

EASTERN OREGON WORKFORCE BOARD

ANNUAL FINANCIAL REPORT

For the Year Ended June 30, 2023



EASTERN OREGON WORKFORCE BOARD
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INTRODUCTORY SECTION

EASTERN OREGON WORKFORCE BOARD
List of Officials

BOARD OF DIRECTORS

Susie Cederholm
Kathy Gover-Shaw
Sheryll Bates
Riley Hill
Patrick Patterson
Jesse Schmidt
William Wyllie
Dana Young
Doug Dalton
Terri Hellbusch
Jeffrey Gritz
Bambi Bevill
Brian Lemke
Mark Browning
Matt Willson

EOWB Chair
EOWB Vice Chair
EOWB Secretary

OFFICIAL

Erin Carpenter

Executive Director

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FINANCIAL SECTION

Independent Auditors' Report

Board of Directors
Eastern Oregon Workforce Board
1215 Adams Ave., Suite B
La Grande, OR 97850

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Eastern Oregon Workforce Board (a nonprofit 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.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Eastern Oregon Workforce Board 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 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Eastern Oregon Workforce Board 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 opinions.

Change in Accounting Principle

As described in Note 1 to the financial statements, in 2023, the Organization adopted new accounting guidance, FASB ASU 2016-02, *Leases (Topic 842)*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 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 Eastern Oregon Workforce Board'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 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 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 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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not 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 October 3, 2023 on our consideration of the Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board's internal control over financial reporting and compliance.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne K. Roberts, CPA

La Grande, Oregon
October 3, 2023

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BASIC FINANCIAL STATEMENTS

EASTERN OREGON WORKFORCE BOARD
Statement of Financial Position
As of June 30, 2023

Assets

Current assets:

Cash and cash equivalents:	\$ 491,374
Prepaid expenses	7,093
Grants and other receivables	589,407

Other Noncurrent assets:

Right-of-use assets -Operating leases	39,431
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Total assets 1,127,305

Liabilities and Net Assets

Current liabilities:

Accounts payable	692,040
Accrued payroll	14,142
Payroll taxes payable	6,177
IRA Payable	2,521
Accrued vacation	49,092
Current portion of leases	40,596

Total liabilities 804,568

Net assets:

Without donor restrictions	322,737
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Total liabilities and net assets \$ 1,127,305

(The accompanying notes are an integral part of these financial statements)

EASTERN OREGON WORKFORCE BOARD
Statement of Activities
For the Fiscal Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
WIOA Grants	\$ -	\$ 1,810,124	\$ 1,810,124
TANF Grants	-	49,037	49,037
State Grants	-	1,875,613	1,875,613
Total revenue	-	3,734,774	3,734,774
Net assets released from restrictions:			
Satisfaction of program and support	3,734,774	(3,734,774)	-
Expenses:			
Program services:			
Employment & training	3,314,073	-	3,314,073
Support services:			
Management & general	421,866	-	421,866
Total operating expenses	3,735,939	-	3,735,939
Change in net assets	(1,165)	-	(1,165)
Net assets - beginning of year	323,902	-	323,902
Net assets - end of year	\$ 322,737	\$ -	\$ 322,737

(The accompanying notes are an integral part of these financial statements)

EASTERN OREGON WORKFORCE BOARD
Statement of Functional Expenses
For the Fiscal Year Ended June 30, 2023

	<u>Program Activity</u>	<u>Supporting Services</u>	
	<u>Employment and Training</u>	<u>Management & General</u>	<u>Total</u>
Salaries & wages	\$ 324,455	\$ 108,152	\$ 432,607
Federal payments to grant subrecipient providers	1,415,745	-	1,415,745
State payments to grant subrecipients providers	1,360,033	-	1,360,033
Other payroll expenses	72,876	31,590	104,466
Professional services	-	126,271	126,271
Outreach	42,713	-	42,713
Audit services	-	15,773	15,773
Telephone & internet	6,300	3,235	9,535
Insurance	-	8,044	8,044
Lease expense	53,477	8,400	61,877
Supplies	-	38,476	38,476
Dues & fees	-	23,932	23,932
Travel	-	57,993	57,993
Itrac database costs	38,474	-	38,474
Total expenses	<u>\$ 3,314,073</u>	<u>\$ 421,866</u>	<u>\$ 3,735,939</u>

EASTERN OREGON WORKFORCE BOARD
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2023

Cash Flows Used For Operating Activities:

Change in net assets	\$	(1,165)
Adjustment to reconcile change in net assets to net cash used for operating activities:		
Amortization of right of use asset		38,330
(Increase) decrease in prepaid expense		(2,090)
(Increase) decrease in accounts & grants receivable		(107,712)
Increase (decrease) in accounts payable		462,223
Increase (decrease) in accrued payroll taxes payable		(1,057)
Increase (decrease) in accrued payroll		(1,498)
Increase (decrease) in deferred revenue		(1,387,129)
Increase (decrease) in IRA payable		2,521
Increase (decrease) in benefits payable		(25,787)
Increase (decrease) in lease liability		(37,165)
Net cash provided by operating activities		(1,060,529)
Cash, cash equivalents and restricted cash at beginning of year		1,551,903
Cash, cash equivalents and restricted cash at end of year	\$	491,374
 Non-cash investing and financing activities:		
Obtaining a right of use asset in exchange for a lease liability		77,761

(The accompanying notes are an integral part of these financial statements)

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**NOTES TO BASIC FINANCIAL
STATEMENTS**

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

Note 1 - Summary of Significant Accounting Policies:

Organization and Nature of Activities

Eastern Oregon Workforce Board (EOWB or the Organization) was formed on July 1, 2015 as a 501(c)(3) nonprofit corporation organized in the state of Oregon. The Organization services an eight county area in Eastern Oregon, including Baker, Grant, Harney, Malheur, Morrow, Umatilla, Union and Wallowa Counties. WIOA requires that each Workforce Development Area form a Workforce Development Board. The Board of Directors of EOWB was designated to meet this requirement for the geographic area of the counties in Oregon noted above.

EOWB is a workforce development organization dedicated to assisting employers in recruiting and retaining employees, helping individuals find employment and helping people progress in their careers. Specifically, the Organization is charged with planning, oversight, and administrative responsibility for local job training including, but not limited to, those funded under the Workforce Innovation and Opportunity Act of 2014 (WIOA).

Public Support and Revenue

Contributions received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a 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 statements of activity as net assets released from restrictions.

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions with donor-imposed stipulations regarding how long the contributed assets must be used are recorded as net assets with donor restrictions; otherwise, the contributions are recorded as net assets without donor restrictions.

Contributions of donated services that create or enhance nonfinancial assets, and/or that require specialized skills, are provided by individuals possessing those skills, and which would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Entity receives funding in primarily from the Higher Education Coordinating Commission.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles, except for debt recognition of losses. All revenues are recognized when they are earned. Expenses are recognized when the related fund liability is incurred. Information is required to be reported regarding 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 may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of Entity's management and governance.

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 action of the Entity 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.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities.

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

Entity Funds - Fund Accounting

The Eastern Oregon Workforce Board's programs are funded by separate and distinct grants, and net assets in one program cannot generally be applied to a deficit in another. Each grant is considered a separate accounting entity and is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into "Net assets without donor restrictions" and "Net assets with donor restrictions" funds.

The following fund was accounted for during the fiscal year ended June 30, 2022:

General Fund - This fund accounts for all grant and contract income and related expenses.

Workforce Innovation and Opportunity Act of 2014 (WIOA)

The majority (approximately 87.%) of grant funds received are WIOA funds used to help job seekers access employment, education, training and support services to help them succeed. There are WIOA funds that are specific to adult, youth and dislocated workers. EOWB passes these funds to subrecipients that have been selected by the state of Oregon.

Back to Work Oregon

Approximately 10% of EOWB funding are Back to Work Oregon funds. These are state funds that are to be used to help Oregonians access employment, education, training and support services. A portion of these funds are to be used specifically for individuals receiving TANF assistance.

Revenue and Revenue Recognition

Contributions

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

A portion of the Organization's revenue is derived from cost-reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position.

Revenue from Contracts with Customers

The Organization recognizes revenue from contract bookkeeping. The services have an exchange element based on the value of services provided. The bundle of services is a separate performance obligation that is satisfied on a monthly basis, thus revenue is recognized at a point in time. The monthly fee is contracted for a one year period. The bundle of services is performed and revenue is recognized upon completion of the services. The Organization bills for services after the services have been performed and recognizes revenue when the obligation has been met. The entity did not have any such revenue in the current fiscal year.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

Leases

The Organization accounts for leases in accordance with FASB ASC 842. The Organization is a lessee in several noncancellable operating leases for office space. Leases for other equipment are evaluated using the criteria outlined in FASB ASC 842 to determine whether they will be classified as operating leases or finance leases. Eastern Oregon Workforce Board determines if an arrangement is a lease, or contains a lease, at inception of a contract and when terms of an existing contract are changed. The Organization determines if an arrangement conveys the right to use an identified asset and whether the Organization obtains substantially all of the economic benefits from and has the ability to direct the use of the asset. The Organization recognizes a lease liability and right-of-use (ROU) asset at the commencement date of the lease.

Beginning July 1, 2022, operating lease ROU assets and related current and long-term portions of operating lease liabilities have been presented in the statement of financial position.

Lease liabilities. A lease liability is measured based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or rate and are measured using the index or rate at the commencement date. Lease payments, including variable payments made based on an index rate, are remeasured when any of the following occur: (1) the lease is modified (and the modification is not accounted for as a separate contract), (2) certain contingencies related to variable lease payments are resolved, or (3) there is a reassessment of any of the following: the lease term, purchase options, or amounts that are probable of being owed under a residual value guarantee. The discount rate is the rate implicit in the lease if it is readily determinable; otherwise, the Organization uses its incremental borrowing rate. The implicit rates of the Organizations' leases are not readily determinable; accordingly, the Organization uses its incremental borrowing rate based on the information available at the commencement date for each lease. The Organization's incremental borrowing rate for a lease is the rate of interest it would have to pay on a collateralized basis to borrow an amount equal to the lease payments under similar terms and in a similar economic environment and geographic location. The Organization determines its incremental borrowing rates by starting with the interest rates on recent borrowings and other observable market rates and adjusting those rates to reflect differences in the amount of collateral and the payment terms of the leases.

ROU assets. A ROU asset is measured at the commencement date at the amount of the initially measured liability plus any lease payments made to the lessor before or after commencement date, minus any lease incentives received, plus any initial direct costs. Unless impaired, the ROU asset is subsequently measured throughout the lease term at the amount of the lease liability (that is the present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid accrued lease payments, less the unamortized balance of lease incentives received. Lease cost for lease payments is recognized on a straight-line basis over the lease term. Finance lease ROU assets are amortized on a straight-line basis over the shorter of the lease term or the remaining useful life of the asset.

Accounting Policy election for short-term leases. The Organization has elected for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less, but greater than one month at lease commencement, and do not include an option to purchase the underlying asset that the Organization is reasonable certain to exercise. The Organization recognizes lease cost associated with its short-term leases on a straight-line basis over the lease term.

Lease Standard Implementation

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). FASB ASC 842 supersedes the lease requirements in FASB ASC 840. Under FASB ASC 842, lessees are required to recognize assets and liabilities on the balance sheet for most leases and provide enhanced disclosures. The Organization adopted FASB ASC 842, with a date of initial application of July 1, 2022, by applying the modified retrospective transition approach and using the additional (and optional) transition method provided by ASU No. 2018-11, Leases (Top 842): Targeted Improvements. The Organization did not restate prior comparative periods as presented under FASB ASC 840 and instead evaluated whether a cumulative effect adjustment to retained earnings as of July 1, 2022, was necessary for the cumulative impact of adoption of FASB ASC 842. The most significant effects of adopting FASB ASC 842 was the recognition of \$77,761 of operating lease ROU assets and a total of \$77,761 of current and long-term operating lease liabilities on the balance sheet as of July 1, 2022. No cumulative effect adjustment to retained earnings as of July 1, 2022, was

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

necessary. FASB ASC 842 did not have a significant effect on the results of operation or cash flows for the fiscal year ending June 30, 2023.

The Organization implemented new internal controls and key system functionality to enable the preparation of financial information on adoption and elected to apply the following practical expedients:

Package of practical expedients:

- Election not to reassess whether any expired or existing contracts are or contain leases.
- Election not to reassess the lease classification for any expired or existing leases.
- Election not to reassess initial direct costs on any existing leases.

Other practical expedients:

- Election whereby the lease and nonlease components will not be separated for leases of office space, warehouses, and vehicles.
- Election not to record ROU assets and corresponding lease liabilities for short-term leases with a lease term of 12 months or less, but greater than one month. Leases of one month or less are not included in short-term lease costs.

Compensated Absences

The liability for compensated absences, included in benefits payable, reported in the Statement of Financial Position consist of unpaid, accumulated annual leave balances. Vested or accumulated vacation and sick leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the fund that will pay it. Total accrued vacation and sick pay at June 30, 2023 amounted to \$49,092.

Income Taxes

The Board is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation. None of its present or future activities are anticipated to be subject to unrelated business income taxes; therefore no provision for federal or state income taxes is made in the financial statements.

Accounting Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from these estimates.

Functional Allocation of Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Budgets and Budgetary Accounting

Budgets are prepared in accordance with the requirements of the individual grants and as a cost control used by management.

Cost Allocation Plan

The Board has a plan to allocate indirect costs among funds based on labor hours charged to each grant. Other expenses are charged directly to funds, when possible.

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

New Accounting Pronouncement

In February 2016 FASB issued ASU 2016-02, *Leases (Topic 842)*. This update is to increase transparency and comparability in financial reporting by requiring balance sheet recognition of leases and note disclosure of certain information about lease arrangements.

In July 2021, FASB issued ASU 2021-05, *Leases (Topic 842): Lessors - Certain Leases with Variable Lease Payments*. This update requires that a lessor determine whether a lease should be classified as a sales-type lease or a direct financing lease at lease commencement on the basis of specified classification criteria.

In November 2021, FASB issued ASU 2021-09, *Leases (Topic 842): Discount Rate for Leases That Are Not Public Business Entities*. The update is to provide lessees that are not public business entities with more flexibility in how they determine the discount rate for their leases and make the risk-free rate election.

Note 2 - Liquidity and Reserves:

The following reflects the Organization's financial assets as of June 30, 2023, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations.

Financial assets at June 30, 2023:

Cash	\$ 491,374
Grants and other receivables	589,407
Less those unavailable for general expenditures within one year:	<u> -</u>
Financial assets available to meet cash needs for general expenditures within one year	<u><u>\$ 1,080,781</u></u>

As part of the entity's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Note 3 - Concentration of Credit Risk:

All accounts are insured by FDIC up to \$250,000. Deposits exceeded federally insured limits by \$343,705 as of June 30, 2023. Deposits that exceeded FDIC limits were fully collateralized, in accordance with standard banking practices throughout the fiscal year. However, the Corporation was not collateralized in accordance with generally accepted accounting principles.

Note 4 - Accounts Receivable:

As of June 30, 2023, grants and other receivables were composed of:

Competitive Strategies Receivable	\$ 410,321
YDD	142,281
Work Experience Receivable	31,672
Accounts receivable - other	<u>5,133</u>
Total	<u><u>\$ 589,407</u></u>

Accounts receivable are stated at the amount management expects to collect from outstanding balances. All accounts receivable are expected to be collected in full.

Accounts receivable are considered delinquent if uncollected after 30 days.

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

Note 5 - Leases - Lessee:

The Organization has obligations as a lessee for office space with initial noncancelable terms in excess of one year. The office space leases have an initial term of 2 years and are classified as operating leases. The Organization's leases do not include guaranteed residual values or restrictive financial, other covenants, or the option to purchase the leased asset.

Payments due under lease contracts include fixed payments. The Organization's office space leases do not require it to make any variable payments.

Other information related to leases as of or for the year ended June 30, 2023 are as follows:

Weighted-average remaining lease term (years):	
Operating leases	1 year
Weighted-average discount rate:	
Operating leases	2.84%

Future maturities of lease liabilities are presented in the following table, for the fiscal years ending June 30:

	Operating
2024	\$ 40,596

Note 6 - Defined Contribution Pension Plan:

The Board provides pension benefits for its eligible employees through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Board contributes a 3% match for Simple IRA contributions and a 3.5% match for ROTH IRA contributions. Employees generally become eligible to participate in the plan after a three month employment probationary period. Contributions are vested immediately, therefore no amounts were forfeited during the fiscal year.

The Board's total payroll for the fiscal year was \$394,769, all were eligible for pension benefits. The Board contributed \$12,514 to the plan during the fiscal year and employees contributed \$44,769.

Note 7 - Economic Dependency:

A material part of the Board's funding is dependent on contracts with the Oregon Office of Community Colleges and Workforce Development (CCWD). Although these are not formal continuing contracts that assure funding beyond the annual contract period, the Board has operated these contracts for a number of years. The current contract provides funding through June 30, 2023.

Note 8 - Related Party Transactions:

EOWB has entered into contracts with organizations whose management includes members of the EOWB Board of Directors or Eastern Oregon Jobs Council.

The following contracts were in effect during the year ended June 30, 2023:

Agency	Funding Title	Expense	Payable
Training and Employment Consortium	WIOA/NEG	\$ 2,775,778	\$ 628,355

Note 9 - Uncertain Tax Position:

The Board's federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitation on those tax returns. In general, the federal and state income tax returns have a three year statute of limitations. The Board would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provisions.

EASTERN OREGON WORKFORCE BOARD
Notes to Financial Statements

Note 10 - Subsequent Event:

Management has evaluated events through October 3, 2023 when the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements other than the item discussed above.

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**AUDIT DELIVERABLES REQUIRED
BY THE SINGLE AUDIT ACT OF
1996**

**Independent Auditors' Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed In Accordance with *Government Auditing Standards***

Board of Directors
Eastern Oregon Workforce Board
1215 Adams Ave., Suite B
La Grande, OR 97850

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Eastern Oregon Workforce Board (a nonprofit 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 October 3, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board's internal control. Accordingly, we do not express an opinion on the effectiveness of Eastern Oregon Workforce Board'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Eastern Oregon Workforce Board'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*.

Eastern Oregon Workforce Board's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on ABC Organization's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. ABC Organization's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne K. Roberts, CPA

La Grande, Oregon
October 3, 2023

Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Board of Directors
Eastern Oregon Workforce Board
1215 Adams Ave., Suite B
La Grande, OR 97850

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board's major federal programs for the year ended June 30, 2023. Eastern Oregon Workforce Board'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, Eastern Oregon Workforce Board 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).¹ 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 Eastern Oregon Workforce Board 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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 Eastern Oregon Workforce Board'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 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.

CONNECTED PROFESSIONAL ACCOUNTANTS, LLC
Certified Public Accountants

By Yvonne K. Roberts, CPA
Yvonne K. Roberts, CPA

La Grande, Oregon
October 3, 2023

**Eastern Oregon Workforce Board
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

<u>Program Title</u>	<u>Federal Assistance No.</u>	<u>Additional Award Information</u>	<u>Pass-Through Entity Contract Number</u>	<u>Federal Expenditures</u>	<u>Pass through to Subrecipient</u>
Department of Labor					
Passed through Department of Community Colleges and Workforce Development of the Higher Education Coordinating Commission:					
WIOA Cluster					
WIOA Adult Program Passed through to Training and Employment Consortium	17.258		21-010G	\$ 651,433	\$ - 530,786
WIOA Youth Activities Passed through to Training and Employment Consortium	17.259		21-010G	731,708	563,503
WIOA Dislocated Worker Formula Grants Passed through to Training and Employment Consortium	17.278		21-010G	395,397	382,115
Rapid Response Layoff Aversion Funds	17.278		21-010G	-	-
Total WIOA Cluster				<u>1,778,538</u>	<u>1,476,404</u>
WIOA National Dislocated Worker Grants-NEG Activities Passed through to Training and Employment Consortium	17.277	COVID-19	20-046G-001	15,811	-
WIOA National Dislocated Worker Grants-Employment Recovery Passed through to Training and Employment Consortium	17.277	COVID-19	20-046G-002	15,775	-
Total WIOA National Dislocated Worker				<u>31,586</u>	<u>-</u>
Department of Housing and Human Services					
Temporary Assistance for Needy Families Passed through to Training and Employment Consortium	93.558		PY 19 079G	49,037	- 44,921
Total expenditures of federal awards				<u>\$ 1,859,161</u>	<u>\$ 1,521,325</u>

**Eastern Oregon Workforce Board
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023**

Note A - Purpose of the Schedule:

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") is a supplementary schedule to Eastern Oregon Workforce Board's financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of Eastern Oregon Workforce Board, it is not intended to and does not present either the financial position, results of operations, or changes in net assets of Eastern Oregon Workforce Board.

Note B - Significant Accounting Policies:

Reporting Entity

The reporting entity is fully described in Note 1 to Eastern Oregon Workforce Board's basic financial statements. The Schedule includes all federal programs administered by Eastern Oregon Workforce Board for the year ended June 30, 2023.

Basis of Presentation

The accompanying Schedule includes the federal award activity of the Eastern Oregon Workforce Board under programs of the federal government for the year ended June 30, 2023. The information in the 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 Entity, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the entity.

Federal Financial Assistance

Pursuant to the Single Audit Act and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and, therefore, is reported on the Schedule, if applicable. Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between Eastern Oregon Workforce Board and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Single Audit Act and the Uniform Guidance establish criteria to be used in defining major programs. Major programs for Eastern Oregon Workforce Board are those programs selected for testing by the auditor using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Federal awards are reported using the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred.

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.

Insurance Coverage

For the fiscal year ended June 30, 2023, Eastern Oregon Workforce Board had insurance coverage in effect comparable to other entities of similar size and circumstance.

Indirect Cost Rate

Eastern Oregon Workforce Board has elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

**EASTERN OREGON WORKFORCE BOARD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023**

A. Summary of Audit Results

Financial Statements Audit

	Results
1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
Were significant deficiencies disclosed?	Yes
Of the significant deficiencies disclosed were any material weaknesses?	Yes
3. Did the audit disclose any noncompliance material to the financial statements?	No

Federal Awards

1. Type of auditor's report issued:	
<u>Major programs:</u>	
WIOA Cluster	Unmodified
WIA/WIOA Adult Program: CFDA #17.258	
WIA/WIOA Youth Activities: CFDA #17.259	
WIA/WIOA Dislocated Worker Formula Grants: CFDA #17.278	
2. Internal control over major programs:	
Were significant deficiencies disclosed?	No
Of the significant deficiencies disclosed were any material weaknesses?	N/A
3. Were any of the following disclosed in accordance with 2 CFR Section 200.516(a)?	
Significant deficiencies in internal control over major programs?	No
Material Noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to major programs?	No
Known questioned costs which are greater than \$25,000 for a type of compliance requirement for a major program?	No
Known questioned costs which are greater than \$25,000 for a federal program which is not audited as a major program?	No
4. The threshold for distinguishing Types A and B programs.	\$ 750,000
5. Auditee qualified as a low-risk auditee	Yes

B. Findings and Questioned Costs - Financial Statement Audit

2023-001:

Material Weakness

Entity staff rely on the auditors, to assist them in drafting the financial statements and related note disclosures.

Criteria

Auditing standards require auditors to assess the internal control system of the Entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's internal control system. Statements on Auditing Standards define the reporting requirements for internal control related matters. One aspect of this standard requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements.

EASTERN OREGON WORKFORCE BOARD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2023

Condition

The Entity relies on the auditor to assist them in drafting the financial statements. In addition, we verify the financial statements, including note disclosures, contain all of the elements required to comply with accounting principles generally accepted in the United States of America. We do believe the Entity has staff with the ability to understand, review, and take responsibility for the financial statements required to comply with independence standards outlined under both Government Auditing Standards and Section 1.2 of the Code of Professional Conduct. However, our assistance in drafting the financial statements described above does produce a material weakness in the Entity's internal control system.

Cause

This condition is caused by the Financial Director's limited experience in presenting financial information in the form of financial statements and the Entity's reliance upon the auditors to perform these functions.

Effect

Since the financial statements and related note disclosures are prepared by independent auditors annually there is no effect caused by this condition.

Context

Although the condition results in a material weakness, the reader should be aware that it is not unusual for an entity to rely on its auditors to assist them in drafting the financial statements and related note disclosures. This is a new finding this year due to change in staff.

Recommendations

We do not recommend any change in the preparation of the financial statements, but the Board of Directors should be aware of this control deficiency and stress the importance of thorough review of the financial statements prior to approval of the audit.

Views of Responsible Officials and Planned Corrective Action

The Board of Directors are in agreement with the condition and recommendation stated above. As recommended above, the Entity has not made any change in the preparation of the financial statements.

C. Federal Awards Findings and Questioned Costs

None noted as a result of our audit procedures.

EASTERN OREGON WORKFORCE BOARD
Schedule of Prior Audit Findings
For the Year Ended June 30, 2023

None noted as a result of our audit procedures.