	8,890
Accounts payable	11,697	(13,999)
Accrued expenses	6,860	-
Net cash and cash equivalents provided by (used for) operating activities	126,786	(84,631)
Cash Flows from Investing Activities		
Reinvested earnings from certificate of deposit	(1,352)	(2,517)
Proceeds from certificate of deposit	205,255	201,559
Purchase of certificate of deposit	(205,255)	(201,559)
Purchase of property and equipment	(15,232)	-
Net cash and cash equivalents used for investing activities	(16,584)	(2,517)
Net Change in Cash and Cash Equivalents	110,202	(87,148)
Cash and Cash Equivalents - Beginning of the Year	649,244	736,392
Cash and Cash Equivalents - End of the Year	$ 759,446	$ 649,244

See notes to financial statements.

1. Nature of Activities and Organization

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

2. Summary of Significant Accounting Policies

<u>Basis of Presentation</u> – The financial statements are prepared using the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

<u>Financial Statement Presentation</u> – Net assets are classified based on the existence or absence of donor or grantor-imposed restrictions. Net assets and changes in net assets are classified and reported as follows:

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

- Net Assets with Donor Restrictions represent contributions that are subject to donor-imposed restrictions, either for a specific purpose or subject to the passage of time. The Organization has no net assets with donor restrictions; therefore, this classification is omitted from the accompanying financial statements.

<u>Estimates</u> – The preparation of financial statements in conformity with U.S. generally accepted accounting principles require management to make estimates and assumptions that affect certain reported amounts of assets, liabilities, revenues, and expenses as well as disclosures of contingent assets and liabilities. Actual results may differ from those estimates.

<u>Reclassifications</u> – Certain reclassifications of amounts previously reported have been made to the accompanying consolidated financial statements to maintain consistency between years presented. The reclassifications had no impact on previously reported net assets.

<u>Income Tax Status</u> – The Organization is exempt from income taxes under Section 501(c)(3) of the Internal Revenue code. The Organization is required to file and does file tax returns with the IRS and other taxing authorities. Accordingly, these financial statements do not reflect a provision for income taxes and the Organization has no other tax positions which must be considered for disclosure. The Organization holds no uncertain tax positions and, therefore, has no policy for evaluating them

<u>Cash and Cash Equivalents</u> – For presentation purposes of the statements of cash flows, the Organization considers all certificates of deposit with a maturity date of less than three months from the date of purchase and money market savings accounts to be cash equivalents. Cash equivalents consist of money market savings accounts were $645,897 and $636,687 at June 30, 2024 and 2023, respectively.

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

Certificates of Deposit – Certificates of deposit are recorded at face value of the certificate of deposit with interest earned but not year paid recorded as interest receivable.

Property and equipment – Property and equipment are stated at cost to acquire the asset, less accumulated depreciation. Expenses for maintenance and repair are expensed as incurred. Depreciation expense for property and equipment is calculated using the straight-line method over the estimated useful lives of the assets of five years.

Impairment Losses – Financial Accounting Standards Codification requires that long-lived assets and certain identifiable intangibles held and used by the Organization be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. There was no impairment recorded for the years ended June 30, 2024 or 2023.

Service Contract Receivables – Service contract receivables represent amounts due under service contracts and reimbursement agreements with Hamilton County, Ohio and other receivables arising from normal operations. The Organization uses the allowance method to account for bad debts. Accordingly, amounts are reserved as uncollectible in the period they are determined uncollectible.

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

The Organization entered into a service contract with Hamilton County, Ohio to take responsibility for the system-wide functions of making policy, procedures, and guidance for the workforce development partnership created under the Workforce Innovation and Opportunity Act of 2014. Revenue is recognized ratably as services are provided and/or related expenses incurred. In addition to the service contract described above, the Organization entered into a reimbursement contract with Hamilton County, Ohio for reimbursement of building operating expenses for the facility used in delivery of the Organization’s services to the community. No amounts have been received in advance under the Organization’s contracts.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Functional Expenses – The statements of activities and changes in net assets and the functional expenses present the Organization’s expenses in total by type of expenses. Expenses directly attributable to a function are charged in full to that function. Shared expenses are allocated based on estimates of personnel time related to each activity. Shared expenses include salaries, payroll taxes and benefits, accounting services, consulting services, consumable supplies, insurance, marketing and promotion, and information technology expense.

Marketing and Promotion Expenses – Marketing and promotion expenses are charged to operations when incurred.

3. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset in the principal or most advantageous market for the asset in an orderly transaction between market participants on the measurement date. Fair value should be based on the assumptions market participants would use when pricing an asset. Generally accepted accounting principles establishes a fair value hierarchy that prioritizes investments based on those assumptions. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an organization's assumptions (unobservable inputs). The Association groups assets at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.

Level 2 Other observable inputs, either directly or indirectly, including:

- Quoted prices for similar assets/liabilities in active markets;
- Quoted prices for identical or similar assets in non-active markets;
- Inputs other than quoted prices that are observable for the asset/liability; and,
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data.

The Organization holds investments as short-term investments to fund short-term plans of the Organization. Certificates of deposits are valued at cost, which approximates fair value.

The table below summarizes fair value measurements and levels within the fair value hierarchy of those measurements for the certificates of deposit at fair value on a recurring basis as of June 30, 2024 and 2023.

	Level 1	Level 2	Level 3	Total
Certificates of Deposit – 2024	$ -	$ 205,428	$ -	$ 205,428
Certificates of Deposit – 2023	$ -	$ 204,076	$ -	$ 204,076

4. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position, comprise the following for years ending June 30:

	2024	2023
Cash and cash equivalents	$ 759,946	$ 649,244
Service contract receivable	217,744	305,235
Cash available for general use	$ 977,690	$ 954,479

As part of its liquidity management plan, the Organization's policy is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due and to ensure the availability of cash or collateral to fulfill those requirements.

5. Concentrations

The Organization's activities are concentrated around a contract with Hamilton County, Ohio. Revenue from Hamilton County, Ohio represents 97% and 99% of total revenues for the years ended June 30, 2024 and 2023, respectively. Service contract receivables from service contracts and reimbursement agreements with Hamilton County, Ohio represent 100% of service contract receivables at June 30, 2024 and 2023. The Organization is economically dependent on these contractual agreements.

6. Lease Commitments

The Organization leases office space at the Great Oaks facility in Cincinnati, Ohio for $200 per month. The lease expires September 2024. The Organization also leases building space at 1916 Central Parkway in Cincinnati, Ohio from Hamilton County, OH for $1 a year. The lease expires December 2025. The leases are accounted for as operating leases on the financial statements. Future minimum lease payments succeeding June 30, 2024 are as follows for the years ended June 30:

2025	$ 1
Total	$ 1

Rent expense for the years ended June 30, 2024 and 2023, was $0 and $2,401, respectively.

Under the 2014 WIOA legislation, across the United States and territories, workforce boards must include a representative of federal Pell and Perkins training/college funds on the workforce board most related to the entities receiving the Pell and Perkins Funding. Consequently, the Great Oaks President/CEO is a "required partner" board member of the Organization in accordance with WIOA law specification for certain "partners" to be board members.

7. Retirement Plan

The Organization sponsors a defined contribution plan covering all employees who have completed minimum age and service requirements. The plan allows participants to make elective deferrals up to IRS limits. Employer contributions are discretionary, but the Organization's practice has been to match employee contributions up to a maximum of 10% of the participant's annual compensation. Changes in the Organization's retirement plan in partnership with the Cincinnati USA Regional Chamber of Commerce includes a 3% safe harbor and continuing match for employees up to 7%. As of September 2022, all employees are eligible to enroll in the Workforce Council 401(K) plan after the first of the month following 30 days of employment. Once an employee is enrolled in the 401 (k) Plan, they will be given a summary description of the plan. Six months after hire, regular full-time employees are eligible to receive the Workforce Council of Southwest Ohio's matching contribution. The Organization currently operates a safe harbor arrangement, where the company 100% of 401(k) deferrals capped at 4% of the employee's compensation.

Total retirement plan expense for the years ended June 30, 2024 and 2023, was approximately $5,626 and $2,401, respectively.

8. Contingencies

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

9. Date of Management's Review

The Organization evaluated subsequent events through December 12, 2024 which is the date the financial statements were available to be issued. No subsequent events were identified that required adjustment or disclosure within the financial statements.