

**UPPER SHORE  
WORKFORCE INVESTMENT BOARD, INC.**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2021**

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

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## INDEPENDENT AUDITORS' REPORT

ANDREW M. HAYNIE, CPA

SUSAN P. KEEN, CPA

MICHAEL C. KLEGER, CPA

JAMES D. MAYBURY, CPA

E. LEE McCABE, CPA

JEFFREY A. MICHALIK, CPA

ROBERT L. MOORE, CPA

DANIEL M. O'CONNELL II, CPA

ASHLEY M. STERN, CPA

JOHN M. STERN, JR., CPA

[PKScpa.com](http://PKScpa.com)

### Salisbury

1801 SWEETBAY DRIVE

P.O. Box 72

SALISBURY, MD 21803

TEL: 410.546.5600

FAX: 410.548.9576

### Ocean City

12216 OCEAN GATEWAY

SUITE 800

OCEAN CITY, MD 21842

TEL: 410.213.7185

FAX: 410.213.7638

### Lewes

1143 SAVANNAH ROAD

SUITE 1

P.O. Box 192

LEWES, DE 19958

TEL: 302.645.5757

FAX: 302.645.1757

### MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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To the Board of Directors  
Upper Shore Workforce Investment Board, Inc.  
Wye Mills, Maryland

We have audited the accompanying financial statements of Upper Shore Workforce Investment Board, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Upper Shore Workforce Investment Board, Inc. as of June 30, 2021, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matter**

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021 on our consideration of Upper Shore Workforce Investment Board, Inc.'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 Upper Shore Workforce Investment Board, Inc.'s internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Upper Shore Workforce Investment Board, Inc.'s internal control over financial reporting and compliance.

## **Emphasis of Matter**

As discussed in the notes to the financial statements, Upper Shore Workforce Investment Board, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)* and all subsequent amendments to the ASU. Our opinion is not modified with respect to this matter.

*PKS & Company, P.A.*

**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
December 14, 2021

## **FINANCIAL STATEMENTS**

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**STATEMENT OF FINANCIAL POSITION**

**JUNE 30, 2021**

**ASSETS**

**CURRENT ASSETS**

Due from grantors \$ 421,668

**FIXED ASSETS, AT COST**

Computer equipment 11,150  
Less accumulated depreciation (796)  
Net fixed assets 10,354

Total assets \$ 432,022

**LIABILITIES AND NET ASSETS**

Accounts payable \$ 17,179  
Refundable advances 321,312  
Due to fiscal agent 42,598  
Total liabilities 381,089

Net assets

Without donor restrictions 40,579  
With donor restrictions 10,354  
Total net assets 50,933

Total liabilities and net assets \$ 432,022

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

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**STATEMENT OF ACTIVITIES**

**YEAR ENDED JUNE 30, 2021**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>SUPPORT AND REVENUE</b>			
Federal grants	\$ 1,203,044	\$ 11,150	\$ 1,214,194
State grants	60,516		60,516
Release of restrictions	796	(796)	
	<u>1,264,356</u>	<u>10,354</u>	<u>1,274,710</u>
<b>EXPENSES</b>			
Program services	1,201,315		1,201,315
Management and general	119,117		119,117
	<u>1,320,432</u>	<u></u>	<u>1,320,432</u>
Change in net assets	(56,076)	10,354	(45,722)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>96,655</u>	<u></u>	<u>96,655</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 40,579</u>	<u>\$ 10,354</u>	<u>\$ 50,933</u>

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

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**STATEMENT OF FUNCTIONAL EXPENSES**

**YEAR ENDED JUNE 30, 2021**

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
<b>EXPENSES</b>			
Depreciation expense	\$ 796	\$	\$ 796
Employee benefits	101,370	20,417	121,787
Insurance		603	603
Needs based payments	41,179		41,179
Occupancy	25,052		25,052
Office expense	20,849		20,849
Other	12,844		12,844
Professional fees	124,051	20,202	144,253
Salaries and wages	441,478	77,895	519,373
Scholarships	404,928		404,928
Travel	1,046		1,046
Work based learning	27,722		27,722
	<u>27,722</u>	<u></u>	<u>27,722</u>
Total functional expenses	<u>\$ 1,201,315</u>	<u>\$ 119,117</u>	<u>\$ 1,320,432</u>

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

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**STATEMENT OF CASH FLOWS**

**YEAR ENDED JUNE 30, 2021**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Cash received from grants	\$	1,333,495
Payments to suppliers		(637,082)
Payments to employees		(546,889)
Payments to fiscal agent		(138,374)
Net cash provided by operating activities		<u>11,150</u>

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Cash paid to purchase assets		<u>(11,150)</u>
Net cash used by investing activities		<u>(11,150)</u>

Net change in cash and cash equivalents

**CASH AND CASH EQUIVALENTS,  
BEGINNING OF YEAR**

**CASH AND CASH EQUIVALENTS,  
END OF YEAR**

\$

**RECONCILIATION OF CHANGE IN NET ASSETS TO  
NET CASH FLOWS FROM OPERATING ACTIVITIES**

Change in net assets		(45,722)
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation expense		796
Changes in assets and liabilities:		
Due from grantors		(214,528)
Accounts payable		10,702
Deferred revenue		273,312
Due to fiscal agent		(13,410)
Net cash provided by operating activities	\$	<u>11,150</u>

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

# UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### NATURE OF THE ORGANIZATION

Upper Shore Workforce Investment Board, Inc. (“USWIB”) is a Maryland not-for-profit organization with Charitable Organization status. USWIB implements job training grants and contracts in Caroline, Dorchester, Kent, Queen Anne’s and Talbot County, Maryland. USWIB is primarily funded by the Workforce Innovation and Opportunity Act (“WIOA”) grants received from the federal government. The majority of USWIB’s expenditures are for scholarships and compensation costs related to the implementation of job training grants and contracts.

USWIB is governed by a 22 member board of directors and features a private sector majority. The private sector members are appointed by the County Councils and Commissions of the Upper Shore area. Other members are mandated by WIOA.

### SIGNIFICANT ACCOUNTING POLICIES

#### Basis of accounting

The accompanying financial statements are presented on the accrual basis of accounting and in accordance with accounting principles generally acceptance in the United States of America for Not-for-Profit Entities. Accordingly, USWIB reports information regarding its financial position and activities according to two classes of net assets: with donor restrictions and without donor restrictions.

#### Basis of presentation

The financial statements of the Upper Shore Workforce Investment Board, Inc. have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), which require the USWIB to report information regarding its financial position and activities according to the following net asset classifications:

*Net assets without donor restrictions:* Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the USWIB’s management and the board of directors.

*Net assets with donor restrictions:* Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the USWIB or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity.

# UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### Cash

The USWIB does not maintain a cash account because all receipts and disbursements are processed by its Fiscal Administrative Agent, Chesapeake College. Receipts in excess of USWIB's expenditures are reflected as due from fiscal agent and disbursements in excess of USWIB's receipts are reflected as due to fiscal agent.

#### Revenue recognition and net assets

Grants are reported as net assets with donor restrictions or without donor restrictions depending on the existence or nature of any donor stipulated 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 statement of activities as net assets released from restrictions, except when such restrictions are met in the same period as the contribution, in which case revenue is recognized as revenue and support without donor restrictions. All Federal and State grants are cost-reimbursement contracts whereby funding is received only for costs expended. Accordingly, revenue and related receivables (due from grantor) are recognized as expenditures are incurred. Amounts received in advance of expenditures under cost-reimbursement grants are recorded as refundable advances, and grant disbursements in excess of receipts are recognized as due from grantors.

#### Equipment

Equipment is recorded at cost (in excess of \$2,000) if purchased, or fair value if donated. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs are charged to expense as incurred; major improvements that increase the lives of the assets are capitalized. Upon sale or retirement, the costs and related accumulated depreciation are eliminated from the respective accounts and the resulting gain or loss is included in revenue. As of June 30, 2021, property and equipment consisted of computer equipment with a cost of \$11,150 and accumulated depreciation of \$796.

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Income tax status

USWIB is a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal income taxes on its exempt income under Section 501(a) of the Internal Revenue Code; however, some of its income may be subject to taxation as unrelated business income

USWIB accounts for uncertainty in income taxes using a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold is met. Management determined there were no tax uncertainties that met the recognition threshold.

Functional allocation of expenses

The cost of providing program and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and management and general services benefited. Such allocations are determined by management on an equitable basis.

The expenses that are allocated include the following:

<u>Expense</u>	<u>Cost Allocation Methodology</u>
Salaries and wages	Time and attendance
Employee benefits	Time and attendance
Professional fees	Participants
Occupancy	Square footage/participants

Subsequent events

Management has evaluated subsequent events through December 14, 2021 which is the date the financial statements were available to be issued.

New accounting pronouncement

Upper Shore Workforce Investment Board, Inc. adopted Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (ASC 606)* with an effective date of June 30, 2021. The Organization's revenues consist mainly of grant income which does not fall within the scope of ASU 606.

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

**SIGNIFICANT ACCOUNTING POLICIES (Continued)**

New accounting pronouncement (Continued)

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

**AVAILABILITY AND LIQUIDITY**

The following represents the Upper Shore Workforce Investment Board, Inc.'s financial assets at June 30, 2021:

Financial assets at year end:

Due from grantors	\$ 421,668
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Less amounts not available to be used for general expenditures:	_____
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Financial assets available to meet general expenditures over the next twelve months	<u>\$ 421,668</u>
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The Upper Shore Workforce Investment Board, Inc (USWIB) manages liquidity through a Fiscal Agent Agreement. The Fiscal Agent Agreement facilitates the USWIB's ability to operate on a cost reimbursement basis with funders (donors). Limits on the availability of financial assets are defined in USWIB approved grants and contracts.

**NEW ACCOUNTING STANDARDS**

FASB issued ASU 2016-02, *Leases*. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee primarily will depend on its classification as a finance or operating lease. However, unlike current GAAP—which requires only capital leases to be recognized on the balance sheet—the new ASC will require both types of leases to be recognized on the balance sheet. The new guidance on leases will take effect for the year ending June 30, 2023.

# UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

### RISKS AND UNCERTAINTIES

USWIB is funded principally through Federal awards under the Workforce Innovation and Opportunity Act (“WIOA”) in the form of pass-through grants from the Maryland Department of Labor, Licensing and Regulation. Congressional and Presidential budget actions may adversely impact USWIB staffing and programs due to the large percentage of USWIB budget derived from WIOA funds, and such impact could be material.

Under the terms of certain grants, periodic audits may occur and certain revenues and expenses may be questioned as not being appropriate under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. USWIB’s management believes that disallowances for 2021, if any, would be immaterial.

### PENSION AND RETIREMENT PLANS

Professional and classified employees of USWIB are covered by The Teachers’ Retirement System of the State of Maryland (the “System”), which provides pension, death and disability benefits to plan members and beneficiaries and is administered by the State Retirement Agency (the “Agency”) which issued a publicly available financial report that includes financial statements and required supplementary information for the System.

That report may be obtained by writing to the Office of Legislative Audits, State Office Building, 301 West Preston Street, Baltimore, Maryland 21201, by calling (410) 946-5900, or by accessing the website, [www.ola.state.md.us](http://www.ola.state.md.us).

The State Personnel and Pension Article requires active members to contribute to the System at the rate of 7% of their covered salary depending upon the retirement option selected. For the year ended June 30, 2021, USWIB’s required and actual contributions were equal to the annual pension cost of \$63,000, and USWIB’s employees contributed approximately \$29,478. This required contribution was determined as part of the June 30, 2020, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include (a) 7.55% investment rate of return, compounded annually; (b) projected salary increases of 3.30%-9.20% for service prior to July 1, 2011 and including wage inflation of 3.2% for service after June 30, 2011. The asset valuation method is a 5-year straight line amortization of each year’s investment gain or loss with final value not more than 120% nor less than 80% of market. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payrolls on a closed basis. The remaining amortization period at June 30, 2021, was 20 years. No additional liability resides with the USWIB as the Maryland Higher Education Commission contributes directly to the System on USWIB’s behalf.

# **UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2021**

### **AGENCY AGREEMENT**

USWIB has entered in to a Fiscal Administrative Agency Agreement (the “Agreement”) with Chesapeake College (the “College”), whereby the College provides various administrative and financial services to USWIB including, but not limited to, collection of USWIB receipts and disbursement of USWIB expenditures as well as various personnel functions. In addition, USWIB rents its office facilities from the College on an annual basis and reimburses the College for other operating expenses, including audit fees, insurance and other miscellaneous operating costs incurred by the College in its role as Fiscal Agent. The total charges incurred by USWIB under the Agreement were \$124,964, during 2021 and are included in the respective natural expense classification based on comparative percentage of program expenditures to total expenditures.

### **COVID-19 IMPACT**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) outbreak a public health emergency. There were mandates from federal, state, and local authorities requiring forced closures of schools, businesses, and other facilities. The Organization was required to discontinue, reduce, or alter services normally provided. Although most state and local governments have begun to ease restrictions, it is possible that a resurgence in COVID-19 cases could prompt a return to tighter restrictions. Therefore, significant uncertainty remains regarding the ongoing impact of the COVID-19 outbreak on the Organization’s financial condition.

**SUPPLEMENTARY INFORMATION**

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grantor/Pass-Through Grantor/Program Name	Assistance Listing Number	Name of Funding Pass-through Entity	Pass-Through Identifying Numbers	Federal Expenditures	Amounts Passed Through to Sub-Recipients	Federal Program Total	Cluster Name	Cluster Total
<b>U.S. DEPARTMENT OF THE TREASURY</b>								
COVID-19: Coronavirus Relief Fund	21.019	Maryland Department of Labor, Licensing & Regulation	FY21-Relief Act - US	\$ 9,113	\$	\$ 9,113	n/a	\$
<b>Total U.S. Department of the Treasury</b>				<u>9,113</u>				
<b>U.S. DEPARTMENT OF LABOR</b>								
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P16-US-PY20-A	38,664		233,143	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P06-US-FY20-A	175,351		233,143	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P16-US-FY21-A	19,128		233,143	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Youth Activities	17.259	Maryland Department of Labor, Licensing & Regulation	P06-US-PY19-Y	111,926		343,682	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Youth Activities	17.259	Maryland Department of Labor, Licensing & Regulation	P16-US-PY20-Y	211,650		343,682	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Youth Activities - Summer Youth	17.259	Maryland Department of Labor, Licensing & Regulation	P16-US-PY20-SYC	20,106		343,682	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Fostering Opioid Recovery through Workforce Development	17.270	Maryland Department of Labor, Licensing & Regulation	P16-USWIB-FOR-Opiod	25,747		25,747	n/a	
COVID-19: WIOA Dislocated Workers National Resources	17.277	Maryland Department of Labor, Licensing & Regulation	P06-US-FY20-NDWG	34,879		105,858	n/a	
COVID-19: WIOA National Dislocated Worker Grant (NDWG)	17.277	Direct	DW-34823-20-60-A-24	70,979		105,858	n/a	
WIOA Dislocated Worker Formula Grants	17.278	Maryland Department of Labor, Licensing & Regulation	P16-US-PY20-D	106,150		471,816	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Dislocated Worker Formula Grants	17.278	Maryland Department of Labor, Licensing & Regulation	P06-US-FY20-D	87,682		471,816	Workforce Innovation & Opportunity Act Cluster	1,048,641
WIOA Dislocated Worker Formula Grants	17.278	Maryland Department of Labor, Licensing & Regulation	P16-US-FY21-D	277,984		471,816	Workforce Innovation & Opportunity Act Cluster	1,048,641
<b>Total U.S. Department of Labor</b>				<u>1,180,246</u>				
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Rehabilitation Services - Vocational Rehabilitation State Grants	84.126	Maryland State Department of Education	H126A190027	80,911		80,911	n/a	
<b>Total U.S. Department of Education</b>				<u>80,911</u>				
Total expenditures of federal awards				<u>\$ 1,270,270</u>	<u>\$</u>			

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

## **UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**JUNE 30, 2021**

#### **BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the “schedule”) presents the activity of all federal programs of Upper Shore Workforce Investment Board, Inc. (“USWIB”).

#### **RELATIONSHIP TO THE FINANCIAL STATEMENTS**

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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. The schedule presents only a selected portion of the operations of USWIB and is not intended to and does not present the financial position, change in net assets or cash flows of USWIB.

#### **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the accompanying schedule are presented on the accrual basis of accounting. Such expenditures are recognized following the costs principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **PROGRAM CLUSTERS**

The following programs in the accompanying schedule are considered to be a cluster of programs in accordance with the requirements of the Uniform Guidance. The Workforce Innovation and Opportunity Act (“WIOA”) program cluster includes the WIOA Adult Program Assistance Listing Number (ALN) 17.258, the WIOA Youth Activities ALN 17.259, and WIOA Dislocated Worker Formula Grant ALN 17.278.

#### **INDIRECT COSTS**

USWIB has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JAMES D. MAYBURY, CPA  
E. LEE McCABE, CPA  
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**PKScpa.com**

**Salisbury**

1801 SWEETBAY DRIVE  
P.O. Box 72  
SALISBURY, MD 21803  
TEL: 410.546.5600  
FAX: 410.548.9576

**Ocean City**

12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

**Lewes**

1143 SAVANNAH ROAD  
SUITE 1  
P.O. Box 192  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

**MEMBERS OF:**

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CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***

To the Board of Directors  
Upper Shore Workforce Investment Board, Inc.  
Wye Mills, Maryland

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Upper Shore Workforce Investment Board, Inc. ("USWIB"), which comprise the statement of financial position as of June 30, 2021, and the related statement 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 December 14, 2021.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered USWIB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of USWIB's internal control. Accordingly, we do not express an opinion on the effectiveness of USWIB'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.

## **Internal Control over Financial Reporting (Continued)**

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 may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether USWIB'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

*PKS & Company, P.A.*  
**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
December 14, 2021

ANDREW M. HAYNIE, CPA  
SUSAN P. KEEN, CPA  
MICHAEL C. KLEGER, CPA  
JAMES D. MAYBURY, CPA  
E. LEE McCABE, CPA  
JEFFREY A. MICHALIK, CPA  
ROBERT L. MOORE, CPA  
DANIEL M. O'CONNELL II, CPA  
ASHLEY M. STERN, CPA  
JOHN M. STERN, JR., CPA

PKSca.com

Salisbury  
1801 SWEETBAY DRIVE  
P.O. Box 72  
SALISBURY, MD 21803  
TEL: 410.546.5600  
FAX: 410.548.9576

Ocean City  
12216 OCEAN GATEWAY  
SUITE 800  
OCEAN CITY, MD 21842  
TEL: 410.213.7185  
FAX: 410.213.7638

Lewes  
1143 SAVANNAH ROAD  
SUITE 1  
P.O. Box 192  
LEWES, DE 19958  
TEL: 302.645.5757  
FAX: 302.645.1757

MEMBERS OF:

AMERICAN INSTITUTE OF  
CERTIFIED PUBLIC ACCOUNTANTS

MARYLAND ASSOCIATION OF  
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## INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Upper Shore Workforce Investment Board, Inc.  
Wye Mills, Maryland

### Report on Compliance for each Major Federal Program

We have audited Upper Shore Workforce Investment Board, Inc.'s ("USWIB") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on its major federal programs for the year ended June 30, 2021. USWIB's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs.

### Management's Responsibility

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

### Auditors' Responsibility

Our responsibility is to express an opinion on compliance for USWIB's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about USWIB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

### ***Auditors' Responsibility (continued)***

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

### ***Opinion on Compliance for each Major Federal Program***

In our opinion, Upper Shore Workforce Investment Board, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2021.

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

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

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

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

### **Purpose of this Report**

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.

*PKS & Company, P.A.*  
**CERTIFIED PUBLIC ACCOUNTANTS**

Salisbury, Maryland  
December 14, 2021

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

**A. SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' reported issued:	<u>Unmodified</u>	
Internal control over financial reporting:		
• Material weakness(es) identified?	___ Yes	<u>x</u> No
• Significant deficiency(ies) identified?	___ Yes	<u>x</u> None reported
Noncompliance material to the financial statements noted?	___ Yes	<u>x</u> No

***Federal Awards***

Internal control over major federal programs:		
• Material weakness(es) identified?	___ Yes	<u>x</u> No
• Significant deficiency(ies) identified?	___ Yes	<u>x</u> None reported
Type of auditors' reported issued on compliance for major federal programs	<u>Unmodified</u>	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	<u>x</u> No

Identification of major federal programs:

<u>AL Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	Workforce Innovation and Opportunity Act Cluster:
17.258	WIOA Adult Program
17.259	WIOA Youth Activities
17.278	WIOA Dislocated Workers Formula Grant

Dollar threshold used to distinguish between type A and type B Programs	\$750,000
Auditee qualified as a low-risk auditee?	<u>x</u> Yes      ___ No

**UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2021**

**B. FINANCIAL STATEMENT FINDINGS**

NONE

**C. MAJOR FEDERAL AWARD PROGRAMS FINDINGS AND QUESTIONED COSTS**

NONE

**D. SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

FINANCIAL STATEMENT FINDINGS - NONE

MAJOR FEDERAL AWARD PROGRAMS FINDINGS - NONE