Financial Statements
and Other Financial Information

WorkNet Pinellas, Inc.

Years ended June 30, 2023 and 2022
with Report of Independent Auditors

Thomas Howell Ferguson P.A.

Certified Public Accountants

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Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of WorkNet Pinellas, Inc. (the Organization) which comprise the statements of financial position as of June 30, 2023 and 2022, the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Organization, as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. 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 the Organization and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the Organization adopted new accounting guidance ASU No. 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 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.

Responsibilities of Management for the Financial Statements (continued)

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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibility 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 GAAS 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 consolidated financial statements.

In performing an audit in accordance with GAAS 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 of the Organization's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

Report on Summarized Comparative Information

We have previously audited WorkNet Pinellas, Inc.'s 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 16, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Organization's financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the schedule of findings and questioned costs relating to federal awards, and the summary schedule of prior audit findings are presented for purposes of additional analysis and are 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Thomas Howell Ferguson P.A.
Certified Public Accountants

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Organization's internal control over financial reporting and compliance.

Thomas Howell Ferguson P.A.

Tampa, Florida
November 3, 2023

WorkNet Pinellas, Inc.

Statements of Financial Position

	June 30, 2023	June 30, 2022
Assets		
Current assets:		
Cash and cash equivalents	**$ 1,409,179**	$ 1,430,010
Accounts receivable	**46,388**	3,025
Grants receivable	**359,982**	366,644
Prepaid expenses	**59,724**	49,373
Total current assets	**1,875,273**	1,849,052
Noncurrent assets:		
Restricted cash	**172,595**	137,238
Property and equipment, net	**-**	8,854
Leases, right-of-use-assets	**411,807**	-
Total noncurrent assets	**584,402**	146,092
Total assets	**$ 2,459,675**	$ 1,995,144
Liabilities and net assets		
Current liabilities:		
Accounts payable and accrued liabilities	**$ 793,951**	$ 633,551
Lease liabilities, current	**135,629**	-
Unearned grant revenue	**1,302**	137,014
Total current liabilities	**930,882**	770,565
Noncurrent liabilities:		
Lease liabilities, noncurent	**282,136**	-
Total liabilities	**1,213,018**	770,565
Net assets without donor restrictions	**1,246,657**	1,224,579
Total liabilities and net assets	**$ 2,459,675**	$ 1,995,144

See accompanying notes.

WorkNet Pinellas, Inc.

Statements of Activities and Changes in Net Assets

	Years ended June 30, 2023	2022
Revenues and support:		
Grants:		
Federal	**$ 9,221,292**	$ 7,501,208
Other revenue	**112,781**	88,340
Total revenues and support	**9,334,073**	7,589,548
Expenses:		
Program services:		
Workforce Innovation and Opportunity Act	**4,850,245**	3,399,739
Employment Services Programs	**1,136,818**	837,480
Supplemental Nutrition and Assistance	**372,179**	237,468
Trade Adjustment Assistance	**9,337**	38,137
Welfare Transition	**2,011,491**	1,910,396
Youthbuild	**-**	177,883
Other	**-**	487
Total program services	**8,380,070**	6,601,590
Supporting services:		
General and administrative	**968,475**	2,929,701
Total expenses	**9,348,545**	9,531,291
Interest income	**36,550**	7,772
Change in net assets	**22,078**	(1,933,971)
Net assets at beginning of year	**1,224,579**	3,158,550
Net assets at end of year	**$ 1,246,657**	$ 1,224,579

See accompanying notes.

WorkNet Pinellas, Inc.

Statements of Functional Expenses

	Years ended June 30, 2023			2022
	Program services	**General and administrative**	**Total**	**Total**
Salaries	**$ 2,785,308**	**$ 478,987**	**$ 3,264,295**	$ 2,558,365
Retirement	**131,297**	**20,380**	**151,677**	131,556
Payroll taxes and benefits	**891,695**	**100,512**	**992,207**	799,091
Staff training and education	**13,456**	**4,345**	**17,801**	48,446
Accounting and professional	**149,067**	**150,009**	**299,076**	328,371
Lobbying	**-**	**25,792**	**25,792**	35,245
Community outreach	**35,320**	**96**	**35,416**	37,078
License, dues, and other fees	**24,093**	**5,235**	**29,328**	30,805
Communications	**89,876**	**7,819**	**97,695**	91,746
Office expenses	**262,408**	**16,948**	**279,356**	176,746
Occupancy	**322,185**	**33,860**	**356,045**	377,041
Travel	**34,157**	**16,384**	**50,541**	20,284
Meetings and conferences	**8,309**	**5,456**	**13,765**	7,680
Other expense	**(14,933)**	**60,927**	**45,994**	7,681
Contract labor	**429,305**	**7,821**	**437,126**	599,864
Insurance	**87,921**	**20,935**	**108,856**	103,322
Service provider contracts	**373,521**	**-**	**373,521**	452,305
Customer training	**2,757,085**	**1,900**	**2,758,985**	1,836,987
Disallowed expenses	**-**	**2,215**	**2,215**	1,862,990
Depreciation and amortization	**-**	**8,854**	**8,854**	22,769
	$ 8,380,070	**$ 968,475**	**$ 9,348,545**	$ 9,528,372

See accompanying notes.

WorkNet Pinellas, Inc.

Statements of Cash Flows

	Years ended June 30, 2023	2022
Operating activities		
Change in net assets	**$ 22,078**	$ (1,933,971)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	**8,854**	22,769
Amortization of right-of-use asset	**5,958**	-
Changes in operating assets and liabilities:		
Accounts receivable	**(43,363)**	29,566
Grants receivable	**6,662**	(265,798)
Prepaid expenses	**(10,351)**	25,643
Accounts payable and accrued liabilities	**160,400**	(189,305)
Unearned grant revenue	**(135,712)**	(1,410)
Net cash provided by (used in) operating activities	**14,526**	(2,312,506)
Net increase (decrease) in cash and cash equivalents	**14,526**	(2,312,506)
Cash and cash equivalents at beginning of year	**1,567,248**	3,879,754
Cash and cash equivalents at end of year	**$ 1,581,774**	$ 1,567,248
Cash and cash equivalents consists of the following:		
Cash and cash equivalents	**$ 1,409,179**	$ 1,430,010
Restricted cash	**172,595**	137,238
	$ 1,581,774	$ 1,567,248

See accompanying notes.

1. Nature of Operations and Significant Accounting Policies

WorkNet Pinellas, Inc. is a not-for-profit corporation that was established on March 2, 2001, under the provisions of the Florida Corporations Not-For-Profit Law set forth in Chapter 617 of the Florida Statutes. The Organization was created in accordance with the Florida Workforce Innovation Act of 2000 to serve as the administrative entity for programs of the Local Workforce Development Board in Pinellas County. This public-private partnership supports and promotes economic growth through workforce development. The Local Workforce Development Board (the Board) consists of representatives of education, labor, economic development, organizations identified as one stop partners, and other individuals as appointed by the Pinellas County Board of County Commissioners (the County). Effective February 10, 2014 and July 7, 2014, WorkNet Pinellas, Inc. (the Organization) began doing business as CareerSource Pinellas. The CareerSource Pinellas rebranding was in coordination with Florida's Workforce System to have a unified brand state-wide. The Board is one of twenty-four Local Workforce Development Boards in the State of Florida providing for the development, planning, monitoring and administration of the following grants and programs:

- Temporary Assistance for Needy Families
- Wagner Peyser
- Disabled Veterans Outreach Program
- Local Veterans Employment Representative Program
- Workforce Innovation and Opportunity Act (WIOA) - Adult, Youth, and Dislocated Worker
- National Emergency Grants
- Reemployment Services and Eligibility Assessment
- Unemployment Insurance
- Trade Adjustment Assistance
- Youthbuild
- Supplemental Nutrition Assistance Programs

Support and revenue are obtained primarily from federal grants. The Board is responsible for developing and implementing an area plan and subgranting funds to direct providers of services.

Basis of Accounting

The Organization uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The significant accounting policies are described below.

1. Nature of Operations and Significant Accounting Policies (continued)

Basis of Presentation

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) *Audit and Accounting Guide for Not-for-Profit Organizations* (the Guide).

Contributions and Restricted Net Assets

Unconditional contributions are recognized when received and recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of the donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a 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. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as assets without donor restriction upon acquisition of the assets and the assets are placed in service.

The Organization historically does not receive contributions from donors. Primarily all of its funding is through grants, which must be expended on specified programs or activities. Cost reimbursement grants are recorded as revenue when the related expenses have been incurred. Other grants are recorded as support and revenue when earned. As of June 30, 2023 and 2022, all net assets of the Organization were without donor-imposed restrictions.

Donated Services

The Organization records donated services as revenues if either; (a) they create or enhance nonfinancial assets; or (b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services recorded during the years ended June 30, 2023 or 2022.

1. Nature of Operations and Significant Accounting Policies (continued)

Fair Value Measurements

The Organization applies the provisions of Financial Accounting Standards Boards (FASB) Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, for fair value measurements of financial assets and liabilities that are recognized at fair value in the financial statements on a recurring basis. Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumption about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

At June 30, 2023 and 2022, the Organization had no assets or liabilities subject to disclosure of fair value measurements related to the valuation levels hierarchy provided in FASB Statement No. 157.

Measure of Operations

The statements of activities reports all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Organization’s ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. There were no non-operating activities for the years ended June 30, 2023 and 2022.

Cash and Cash Equivalents

Cash consists of amounts on hand and amounts in demand deposits with financial institutions. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 per depositor, per FDIC-insured financial institution. Bank deposits at times may exceed federally insured limits. The Organization has not experienced any losses in such accounts.

For purposes of the statements of cash flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash.

Cash designated to fund accrued paid time off is classified as restricted cash in the accompanying statements of financial position.

1. Nature of Operations and Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable represents amounts due from employer services agreement, service provider contract, insurance reimbursements, refunds and other miscellaneous customers. Based on historical collections, management believes all receivables are fully collectible.

Property and Equipment

Property and equipment are recorded at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3 to 7 years for equipment and vehicles; 5 years for leasehold improvements, and 15 years for building improvements using the straight-line method. All expenditures of property and equipment less than $5,000 are expensed when purchased.

In the event of disposal of property and equipment acquired through expenditures of federal funds, the Organization may be required to return the property and equipment to the funding source or obtain its approval prior to disposal of the property and equipment. Additionally, the proceeds from any disposal of property and equipment may be required to be refunded to the respective funding source.

Accrued Leave

The Organization's employees are entitled to personal time off (PTO) which combines time off for personal, vacation, and sick leave. PTO is based on length of employment and other factors. PTO is accrued when earned. At June 30, 2023 and 2022, PTO of $201,925 and $152,436, respectively, is included as a component of accounts payable and accrued expenses in the statements of financial position.

Retirement Plan

The provision for pension costs is recorded on an annual basis. Pension costs are funded as they accrue.

1. Nature of Operations and Significant Accounting Policies (continued)

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations related to their leasing arrangements. The update requires lessees to recognize most leases on their balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Topic 842 also requires additional disclosure of key quantitative and qualitative information for leasing arrangements. Similar to the previous lease guidance, the update retains a distinction between finance leases (similar to capital leases in Topic 840, *Leases*) and operating leases, with classification affecting the pattern of expense recognition in the income statement. The Organization adopted Topic 842 on July 1, 2022, using the optional transition method to the modified retrospective approach, which eliminates the requirement to restate the prior-period financial statements. Under this transition provision, the Organization has applied Topic 842 to reporting periods beginning on July 1, 2022, while prior periods continue to be reported and disclosed in accordance with the Organization's historical accounting treatment under Topic 840, *Leases*.

The Organization elected the "package of practical expedients" under the transition guidance within Topic 842, in which the Organization does not reassess (1) the historical lease classification, (2) whether any existing contracts at transition are or contain leases, or (3) the initial direct costs for any existing leases. The Organization has not elected to adopt the "hindsight" practical expedient, and therefore will measure the ROU asset and lease liability using the remaining portion of the lease term upon adoption of ASC 842 on July 1, 2022.

The Organization determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the Organization obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The Organization also considers whether its service arrangements include the right to control the use of an asset.

The Organization made an accounting policy election available under Topic 842 not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease (or July 1, 2022, for existing leases upon the adoption of Topic 842). The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives. To determine the present value of lease payments, the Organization made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date (or remaining term for leases existing upon the adoption of Topic 842).

1. Nature of Operations and Significant Accounting Policies (continued)

Leases (continued)

Future lease payments may include fixed rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The Organization has made an accounting policy election to account for lease and non-lease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The non-lease components typically represent additional services transferred to the Organization, which are variable in nature and recorded in variable lease expense in the period incurred.

Adoption of Topic 842 resulted in the recording of additional ROU assets and lease liabilities related to the Organization's operating leases of approximately $545,000 at July 1, 2022. The adoption of the new lease standard did not materially impact combined net income or combined cash flows and did not result in a cumulative-effect adjustment to the opening balance of retained earnings.

Income Taxes

The Organization is a not-for-profit corporation under the laws of the state of Florida and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. The Organization believes that it has no liability for taxes with respect to unrelated business income. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities. As required by Internal Revenue Service regulations, the Organization annually files a Form 990, Return of Organization Exempt from Income Tax, with the Internal Revenue Service. With few exceptions, the Organization is no longer subject to examinations by major tax jurisdictions for years ended June 30, 2020, and prior.

The Organization follows Accounting Standards Codification Topic 740, *Income Taxes* (ASC 740). A component of this standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than not to be sustained upon examination by taxing authorities. The Organization's policy is to recognize interest and penalties associated with tax positions under this standard as a component of tax expense, and none were recognized since there was no material impact of the application of this standard for the year ended June 30, 2023.

1. Nature of Operations and Significant Accounting Policies (continued)

Revenue Recognition

Revenues and the related expenses of cost-reimbursement grant programs are recognized as allowable costs incurred (when the performance obligation has been met). Federal grant advances are classified as unearned revenue until expended for the intended purpose. Grants receivable relates to support earned but not yet received from federal sources.

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. Accordingly, actual results could differ from those estimates.

Functional Allocation of Expenses

The cost of providing the Organization's various programs and other supporting services have been summarized on a functional basis in the statement of activities. Direct expenses are charged directly to the related program. Certain costs which are directly shared have been allocated to programs based upon the relative benefits received. Expenses that are not directly identifiable with a specific program are allocated as indirect costs to benefiting programs based upon the rate approved by the U.S. Department of Labor. When it is impractical to directly allocate expenses, costs may be charged to a cost pool and then distributed to the ultimate benefitting cost center through the application of an appropriate allocation method. Employees document their work activities through personnel activity reports. The data is compiled each pay period and is used in allocating costs by full-time employees. This data is also used in allocating costs for all cost pools.

Subsequent Events

The Organization has evaluated subsequent events through November 3, 2023, the date the financial statements were available to be issued. During the period from June 30, 2023 to November 3, 2023, the Organization did not have any material recognizable subsequent events.

2. Available Resources and Liquidity

The Organization manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

2. Available Resources and Liquidity (continued)

The table below presents financial assets available for general expenditures within one year:

	June 30, 2023	June 30, 2022
Cash and cash equivalents	**$ 1,409,179**	$ 1,430,010
Accounts receivable	**46,388**	3,025
Grants receivable	**359,982**	366,644
Financial assets available to meet general expenditures within one year	**$ 1,815,549**	$ 1,799,679

3. Grants Receivable

Grants receivable is comprised of the following:

	June 30, 2023	June 30, 2022
Federal awards:		
U.S. Department of Health and Human Services		
Temporary Assistance to Needy Families	**$ 65,005**	$ 164,277
U.S. Department of Agriculture		
Supplemental Nutrition Assistance Program	**9,772**	9,444
U.S. Department of Labor		
Wagner Peyser	**138,429**	-
Disabled Veterans Outreach Program	**912**	311
Workforce Innovation and Opportunity Act (WIOA)		
WIOA Adult	**45,906**	-
WIOA Youth	**11,504**	164,024
WIOA Dislocated Worker	**37,078**	-
Trade Adjustment Assistance	**-**	3,852
Recovery Navigator Project	**16,320**	7,031
Reemployment Services and Eligibility Assessment	**35,056**	5,786
Youthbuild	**-**	11,919
	$ 359,982	$ 366,644

4. Property and Equipment

Property and equipment consists of the following:

	June 30, 2023	June 30, 2022
Equipment	**$ 130,698**	$ 130,698
Leasehold improvements	**67,859**	67,859
Vehicles	**-**	47,403
Total depreciable property and equipment	**198,557**	245,960
Less: accumulated depreciation	**198,557**	237,106
Total property and equipment, net	**$ -**	$ 8,854

Depreciation expense was $8,854 and $22,769 for 2023 and 2022, respectively.

5. Unearned Grant Revenue

Unearned grant revenue is comprised of the following grant awards:

	June 30, 2023	June 30, 2022
Federal Awards:		
U.S. Department of Labor		
Wagner Peyser	**$ -**	$ 37,158
WIOA Adult	**-**	92,311
Local Veterans Employment Representative	**105**	725
Rapid Response	**-**	6,820
Trade Adjustment Assistance	**1,197**	-
	$ 1,302	$ 137,014

The following table provides significant changes in unearned revenue:

	June 30, 2023	June 30, 2022
Unearned revenue, beginning of year	**$ 137,014**	$ 138,424
Net grant revenue recognized	**(135,712)**	(1,410)
Unearned revenue, end of year	**$ 1,302**	$ 137,014

6. Leases

The Organization leases facilities (workforce program offices and administrative office) and equipment (copiers and other office equipment) under cancelable and non-cancelable lease agreements. Pursuant to the original lease documents, the terms of the cancelable lease shall remain ongoing until cancelled by either party. The lessor or lessee shall have the right to terminate for any reason, without penalty, with one hundred eighty (180) days written notice.

6. Operating Leases (continued)

Operating lease cost is recognized on a straight-line basis over the lease term. The components of lease expense are as follows for the year ended June 30, 2023:

Facility lease cost	$ 128,625
Equipment lease cost	18,266
Total lease cost	$ 146,891

Supplemental balance sheet information related to leases is as follows as of June 30, 2023:

Operating leases:	
Operating lease right-of-use assets	$ 411,807
Operating lease liabilities, current	$ 135,629
Operating lease liabilities, non-current	282,136
Total operating lease liabilities	$ 417,765
Weighted-average remaining lease term:	
Operating leases	5 years
Weighted-average discount rate:	
Operating leases	3%

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the lease liabilities recognized on the balance sheet are as follows as of June 30, 2023:

Years ending June 30,	Operating Leases
2024	$ 146,567
2025	146,567
2026	115,559
2027	22,536
2028	7,512
Thereafter	-
Total lease payments	438,741
Less imputed interest	20,976
Total present value of lease liabilities	$ 417,765

7. Employees Pension Plan

Retirement Plan

The Organization provides a 401(k) Plan (the Plan). The Plan may provide two types of employer contributions, a non-elective contribution (NEC) and a matching contribution to eligible participants. The NEC is provided to all eligible employees regardless if the employee contributes to the Plan and equals 5% of the employee's eligible earnings. The matching contribution is only provided to those employees who elect to contribute to the Plan. During 2023 and 2022, the Organization elected to provide the NEC but not the matching contributions. Employer contributions were $151,677 and $131,556 for the years ended June 30, 2023 and 2022, respectively.

Benefit Stipend

The Organization provides regular full-time employees with a benefit stipend that allows employees to purchase approved company offered health and welfare benefits of their choice. For 2022-2023, the Board approved stipend was $12,580 per employee per year. The stipend totaled approximately $671,462 and $498,589 for the years ended June 30, 2023 and 2022, respectively.

8. Reconciliation of Schedule of Expenditures of Federal Awards Programs and the Statement of Activities to SERA

As required, the Organization regularly reconciles its financial records to the Subrecipient Enterprise Resource Application (SERA) which is maintained by the Florida Department of Economic Opportunity. As of June 30, 2023, no discrepancies were noted. Amounts expended on the Schedule of Expenditures of Federal Awards and revenues and expenses on the statement of activities were determined in accordance with the accrual basis of accounting.

	2023	2022
Total federal expenditures/grant revenue	**$ 9,221,292**	$ 7,501,208
Funds received directly from funding sources not reported in SERA		
Youthbuild	**-**	(201,170)
Total federal expenditures/grant revenue reported in SERA	**$ 9,221,292**	$ 7,300,038

9. Grants

Costs charged to federal programs under cost-reimbursement grants are subject to government regulatory audits. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements. The Organization receives a substantial amount of its support from federal agencies through various grants. Any significant reduction in the level of this support could have an effect on the Organization's programs.

10. Commitments and Contingencies

On May 15, 2019, the U.S. Department of Labor, Employment and Training Administration (ETA) issued its report on the "Compliance Review of CareerSource Tampa Bay and CareerSource Pinellas". In this report, the ETA documented seventeen findings regarding grant administration of Department of Labor Funds by the Florida Department of Economic Opportunity, CareerSource Tampa Bay and the Organization during the period July 1, 2013 through June 30, 2018. Included in these findings were questioned costs of $9,753,924 in WIOA funded on the job training payments, $5,449,113 in supportive services cards issued to WIOA participants, $2,031,866 in Business Service Staff incentives and $408,487 in salary related payments. Of this total of $17,643,410, approximately $5,557,469 related to funds administered by the Organization.

The Florida Department of Economic Opportunity, the direct recipient of the U.S. Department of Labor funds, in cooperation with the two CareerSource agencies formally responded to the findings on June 28, 2019 and subsequently requested technical assistance from ETA to fully address and resolve the findings. The Organization identified approximately $2.55 million in unrestricted funds that could be utilized to repay any final disallowed costs. Of the $2.55 million, the Department of Labor determined the Organization owed $1,862,990 to be repaid to the Department of Labor. The Organization repaid the full amount in April 12, 2022 and is currently evaluating if a portion of the repayment can be recovered through business insurance.

11. Related Party Transactions

In accordance with applicable regulations, the Organization's Board of Directors includes representatives of private and public sector industries. During the years ended June 30, 2023 and 2022, the Organization entered into contracts with certain private and public sector industries, with which board members are associated for the lease of premises and purpose of providing services to participants. Total payments for rent and providing services to participants during the years ended June 30, 2023 and 2022, were approximately $675,000 and $558,000, respectively, and accounts receivable (payable) at June 30, 2023 and 2022, were approximately $4,000 and $(6,000), respectively.

12. Future Consolidation of CareerSource Pinellas and CareerSource Tampa Bay

The Florida Workforce System Transformation Plan streamlines and modernizes the state's workforce system, enhancing alignment and accountability, serving job seekers and businesses more effectively, and improving outcomes for Floridians. Empowered by the state's Reimagining Education and Career Help (REACH) Act, the plan is focused around three pillars: Alignment and Consolidation, System-wide Improvements and Regional Planning. A reduction in the number of local workforce development boards was required by the REACH Act to minimize duplication, improve consistency and maximize resources to enhance outcomes for businesses and individuals, emphasizing a customer-focused approach. In May 2023, the Governor affirmed the recommendation provided by the CareerSource Florida Board of Directors to realign and consolidate 10 local workforce development areas as outlined in the Florida Workforce System Transformation Plan. These changes will affect 27 counties. Actions include the consolidation of CareerSource Pinellas and CareerSource Tampa Bay. By June 30, 2024, significant local actions should be taken to include:

- New local governance determined and in place.
- Interlocal agreements, consortiums, and new organizational structures that may reflect 501(c)(3) filings to establish nonprofits or other administrative structures such as governmental entities.
- Operational transitions mostly underway.

Other Reports and Supplementary Information

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors 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
WorkNet Pinellas, Inc.

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 WorkNet Pinellas, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated November 3, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report on Compliance and Other Matters

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

Purpose of This Report

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

Thomas Howell Ferguson P.A.

Tampa, Florida
November 3, 2023

Thomas Howell Ferguson P.A.
Certified Public Accountants

Report of Independent Auditors on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
WorkNet Pinellas, Inc.

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited WorkNet Pinellas, Inc.'s (the Organization) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Organization complied, in all material respects, with the 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 (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 Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Organization and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Organization's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Organization's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Organization's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 the Organization'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 the Organization's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of the Organization’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, no such opinion is expressed.

Thomas Howell Ferguson P.A.
Certified Public Accountants

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.

Thomas Howell Ferguson P.A.

Tampa, Florida
November 3, 2023

WorkNet Pinellas, Inc.

Schedule of Expenditures of Federal Awards

Year ended June 30, 2023

Federal / State Agency, Pass Through entity, Federal Program	CFDA No.	Pass-Through Entity Award Number, Contract/Grant No.	Expenditures	Transfers to subrecipients
FEDERAL AWARDS				
U.S. Department of Health and Human Services				
Passed through State of Florida, Department of Economic Opportunity:				
Temporary Assistance for Needy Families	93.558	WTS22, WTS23	$ 2,249,008	$ 13,090
Total U.S. Department of Health and Human Services			2,249,008	13,090
U.S. Department of Labor				
Passed through State of Florida, Department of Economic Opportunity:				
Employment Service Cluster				
Wagner Peyser	17.207	WPA22, WPA23, WPB21	1,000,677	18,557
Disabled Veterans Outreach Program	17.801	DVP22, DVP23	115,400	3,581
Local Veterans Employment Representative Program	17.801	LVR22, LVR23	18,771	745
Subtotal Employment Service Cluster			1,134,848	22,883
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA - Adult	17.258	WIA22, WIA23, WIS21, WIS23	1,977,398	1,582
WIOA - Youth	17.259	WIY22, WIS21, WIS23	1,333,984	326,762
WIOA - Dislocated Worker	17.278	WID22, WID 23, WIS21, WIS23, WIR22	1,747,886	3,089
Subtotal WIOA Cluster			5,059,268	331,433
Reemployment Services and Eligibility Assessment	17.225	UCR21, UCR22	353,119	2,134
Trade Adjustment Assistance	17.245	TAT20, TAT21, TAC20, TAC21	10,003	11
Subtotal Department of Labor Passed through Department of Economic Opportunity			6,557,238	356,461
Total U.S. Department of Labor			6,557,238	356,461
U.S. Department of Agriculture				
Passed through State of Florida, Department of Economic Opportunity:				
Supplemental Nutrition Assistance Program	10.561	FSH22, FSH23	415,046	2,283
Total U.S. Department of Agriculture			415,046	2,283
Total expenditures of Federal Awards			$ 9,221,292	$ 371,834

Note 1 - This Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal awards of WorkNet Pinellas, Inc. (the Organization) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

Note 2 - Expenditures reported on this Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - The Organization has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

See report of independent auditors.

WorkNet Pinellas, Inc.

Schedule of Findings and Questioned Costs

Year ended June 30, 2023

Section I -- Summary of Auditor's Results

<u>Financial Statements</u>

Type of auditor's report issued:	Unmodi
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified?	No
Noncompliance material to financial statements noted?	No

<u>Federal Awards</u>

Type of auditor's report issued on compliance for major federal programs?	Unmodi
Internal control over major federal programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	No
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)?	No

Identification of major programs:

CFDA Number	Name of Federal Program
93.558	Temporary Assistance for Needy Families
17.207, 17.801	Employment Service Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$750,0(
Auditee qualified as low risk auditee?	Yes

Section II -- Financial Statement Findings

We noted no matters involving internal control over financial reporting and its operation that we considered to be material weakne significant deficiencies and/or control deficiencies required to be reported in accordance with *Government Auditing Standards.*

Section III -- Federal Award Findings and Questioned Costs

This section identifies audit findings required to be reported by the 2 CFR 200.516(a) (for example, significant deficiencies, ma weaknesses, and material instances of noncompliance, including questioned costs), as well as any abuse findings involving federal award are material to a major program. We noted no such matters required to be reported in accordance with the provisions outlined above.

See report of independent auditors.

WorkNet Pinellas, Inc.

Summary Schedule of Prior Audit Findings

Year ended June 30, 2023

Prior Audit Findings and Questioned Costs

Finding Number	**Prior Audit Finding**
2022-001	U.S. Department of Labor 17.258, 17.259, 17.278 Workforce Innovation and Opportunity Act (WIOA) Cluster
	Condition : The test of the Organization's controls over compliance with eligibility compliance requirements resulted in one of 25 samples for which controls were not documented and as such co be determined to be in place.
	Auditor's Recommendation : The Organization should implement review procedures to ensure that p support is maintained to support the applicant's eligibility.
	Current Status : Corrective actions resolved.

See report of independent auditors.