

Partner4Work

Consolidated Financial Statements and Supplementary Information

Years Ended June 30, 2023 and 2022
with Independent Auditor's Reports

PARTNER4WORK

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

Independent Auditor's Report**Consolidated Financial Statements:**

Consolidated Statements of Financial Position	1
Consolidated Statements of Activities:	
- Year Ended June 30, 2023	2
- Year Ended June 30, 2022	3
Consolidated Statements of Functional Expenses:	
- Year Ended June 30, 2023	4
- Year Ended June 30, 2022	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7

Supplementary Information:

Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	20

Independent Auditor's Reports Required by the Uniform Guidance:

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	21
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	23
Schedule of Findings and Questioned Costs	26

PARTNER4WORK

YEARS ENDED JUNE 30, 2023 AND 2022

TABLE OF CONTENTS

(Continued)

Summary Schedule of Prior Audit Findings	27
DHS – Agreed-Upon Procedures:	
Independent Accountant’s Report on Applying Agreed-Upon Procedures	28
Reconciliation – Federal Awards Passed Through the Pennsylvania Department of Human Services Expenditures per the SEFA to Revenue Received per the Pennsylvania Audit Confirmation Reply – Exhibit A	30
Independent Accountant’s Report on Applying Agreed-Upon Procedures	31
Schedule of Revenues and Expenditures and Comparison to Budget Relating to Grants from Pennsylvania Department of Human Services Programs – Employment Advancement and Retention Network	33
Schedule of Revenues and Expenditures and Comparison to Budget Relating to Grants from Pennsylvania Department of Human Services Programs – Work Ready	34

Independent Auditor's Report

**Board of Directors
Partner4Work**

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Partner4Work, Inc. (Organization), which comprise the consolidated statement of financial position as of June 30, 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Consolidated Financial Statements section of our report. We are required to be independent of the Organization, and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report on Prior Year Comparative Information

The financial statements of the Organization as of June 30, 2022 were audited by other auditors whose report dated March 15, 2023 expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Change in Accounting Principle

As described in Note 2 to the financial statements, the Organization adopted ASU 2016-02, "*Leases (Topic 842)*," which requires lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated 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 consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the consolidated 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 DATE XX, 2023 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 solely 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.

Pittsburgh, Pennsylvania
DATE XX, 2023

PARTNER4WORK

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2023 AND 2022

Assets	<u>2023</u>	<u>2022</u>
Cash and cash equivalents - unrestricted	\$ 1,776,237	\$ 898,028
Cash and cash equivalents - restricted	4,964,337	5,418,083
Accounts receivable	7,640,838	7,873,459
Right-of-use asset - operating	1,907,546	-
Furniture and computer software, net of accumulated depreciation of \$224,205 and \$201,757 at June 30, 2023 and 2022, respectively.	106,373	128,822
Other assets	<u>159,677</u>	<u>73,663</u>
Total Assets	<u>\$ 16,555,008</u>	<u>\$ 14,392,055</u>
Liabilities and Net Assets		
Liabilities:		
Due to subrecipients	\$ 4,671,527	\$ 4,098,863
Accounts payable	1,114,116	1,623,410
Accrued liabilities	800,211	199,052
Lease liability - operating	<u>1,947,783</u>	<u>-</u>
Total Liabilities	<u>8,533,637</u>	<u>5,921,325</u>
Net Assets:		
Without donor restrictions	857,034	852,647
With donor restrictions	<u>7,164,337</u>	<u>7,618,083</u>
Total Net Assets	<u>8,021,371</u>	<u>8,470,730</u>
Total Liabilities and Net Assets	<u>\$ 16,555,008</u>	<u>\$ 14,392,055</u>

See accompanying notes to consolidated financial statements.

PARTNER4WORK

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Public funds/ government grants	\$ 23,630,620	\$ 2,410,700	\$ 26,041,320
Foundation and private contributions	52,500	645,000	697,500
Interest Income	10,731	-	10,731
Net assets released from restrictions	3,509,446	(3,509,446)	-
			-
Total revenue and other support	<u>27,203,297</u>	<u>(453,746)</u>	<u>26,749,551</u>
Expenses:			
Management and general	2,082,494	-	2,082,494
Fundraising	4,043	-	4,043
Program services	25,089,924	-	25,089,924
			-
Total expenses	<u>27,176,461</u>	<u>-</u>	<u>27,176,461</u>
Change in Net Assets Before Depreciation and Loss	<u>26,836</u>	<u>(453,746)</u>	<u>(426,910)</u>
Depreciation	22,449	-	22,449
Loss on disposal of furniture and computer software	-	-	-
Change in Net Assets	<u>4,387</u>	<u>(453,746)</u>	<u>(449,359)</u>
Net Assets:			
Beginning of year	<u>852,647</u>	<u>7,618,083</u>	<u>8,470,730</u>
End of year	<u>\$ 857,034</u>	<u>\$ 7,164,337</u>	<u>\$ 8,021,371</u>

See accompanying notes to consolidated financial statements.

PARTNER4WORK

CONSOLIDATED STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and Other Support:			
Public funds/ government grants	\$ 19,420,729	\$ 2,568,000	\$ 21,988,729
Foundation and private contributions	108,862	865,000	973,862
Interest Income	1,358	-	1,358
Net assets released from restrictions	3,703,163	(3,703,163)	-
			-
Total revenue and other support	<u>23,234,112</u>	<u>(270,163)</u>	<u>22,963,949</u>
Expenses:			
Management and general	1,864,601	-	1,864,601
Fundraising	1,366	-	1,366
Program services	21,383,905	-	21,383,905
			-
Total expenses	<u>23,249,872</u>	<u>-</u>	<u>23,249,872</u>
Change in Net Assets Before Depreciation and Loss	<u>(15,760)</u>	<u>(270,163)</u>	<u>(285,923)</u>
Depreciation	25,645	-	25,645
Loss on disposal of furniture and computer software	4,440	-	4,440
Change in Net Assets	<u>(45,845)</u>	<u>(270,163)</u>	<u>(316,008)</u>
Net Assets:			
Beginning of year	<u>898,492</u>	<u>7,888,246</u>	<u>8,786,738</u>
End of year	<u>\$ 852,647</u>	<u>\$ 7,618,083</u>	<u>\$ 8,470,730</u>

See accompanying notes to consolidated financial statements.

PARTNER4WORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2023

	Program Services										Total
	Workforce Innovation and Opportunity Act									Program Services Total	
	Management and General	Fundraising	Youth	Adult	National Dislocated Workers	Priority Populations	Temporary Assistance For Needy Families	Sector Strategies	Learn and Earn		
Project costs	\$ 1,041	\$ -	\$ 3,288,675	\$ 4,868,094	\$ 1,365,477	\$ 205,040	\$ 7,368,805	\$ 440,214	\$ 3,482,783	\$ 21,019,088	\$ 21,020,129
Salaries, wages, and benefits	1,276,010	3,737	441,921	525,469	502,599	84,643	589,227	589,862	330,650	3,064,371	4,344,118
Material and supplies	43,796	76	7,357	96,357	101,243	1,968	13,298	18,695	8,310	247,228	291,100
Contracted services	148,507	-	-	40,757	41,568	309	834	230,944	29,550	343,962	492,469
Occupancy	97,338	230	28,576	33,670	32,717	5,370	36,314	37,497	21,200	195,344	292,912
Technology/network	123,606	-	5,073	5,318	62,356	-	529	-	28,533	101,809	225,415
Accounting	86,946	-	-	-	-	-	-	-	-	-	86,946
Staff administration	24,192	-	1,828	1,880	1,828	-	922	-	8	6,466	30,658
Memberships	65,216	-	1,250	-	2,264	-	1,250	575	-	5,339	70,555
Travel	38,661	-	5,938	8,663	10,328	(1,598)	6,540	13,557	4,640	48,068	86,729
Equipment expense	26,945	-	-	-	-	-	-	-	-	-	26,945
Telephone	20,713	-	-	-	-	-	-	-	-	-	20,713
Insurance	25,419	-	-	-	-	-	-	-	-	-	25,419
Communication	43,985	-	321	751	214	54	536	10,199	10,477	22,552	66,537
Legal	23,507	-	-	-	-	-	220	-	-	220	23,727
Meeting expense	17,314	-	11,964	1,074	15,523	262	1,147	3,148	1,359	34,477	51,791
Miscellaneous	19,298	-	-	-	-	-	1,000	-	-	1,000	20,298
Total operating expense	2,082,494	4,043	3,792,903	5,582,033	2,136,117	296,048	8,020,622	1,344,691	3,917,510	25,089,924	27,176,461
Depreciation	22,449	-	-	-	-	-	-	-	-	-	22,449
Total	\$ 2,104,943	\$ 4,043	\$ 3,792,903	\$ 5,582,033	\$ 2,136,117	\$ 296,048	\$ 8,020,622	\$ 1,344,691	\$ 3,917,510	\$ 25,089,924	\$ 27,198,910

See accompanying notes to consolidated financial statements.

PARTNER4WORK

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED JUNE 30, 2022

	Program Services										Total
	Workforce Innovation and Opportunity Act				National Dislocated Workers		Priority Populations	Temporary Assistance For Needy Families	Sector Strategies	Learn and Earn	
Management and General	Fundraising	Youth	Adult	National Dislocated Workers	Priority Populations	Temporary Assistance For Needy Families	Sector Strategies	Learn and Earn	Program Services Total	Total	
Project costs	\$ -	\$ -	\$ 3,111,363	\$ 2,815,104	\$ 2,233,209	\$ 332,095	\$ 6,064,907	\$ 334,140	\$ 2,998,757	\$ 17,889,575	\$ 17,889,575
Salaries, wages, and benefits	1,282,408	1,290	325,243	361,968	468,818	100,620	549,808	466,797	328,797	2,602,051	3,885,749
Material and supplies	35,247	-	1,008	163,037	222,815	-	1,196	34	3,044	391,134	426,381
Contracted services	74,922	-	500	4,915	38,693	209	-	146,979	44,741	236,037	310,959
Occupancy	113,324	76	22,723	25,240	32,649	7,150	38,066	32,681	22,909	181,418	294,818
Technology/network	106,521	-	4	410	410	-	19	5	32,508	33,356	139,877
Accounting	66,438	-	-	-	-	-	-	-	-	-	66,438
Staff administration	31,297	-	1,333	1,333	1,333	-	1,600	8,549	15	14,163	45,460
Memberships	41,696	-	-	-	-	-	-	-	-	-	41,696
Travel	6,514	-	2,028	2,579	2,668	4,867	4,490	5,075	450	22,157	28,671
Equipment expense	27,842	-	-	-	-	-	-	-	-	-	27,842
Telephone	21,972	-	-	-	-	-	-	-	-	-	21,972
Insurance	18,239	-	-	-	-	-	-	-	-	-	18,239
Communication	11,599	-	-	-	-	-	100	60	5,275	5,435	17,034
Legal	15,248	-	-	-	-	-	-	-	106	106	15,354
Meeting expense	7,605	-	409	176	197	-	148	2,895	(2,814)	1,011	8,616
Miscellaneous	3,729	-	536	537	536	-	805	5,000	48	7,462	11,191
Total operating expense	1,864,601	1,366	3,465,147	3,375,299	3,001,328	444,941	6,661,139	1,002,215	3,433,836	21,383,905	23,249,872
Depreciation	25,645	-	-	-	-	-	-	-	-	-	25,645
\$ 1,890,246	\$ 1,366	\$ 3,465,147	\$ 3,375,299	\$ 3,001,328	\$ 444,941	\$ 6,661,139	\$ 1,002,215	\$ 3,433,836	\$ 21,383,905	\$ 23,275,517	

See accompanying notes to consolidated financial statements.

PARTNER4WORK

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
Cash Flows From Operating Activities:		
Change in net assets	\$ (449,359)	\$ (316,008)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation expense	22,449	25,645
Loss on disposal of furniture and computer software	-	4,440
Right-of-use asset - operating	(1,907,546)	-
Changes in assets and liabilities		
Accounts receivable	232,621	243,594
Other assets	(86,014)	66,628
Due to subrecipients	572,664	487,781
Accounts payable and accrued liabilities	91,865	180,600
Lease liability - operating	1,947,783	-
Net cash provided by (used in) operating activities	<u>424,463</u>	<u>692,680</u>
Increase (Decrease) in Cash and Cash Equivalents and Restricted Cash	424,463	692,680
Cash and Cash Equivalents and Restricted Cash:		
Beginning of year	<u>6,316,111</u>	<u>5,623,431</u>
End of year	<u>\$ 6,740,574</u>	<u>\$ 6,316,111</u>
Reconciliation to Statements of Net Position:		
Cash and cash equivalents - unrestricted	\$ 1,776,237	\$ 898,028
Cash and cash equivalents - restricted	<u>4,964,337</u>	<u>5,418,083</u>
Total cash and cash equivalents	<u>\$ 6,740,574</u>	<u>\$ 6,316,111</u>
Schedule of Noncash Investing and Financing Transactions:		
Addition of right-of-use asset for operating leases	<u>\$ 1,907,546</u>	<u>\$ -</u>

See accompanying notes to consolidated financial statements.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

1. Organization and Purpose

Partner4Work (Organization) is a not-for-profit corporation chartered by the Commonwealth of Pennsylvania. The primary purpose of the Organization is to manage operations, carry out obligations in compliance with the Workforce Innovation and Opportunity Act, and address other policy matters as they relate to workforce development. As an employer-driven board, the mission of the Organization is to lead the development, integration, and implementation of a world-class workforce development system in Pittsburgh and Allegheny County.

The Organization is party to a Memorandum of Understanding with the One-Stop Partners, concerning the operation of the PA CareerLink sites in the City of Pittsburgh and Allegheny County Workforce Development Area (CareerLinks). The Organization acts as an agent on behalf of the CareerLinks. As an agent, the revenue and expenses of the CareerLinks are not included in the consolidated financial statements of the Organization.

2. Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements of the Organization are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Principles of Consolidation

The consolidated financial statements include the accounts of Partner4Work and its affiliate, Regional Workforce Collaborative-SWPA (RWC-SWPA). The purpose of the RWC-SWPA is to support the workforce investment boards of southwestern Pennsylvania in implementing policy guidance, technical assistance, and program oversight in economic and workforce development of the 11 counties of southwestern Pennsylvania to ensure the quality and depth of the labor force. RWC-SWPA shares common management, facilities, and personnel with Partner4Work. All material intercompany transactions have been eliminated in consolidation.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Net Asset Classes

The Organization classifies resources for accounting and reporting purposes into separate net asset classes based on the absence or existence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been consolidated into similar categories. A description of the net asset categories of the Organization is as follows:

Without Donor Restrictions – Net assets not subject to donor-imposed restrictions or stipulations as to purpose or use.

With Donor Restrictions – Net assets that are subject to donor-imposed restrictions, stipulations that may or will be met either by actions of the Organization or the passage of time, or restrictions of gift instruments requiring that the principal is invested in perpetuity and the income is used only to support programs of the Organization. There were no donor-restricted net assets to be held in perpetuity for the years ended June 30, 2023 and 2022.

Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Organization maintains, at various financial institutions, cash that may exceed federally insured amounts at times. For purposes of cash flows, the Organization considers all highly liquid investments with original maturities of three months or less to be cash equivalents. Restricted cash consists of donor-restricted funds that are to be utilized for specific programs.

The Organization maintains cash accounts that at times may exceed federally insured limits. The Organization has not experienced any losses from maintaining cash accounts in excess of federally insured limits. Management believes that it is not exposed to any significant credit risk on its cash accounts.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Furniture and Computer Software

Purchases of furniture and computer software having a unit cost of \$5,000 or more and an estimated useful life of three or more years are capitalized at the lower of cost or fair value. Depreciation is computed using the straight-line method over the estimated useful life of the assets ranging from three to seven years. Leasehold improvements are depreciated over the life of the current lease. Depreciation expense for the years ended June 30, 2023 and 2022 was \$22,449 and \$25,645, respectively.

Functional Expenses

Expenses are summarized and categorized based upon their functional classification as either program or supporting expenses. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses that are attributable to more than one program or supporting function are allocated on a reasonable basis that is consistently applied. The primary expenses allocated are salaries, wages, and benefits, which are allocated based on time and efforts and occupancy, which is allocated based on a percentage of salaries.

Revenue Recognition

Contributions and grants are recognized when received, unless the contribution or grant stipulates otherwise, and the Organization is notified of receivable. Contributions and grants received are recorded as with or without donor-restricted support, depending on the existence and/or nature of any donor restrictions. Public funds/government grants are conditional contributions that result from billings to various agencies for reimbursement of costs incurred during the operation of the programs related to its mission. All donor-restricted support is reported as an increase in net assets with 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 and reported in the consolidated statements of activities as net assets released from restrictions.

The Organization receives the majority of its funding from expense reimbursement grants. Support funded by government grants is recognized as the Organization performs the contracted services or incurs outlays eligible for reimbursement under these agreements. Grant activities and outlays are subject to monitoring and acceptance by the granting agency and adjustments could be required. Under these grants, revenue is recognized when the reimbursable expenses are incurred. The Organization received cost-reimbursable

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

grants of \$12,916,888 and \$14,193,063 that have not been recognized at June 30, 2023 and 2022, respectively, because qualifying expenditures have not yet been incurred. These award balances will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred. For these cost-reimbursable grants, there were no amounts received prior to incurring qualifying expenditures.

The Organization's policy is to provide for future losses on uncollectible contractual revenue receivables based on an evaluation of the underlying receivables and such other factors that, in the Organization's judgment, merit consideration in estimating doubtful accounts. At June 30, 2023 and 2022, no allowance was considered to be necessary.

Leases

The Organization determines if an arrangement is or contains a lease at inception. Operating leases are included in right-of-use (ROU) assets and lease liabilities on the consolidated statements 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. ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the lease term.

The Organization's lease terms may include options to extend or terminate the lease when it is reasonably certain that they will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expense on a straight-line basis over the lease term.

The Organization's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

In evaluation of contracts to determine if they qualify as a lease, the Organization considers factors such as if they have obtained substantially all of the rights to the underlying asset through exclusivity, if they can direct the use of the asset by making decisions about how and for what purpose the asset will be used, and if the lessor has substantive substitution rights. This evaluation may require significant judgement.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

In determining the discount rate used to measure the ROU asset and lease liability, the Organization uses rates implicit in the lease, or if not readily available, they use their incremental borrowing rate. The Organization's incremental borrowing rate is based on an estimated secured rate comprised of a risk-free rate plus a credit spread as secured by the Organization's assets. Determining a credit spread as secured by the assets may require significant judgement.

The Organization does not report ROU assets and lease liabilities for its short-term leases (leases with a term of 12 months or less). Instead, the lease payments of those leases are reported as lease expenses on a straight-line basis over the lease term.

Due to Subrecipients

Certain grants funds are disbursed as sub-awards to subrecipients who are contracted by the Organization to perform some of the program activities required under the grants. The amounts due are recognized in the period that the subrecipient performs the services under the grant agreement.

Concentrations

Substantially, all revenues are derived from governmental grants and contracts. These governmental grants and contracts are entered into annual and could be significantly changed based upon government spending patterns.

Income Taxes

Partner4Work and RWC-SWPA are not-for-profit corporations as described in Section 501(c)(3) of the Internal Revenue Code (IRC) and are exempt from federal income taxes pursuant to Section 501(a) of the IRC. The organizations are not classified as private foundations. Further, the Organization annually files a Form 990, as applicable. Management asserts that they have no uncertain tax positions.

The Organization follows the *Income Taxes* topic of the FASB Codification, clarifying the accounting for uncertainty in income taxes recognized in an entity's consolidated financial statements. This topic requires a recognition threshold and measurement principles for financial statement disclosures of tax positions taken or expected to be taken on a tax return. The Organization has assessed the tax positions it has taken or expects to take in its tax returns, and no liability for uncertain tax positions has been recorded; further, the

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Organization has no unrecognized tax benefits. The Organization is no longer subject to examination of its tax returns for years before 2019.

Adopted Accounting Standards

The requirements of these Standards Updates have been adopted and incorporated into these financial statements:

ASU 2016-02, *“Leases (Topic 842).”* These amendments and related amendments require lessees to recognize assets and liabilities on the statement of financial position for the rights and obligations created by all leases with terms of more than twelve months. Disclosures are required by lessees to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. The Organization elected not to restate the prior period ending June 30, 2022. The Organization also elected not to reassess at adoption (i) expired or existing contracts to determine whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial direct costs for existing leases. As a result of implementing ASU No. 2016-02, the Organization recognized right-of-use assets of \$1,907,546 and lease liabilities totaling \$1,947,783 in its consolidated statements of financial position as of June 30, 2023. The standard had a material impact on the Organization’s statement of financial position but did not have an impact on the statement of activities, nor the statement of cash flows. The most significant impact was the recognition of ROU assets and lease liabilities for operating leases, while the accounting for finance leases remained substantially unchanged.

Pending Accounting Standards Updates

The Financial Accounting Standards Board (FASB) has issued Accounting Standards Updates (individually and collectively, ASU) that will become effective in future years as outlined below. Management has not yet determined the impact of this update on the consolidated financial statements.

ASU 2016-13, *“Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,”* is effective, as delayed, for the financial statements for the year beginning after December 15, 2022. These amendments and related amendments require a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. This includes loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial asset not excluded from the scope that has the contractual right to receive cash.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Reclassification

Certain amounts presented in the prior year have been reclassified to be consistent with the current year's presentation.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the consolidated financial statements were available to be issued.

3. Liquidity

The Organization regularly monitors funds required to meet current operating needs, long-term objectives, and donor-restricted assets. As of June 30, financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year, comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 6,740,574	\$ 6,316,111
Accounts receivable	<u>7,640,838</u>	<u>7,873,459</u>
Total financial assets	14,381,412	14,189,570
Less: net assets with donor restrictions	<u>(7,164,337)</u>	<u>(7,618,083)</u>
	<u>\$ 7,217,075</u>	<u>\$ 6,571,487</u>

As part of the Organization's liquidity management, it has a policy to segregate restricted cash and equivalents to be available as expenditures and other obligations become due. In addition, as discussed in Note 6, the Organization maintains a line of credit to assist in meeting cash needs.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

4. Net Assets with Donor Restrictions

Net assets with donor restrictions released during the years ended June 30 consisted of the following:

	<u>2023</u>	<u>2022</u>
Learn and Earn	\$ 2,807,573	\$ 2,723,757
Sector Strategies	698,884	743,610
EARN Program	2,989	156,619
Adult Workforce Program	-	79,177
	<u>\$ 3,509,446</u>	<u>\$ 3,703,163</u>

Net assets with donor restrictions at June 30 consist of the following:

	<u>2023</u>	<u>2022</u>
EARN Program	\$ 3,506,742	\$ 3,509,731
Learn and Earn	2,471,703	3,027,805
Sector Strategies	1,125,458	1,021,141
Adult Workforce Program	57,701	56,673
Management and General	2,733	2,733
	<u>\$ 7,164,337</u>	<u>\$ 7,618,083</u>

5. Operating Leases

The Organization has operating leases for office space located at 650 Smithfield Street, Pittsburgh, Pennsylvania and certain office equipment. The Organization evaluated current contracts to determine which met the criteria of a lease. The right-of-use (ROU) assets and lease liabilities, all of which arise from operating leases, were calculated based on the present value of future lease payments over the lease terms. As of June 30, 2023, assets recorded under the operating leases were \$1,907,546 and accumulated amortization associated with the operating leases was \$370,397.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Future minimum lease payments under non-cancellable leases as of June 30, 2023 were as follows:

Year Ending June 30,	Operating Leases
2024	\$ 286,500
2025	291,826
2026	277,060
2027	282,601
2028	288,253
Thereafter	746,864
Total future minimum lease payments	\$ 2,173,104
Less: interest	(225,321)
Total	<u>\$ 1,947,783</u>

Other information related to leases was as follows:

	<u>2023</u>
Supplemental Cash Flows Information	
Weighted average remaining lease term:	
Operating leases:	7.39 years
Weighted average discount rate:	
Operating leases:	2.91%

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

Rent expense under FASB ASC 840 (pre-adoption of the new standards) for operating leases totaled approximately \$295,000 for the year ended June 30, 2022. Approximate future minimum lease payments as of June 30, 2022 were as follows:

Year Ending June 30,	Amount
2023	\$ 280,000
2024	285,000
2025	290,000
2026	277,000
2027	283,000
Thereafter	<u>1,037,000</u>
Total future minimum lease payments	<u>\$ 2,452,000</u>

6. Line of Credit

The Organization has a line of credit of \$500,000. The line bears interest at the Wall Street Journal (WSJ) prime rate plus 5 basis points (0.05%) and is secured by all assets of the Organization. There was no outstanding balance at June 30, 2023 and 2022. There were no line of credit draws and repayments made during 2023 and 2022.

7. Employee Retirement Plan

The Organization maintains a salary reduction savings plan under IRC Section 401(k) that covers all fulltime employees meeting certain service requirements. The Organization matches 100% of the employees' contributions up to 6%. The Organization made matching contributions of approximately \$157,000 and \$131,000 during the years ended June 30, 2023 and 2022, respectively. The Organization may make a discretionary contribution, which is divided among the participants eligible to share in the contribution for the plan year. The Organization did not make a discretionary contribution during the years ended June 30, 2023 and 2022.

PARTNER4WORK

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

8. Related Party Transactions

The Organization engages in transactions with businesses whose executives are members of the Board of Directors (Board). When these transactions are disclosed or identified, the Organization's Conflict of Interest Policy outlines the appropriate Board member restrictions.

9. Commitments and Contingencies

The Organization receives a substantial amount of its funds from federal, state, and local governmental sources. Laws and regulations governing these programs are complex and subject to interpretation. The Organization believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made to the Organization, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and exclusion from governmental programs.

The Organization, in the ordinary course of business, could become involved in pending or threatened legal actions. In the opinion of management, after consultation of legal counsel, the ultimate disposition of any such matters will not have a material adverse effect on the Organization's consolidated financial position or results of operations.

SUPPLEMENTARY INFORMATION

PARTNER4WORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal ALN	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Labor</u>				
Passed Through the Pennsylvania Department of Labor and Industry:				
WIOA Cluster:				
WIOA Adult Program	17.258	005-21-3001	\$ 248,905	\$ 351,409
WIOA Adult Program	17.258	005-21-3011	1,225,334	1,517,770
WIOA Adult Program	17.258	005-22-3011	686,206	827,646
WIOA Adult Program	17.258	095-20-3031	96,657	109,271
WIOA Adult Program	17.258	095-20-3131	-	124,534
WIOA Adult Program	17.258	095-21-3001	207,356	253,211
WIOA Adult Program	17.258	095-21-3011	950,444	1,122,726
WIOA Adult Program	17.258	095-22-3001	-	7,029
WIOA Adult Program	17.258	095-22-3011	365,855	617,739
Subtotal 17.258			<u>3,780,757</u>	<u>4,931,335</u>
WIOA Youth Activities	17.259	005-21-3301	842,152	1,144,406
WIOA Youth Activities	17.259	005-22-3301	405,176	476,076
WIOA Youth Activities	17.259	095-21-3301	1,344,883	1,656,652
WIOA Youth Activities	17.259	095-22-3301	382,399	411,350
Subtotal 17.259			<u>2,974,610</u>	<u>3,688,484</u>
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-20-4052	17,391	17,391
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-20-4151	25,000	25,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-21-3003	143,708	175,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-21-3013	208,013	300,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-21-4001	50,118	78,349
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-21-4011	412,799	608,294
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-21-4132	3,169	40,279
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-22-4011	93,836	148,431
WIA/WIOA Dislocated Worker Formula Grants	17.278	005-22-4132	-	805
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-20-4052	17,391	17,391
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-20-4131	561,991	780,989
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-20-4151	25,000	25,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-3003	56,754	225,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-3013	61,032	400,000
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-4001	20,361	62,018
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-4011	403,082	759,568
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-4133	-	20,250
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-21-4153	-	15,851
WIA/WIOA Dislocated Worker Formula Grants	17.278	095-22-4011	56,475	156,621
Subtotal 17.278			<u>2,156,120</u>	<u>3,856,237</u>
Total WIOA Cluster			<u>8,911,487</u>	<u>12,476,056</u>
Registered Apprenticeship - USA Grants	17.285	095-22-2206	-	14,994
Reentry Employment Opportunities	17.270	PE-35039-20-60-A-55	205,114	348,312
Passed Through Pennsylvania Department of Labor and Industry:				
H-1B Job Training Grants	17.268	Tech Boost	200,000	230,000
H-1B Job Training Grants	17.268	Tech Boost	22,000	22,000
Subtotal 17.268			<u>222,000</u>	<u>252,000</u>
Total U.S. Department of Labor			<u>9,338,601</u>	<u>13,091,362</u>

(Continued)

See accompanying notes to schedule of expenditures of federal awards.

PARTNER4WORK

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023
(Continued)

Federal Grantor/Pass-Through Grantor/Project Title	Federal ALN	Pass-Through Grantor's Number	Passed Through to Subrecipients	Total Federal Expenditures
<u>U.S. Department of Health and Human Services</u>				
Passed Through Pennsylvania Department of Labor and Industry:				
Temporary Assistance for Needy Families	93.558	005-21-3361	659,196	833,734
Temporary Assistance for Needy Families	93.558	005-22-3361	713,147	918,403
Temporary Assistance for Needy Families	93.558	095-21-3361	866,573	1,184,142
Temporary Assistance for Needy Families	93.558	095-22-3361	361,408	567,864
Passed Through Pennsylvania Department of Human Services:				
Temporary Assistance for Needy Families	93.558	410-008-3325	1,382,393	1,593,069
Temporary Assistance for Needy Families	93.558	410-007-8069	4,023,538	4,468,664
Subtotal 93.558			<u>8,006,255</u>	<u>9,565,876</u>
Community Services Block Grant	93.569	Agreement #248970	18,299	51,636
Total U.S. Department of Health and Human Services			<u>8,024,554</u>	<u>9,617,512</u>
<u>U.S. Department of Agriculture</u>				
Passed Through Pennsylvania Department of Human Services:				
SNAP Cluster:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (SNAP)	10.561	410-007-8069	57,129	63,450
Total U.S. Department of Agriculture			<u>57,129</u>	<u>63,450</u>
<u>U.S. Department of Housing and Urban Development (HUD)</u>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	14.218	026350019.58101.00	(9,760)	(9,760)
Community Development Block Grants/Entitlement Grants	14.218	B-21-UC-42-0103	336,698	336,698
Total U.S. Department of Housing and Urban Development (HUD)			<u>326,938</u>	<u>326,938</u>
<u>U.S. Department of Commerce</u>				
Economic Adjustment Assistance	11.307	01-79-15316 URI 121596	-	11,952
Total U.S. Department of Commerce			<u>-</u>	<u>11,952</u>
<u>Appalachian Regional Commission (ARC)</u>				
Appalachian Area Development	23.002	Appalachian Area Development	-	43,096
Total Appalachian Regional Commission (ARC)			<u>-</u>	<u>43,096</u>
<u>U.S. Department of Justice</u>				
Second Chance Act Reentry Initiative	16.812	15PBJA-22-GG-04599-SCAX	-	57,497
Total U.S. Department of Justice			<u>-</u>	<u>57,497</u>
Total Expenditures of Federal Awards			<u>\$ 17,747,222</u>	<u>\$ 23,211,807</u>

(Concluded)

See accompanying notes to schedule of expenditures of federal awards.

PARTNER4WORK

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (schedule) includes the federal award activity of Partner4Work (Organization) under programs of the federal government for the year ended June 30, 2023. 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 are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The Organization has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Partner4Work

Independent Auditor's Reports
Required by the Uniform Guidance

Year Ended June 30, 2023

Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Consolidated Financial Statements Performed in Accordance with Government Auditing Standards

**Board of Directors
Partner4Work**

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 consolidated financial statements (financial statements) of Partner4Work (Organization) which comprise the statement of financial position as of June 30, 2023 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated DATE XX, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Board of Directors
Partner4Work
Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Pittsburgh, Pennsylvania
DATE XX, 2023

Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Partner4Work**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Partner4Work (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 June 30, 2023. 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 June 30, 2023.

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*

Board of Directors
Partner4Work
Independent Auditor's Report on Compliance for Each Major
Program and on Internal Control over Compliance

compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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.

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.

Pittsburgh, Pennsylvania
DATE XX, 2023

PARTNER4WORK**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

YEAR ENDED JUNE 30, 2023

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified, prepared in accordance with Generally Accepted Accounting Principles

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)?
 yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

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

6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? yes no

7. Major Programs:

ALN(s)

Name of Federal Program or Cluster

17.258, 17.259, 17.278

WIOA Cluster

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

III. Findings and questioned costs for federal awards.

No matters were reported.

PARTNER4WORK

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2023

NONE

Partner4Work

DHS–Funded Financial Assistance
Program Exhibits

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Directors

Partner4Work

We have performed the procedures enumerated below, with respect to the reconciliation schedule of Partner4Work (Organization) required by the Commonwealth of Pennsylvania Department of Human Services (DHS) Single Audit Supplement for the year ended June 30, 2023. The Organization is responsible for the reconciliation schedule.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting DHS in determining whether the entity complied with the specified requirements. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures to be performed on the reconciliation schedule are as follows:

- A.) Agree the expenditure amounts listed on the reconciliation schedule under the "Federal Expenditures per the SEFA" column to the audited Schedule of Expenditures of Federal Awards (SEFA).
- B.) Agree the receipt amounts listed on the reconciliation schedule under the "Federal Awards Received per the audit confirmation reply from Pennsylvania" column to the subrecipient federal amounts that were reflected in the audit confirmation reply from the Office of Budget, Comptroller Operations.
- C.) Recalculate the amounts listed under the "Difference" column and the "% Difference" column.
- D.) Agree the amounts listed under the "Difference" column to the audited books and records of the County.
- E.) Agree the "Detailed Explanation of the Differences" to the audited books and records of the County.
- F.) Based on the procedures detailed in paragraphs (A) through (E) above, disclose any adjustments and/or findings which have not been reflected on the corresponding schedules (list each separately).

See the attached Exhibit A for the results of the procedures performed.

Board of Directors
Partner4Work
Independent Accountant's Report on Applying
Agreed-Upon Procedures

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of DHS and the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Pittsburgh, Pennsylvania
DATE XX, 2023

PARTNER4WORK

RECONCILIATION - FEDERAL AWARDS PASSED THROUGH THE PENNSYLVANIA
DEPARTMENT OF HUMAN SERVICES EXPENDITURES PER THE SEFA TO REVENUE
RECEIVED PER THE PENNSYLVANIA AUDIT CONFIRMATION REPLY

YEAR ENDED JUNE 30, 2023

Exhibit A

ALN Name	ALN	Federal Expenditures per the SEFA	Federal Awards Received per the Audit Confirmation Reply from Pennsylvania	Difference	% Difference	Detailed Explanation of the Differences
Temporary Assistance for Needy Families	93.558	\$ 6,061,733	\$ 5,828,436	\$ 233,297	4%	1
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	63,450	61,518	1,932	3%	1

1. The difference is due to timing based on the audit confirmation reflecting cash payments versus the accrual accounting of federal expenditures on the schedule of federal expenditures. In addition certain payments were not included on the confirmation received. Management believes this calculation represents federal expenditures.

Independent Accountant’s Report on Applying Agreed-Upon Procedures

Board of Directors

Partner4Work

We have performed the procedures enumerated below, on the financial schedules and exhibits of Partner4Work (Organization) required by the Pennsylvania Department of Human Services (DHS) agreement #4100078069 and #4100083325 for the fiscal year ended June 30, 2023. The Organization is responsible for the financial schedules and exhibits.

The Organization has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of satisfying the Pennsylvania Department of Human Services requirements with respect to reporting on the Schedule of Revenues, Expenses, and Comparison with Budget. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and associated findings are as follows:

- a. We have verified by comparison of the amounts and classifications that the supplemental financial schedules for each of the programs listed below, which summarize amounts reported to DHS for the fiscal year ended June 30, 2023, have been accurately compiled and reflect the audited books and records of the Organization. We have also verified the Budget Actual presentation is in the same format and level of detail as Rider 3A Budget, including all updates and revisions, as required by the DHS agreements #4100078069 and #4100083325.

<u>Program Name</u>	<u>Referenced Schedule</u>
Employment Advancement and Retention Network	Schedule of Revenues and Expenditures and Comparison to Budget Relating to Grants from Pennsylvania DHS Programs
Work Ready	Schedule of Revenues and Expenditures and Comparison to Budget Relating to Grants from Pennsylvania DHS Programs

Board of Directors
Partner4Work
Independent Accountant's Report on Applying
Agreed-Upon Procedures

- b. We have inquired of management regarding adjustments to reported revenues or expenditures, which were not reflected on the reports, submitted to DHS for the period in question.
- c. The processes detailed in paragraphs (a) and (b) above disclosed no adjustments and/or findings.

We were engaged by the Organization to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of DHS and the Organization and is not intended to be, and should not be, used by anyone other than these specified parties.

Pittsburgh, Pennsylvania
DATE XX, 2023

PARTNER4WORKSCHEDULE OF REVENUES AND EXPENDITURES AND COMPARISON TO BUDGET RELATING
TO GRANTS FROM PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES PROGRAMS

YEAR ENDED JUNE 30, 2023

EMPLOYMENT ADVANCEMENT AND RETENTION NETWORK
AGREEMENT 4100078069

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Revenues:			
<u>Grant award</u>	<u>\$ 4,914,268</u>	<u>\$ 4,532,114</u>	<u>\$ 382,154</u>
Administration:			
Personnel	264,399	213,797	50,602
Equipment and supplies	5,000	3,446	1,554
Operating	<u>113,280</u>	<u>85,659</u>	<u>27,621</u>
Total administration	<u>382,679</u>	<u>302,902</u>	<u>79,777</u>
Program Activities/Subcontractors:			
Subcontractors	3,651,436	4,080,667	(429,231)
Other program expenses	<u>880,153</u>	<u>148,545</u>	<u>731,608</u>
Total program activities/subcontractors	<u>4,531,589</u>	<u>4,229,212</u>	<u>302,377</u>
Total expenditures	<u>\$ 4,914,268</u>	<u>\$ 4,532,114</u>	<u>\$ 382,154</u>

PARTNER4WORKSCHEDULE OF REVENUES AND EXPENDITURES AND COMPARISON TO BUDGET RELATING
TO GRANTS FROM PENNSYLVANIA DEPARTMENT OF HUMAN SERVICES PROGRAMS

YEAR ENDED JUNE 30, 2023

WORK READY
AGREEMENT 4100083325

	<u>Budget</u>	<u>Actual</u>	<u>Difference</u>
Revenues:			
<u>Grant award</u>	<u>\$ 1,829,005</u>	<u>\$ 1,593,069</u>	<u>\$ 235,936</u>
Administration:			
Personnel	134,739	92,950	41,789
Equipment and supplies	-	-	-
Operating	<u>48,161</u>	<u>40,230</u>	<u>7,931</u>
Total administration	<u>182,900</u>	<u>133,180</u>	<u>49,720</u>
Program Activities/Subcontractors:			
Subcontractors	1,316,697	1,382,393	(65,696)
Other program expenses	<u>329,408</u>	<u>77,496</u>	<u>251,912</u>
Total program activities/subcontractors	<u>1,646,105</u>	<u>1,459,889</u>	<u>186,216</u>
Total expenditures	<u>\$ 1,829,005</u>	<u>\$ 1,593,069</u>	<u>\$ 235,936</u>