

**UPPER SHORE
WORKFORCE INVESTMENT BOARD, INC.
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022**

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITORS' REPORT	1 – 3
FINANCIAL STATEMENTS	
Statement of financial position	4
Statement of activities	5
Statement of functional expenses	6
Statement of cash flows	7
Notes to financial statements	8 – 13
SUPPLEMENTARY INFORMATION	
Schedule of expenditures of federal awards	14
Notes to schedule of expenditures of federal awards	15
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	16 – 17
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	18 – 20
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	21 – 22



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

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

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Upper Shore Workforce Investment Board, Inc., which comprise the statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Upper Shore Workforce Investment Board, Inc. as of June 30, 2022, 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Upper Shore Workforce Investment Board, Inc. and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Shore Workforce Investment Board, Inc.'s ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Upper Shore Workforce Investment Board, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Upper Shore Workforce Investment Board, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Other 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 13, 2022 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 on 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.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 13, 2022

FINANCIAL STATEMENTS

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

STATEMENT OF FINANCIAL POSITION

JUNE 30, 2022

ASSETS

CURRENT ASSETS

Due from grantors	\$ 277,582
Prepaid expenses	5,778
Due from fiscal agent	1,087,042
Total current assets	<u>1,370,402</u>

FIXED ASSETS

Computer equipment, cost	11,150
Less accumulated depreciation	<u>(2,390)</u>
Net fixed assets	<u>8,760</u>

Total assets	<u>\$ 1,379,162</u>
--------------	---------------------

LIABILITIES AND NET ASSETS

Accounts payable	\$ 16,764
Refundable advances	<u>1,325,022</u>
Total liabilities	<u>1,341,786</u>

Net assets

Without donor restrictions	28,616
With donor restrictions	<u>8,760</u>
Total net assets	<u>37,376</u>

Total liabilities and net assets	<u>\$ 1,379,162</u>
----------------------------------	---------------------

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

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
SUPPORT AND REVENUE			
Federal grants	\$ 1,926,643	\$	\$ 1,926,643
State grants	230,993		230,993
Release of restrictions	1,594	(1,594)	
	<u>2,159,230</u>	<u>(1,594)</u>	<u>2,157,636</u>
EXPENSES			
Program services	2,041,417		2,041,417
Management and general	129,776		129,776
	<u>2,171,193</u>	<u></u>	<u>2,171,193</u>
Change in net assets	(11,963)	(1,594)	(13,557)
NET ASSETS, BEGINNING OF YEAR	<u>40,579</u>	<u>10,354</u>	<u>50,933</u>
NET ASSETS, END OF YEAR	<u>\$ 28,616</u>	<u>\$ 8,760</u>	<u>\$ 37,376</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, 2022

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
EXPENSES			
Depreciation expense	\$ 1,593	\$	\$ 1,593
Employee benefits	119,408	22,857	142,265
Individual training and scholarships	960,088		960,088
Insurance		820	820
Needs based payments	108,580		108,580
Occupancy	17,118		17,118
Office expense	23,157		23,157
Other	27,544		27,544
Professional fees	225,455	19,238	244,693
Salaries and wages	506,308	86,861	593,169
Travel	2,572		2,572
Work based learning	49,594		49,594
	<u>49,594</u>	<u></u>	<u>49,594</u>
Total functional expenses	<u>\$ 2,041,417</u>	<u>\$ 129,776</u>	<u>\$ 2,171,193</u>

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

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

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, whereby the donor has stipulated the funds be maintained in perpetuity.

Net assets with donor restrictions consists solely of computer equipment, net of accumulated depreciation, in which was purchased with grant funding for specific use in USWIB’s programs.

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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.

Fixed assets

Fixed assets are 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, 2022, fixed assets consisted of computer equipment with a cost of \$11,150 and accumulated depreciation of \$2,390.

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

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

Subsequent events

Management has evaluated subsequent events through December 13, 2022 which is the date the financial statements were available to be issued.

Adoption of new FASB Accounting Standard

During the year, USWIB adopted FASB Accounting Standards Update 2020-07, *Presentation and Disclosure by Not-for-Profit Entities for Contributed Nonfinancial Assets*, which requires USWIB to change their financial statement presentation and disclosure of contributed nonfinancial assets. There was no material impact on USWIB's financial statements upon adoption of the new standard.

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2022

AVAILABILITY AND LIQUIDITY

The following represents the Upper Shore Workforce Investment Board, Inc.'s financial assets at June 30, 2022:

Financial assets at year end:	
Due from grantors	\$ 277,582
Due from fiscal agent	<u>1,087,042</u>
Financial assets available to meet general expenditures over the next twelve months	<u>\$ 1,364,624</u>

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, 2022

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 2022, 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.

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, 2022, USWIB’s required and actual contributions were equal to the annual pension cost of \$74,350, and USWIB’s employees contributed approximately \$35,477. This required contribution was determined as part of the June 30, 2021, 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, 2022, 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, 2022

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 \$137,295, during 2022 and are included in the respective natural expense classification based on comparative percentage of program expenditures to total expenditures.

SUPPLEMENTARY INFORMATION

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2022

Federal 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
U.S. DEPARTMENT OF THE TREASURY								
COVID-19: Coronavirus Relief Fund	21.019	Maryland Department of Labor, Licensing & Regulation	FY21-Relief Act - US	\$ 258,287	\$	\$ 258,287	n/a	\$
Rapid Response Grant	21.027	Maryland Department of Labor, Licensing & Regulation	US-ARPA-PY21	366,621		366,621	n/a	
Total U.S. Department of the Treasury				<u>624,908</u>				
U.S. DEPARTMENT OF LABOR								
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P16-US-FY21-A	17,586		209,617	Workforce Innovation & Opportunity Act Cluster	938,990
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P26-US-FY21-A	39,089		209,617	Workforce Innovation & Opportunity Act Cluster	938,990
WIOA Adult Program	17.258	Maryland Department of Labor, Licensing & Regulation	P26-US-FY22-A	152,942		209,617	Workforce Innovation & Opportunity Act Cluster	938,990
WIOA Youth Activities	17.259	Maryland Department of Labor, Licensing & Regulation	P16-US-PY20-Y	29,107		251,551	Workforce Innovation & Opportunity Act Cluster	938,990
WIOA Youth Activities	17.259	Maryland Department of Labor, Licensing & Regulation	P26-US-PY21-Y	187,823		251,551	Workforce Innovation & Opportunity Act Cluster	938,990
WIOA Youth Activities - Summer Youth	17.259	Maryland Department of Labor, Licensing & Regulation	P26-US-PY21-SYC	34,621		251,551	Workforce Innovation & Opportunity Act Cluster	938,990
Workforce Investment Act - Opioid National Health	17.270	Maryland Department of Labor, Licensing & Regulation	P16-USWIB-FOR-Opioid	74,253		74,253	n/a	
COVID-19: WIOA Dislocated Workers National Resources	17.277	U.S. Department of Labor/Employment and Training Administration	DW-34823-20-60-A-24	232,992		323,113	n/a	
COVID-19: Disaster Recovery Dislocated Worker Grant	17.277	Maryland Department of Labor, Licensing & Regulation	P06-US-FY20-NDWG	90,121		323,113	n/a	
Workforce Investment Act - Dislocated Worker	17.278	Maryland Department of Labor, Licensing & Regulation	P16-US-FY21-D	197,159		477,822	Workforce Innovation & Opportunity Act Cluster	938,990
Workforce Investment Act - Dislocated Worker	17.278	Maryland Department of Labor, Licensing & Regulation	P26-US-PY21-D	64,149		477,822	Workforce Innovation & Opportunity Act Cluster	938,990
Workforce Investment Act - Dislocated Worker	17.278	Maryland Department of Labor, Licensing & Regulation	P26-US-FY22-D	216,514		477,822	Workforce Innovation & Opportunity Act Cluster	938,990
Total U.S. Department of Labor				<u>1,336,356</u>				
U.S. DEPARTMENT OF EDUCATION								
Rehabilitation Services - Vocational Rehabilitation State Grants	84.126	Maryland State Department of Education	H126A190027	11,964		11,964	n/a	
Total U.S. Department of Education				<u>11,964</u>				
Total expenditures of federal awards				<u>\$ 1,973,228</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, 2022

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.



**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***

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

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

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

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

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, 2022, 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 13, 2022.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Upper Shore Workforce Investment Board, Inc.'s internal control over financial reporting (internal control) as a basis for designing 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 Upper Shore Workforce Investment Board, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Upper Shore Workforce Investment Board, Inc.'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 Upper Shore Workforce Investment Board, Inc.'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.

PKS & Company, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

Salisbury, Maryland
December 13, 2022

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

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

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

DELAWARE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

ALLINIAL GLOBAL

We have audited Upper Shore Workforce Investment Board, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of Upper Shore Workforce Investment Board, Inc.'s major federal programs for the year ended June 30, 2022. Upper Shore Workforce Investment Board, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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 each of its major federal programs for the year ended June 30, 2022.

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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Upper Shore Workforce Investment Board, Inc. 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 Upper Shore Workforce Investment Board, Inc.'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 Upper Shore Workforce Investment Board, Inc.'s federal programs.

Auditors' 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 Upper Shore Workforce Investment Board, Inc.'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 GAAS, *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 Upper Shore Workforce Investment Board, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *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 Upper Shore Workforce Investment Board, Inc.'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 Upper Shore Workforce Investment Board, Inc.'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 Upper Shore Workforce Investment Board, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 Auditors' 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.

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 13, 2022

UPPER SHORE WORKFORCE INVESTMENT BOARD, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2022

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, 2022

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