

January 29, 2024

Board of Directors
Workforce Alliance of South Central Kansas, Inc.
300 W. Douglas Avenue
Wichita, Kansas 67202

Dear Members of the Board of Directors:

We have audited the financial statements of Workforce Alliance of South Central Kansas, Inc. (the "Organization") for the year ended June 30, 2023, and have issued our report thereon dated January 25, 2024. Professional standards require that we provide you with the following information related to our audit:

[Our Responsibility Under Auditing Standards Generally Accepted in the United States and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards \(Uniform Guidance\)](#)

As stated in our engagement letter dated June 6, 2023, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Organization's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance.

As part of obtaining reasonable assurance about whether the Organization's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with the Uniform Guidance, we examined, on a test basis, evidence about the Organization's compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the purpose of expressing an opinion on the Organization's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Organization's compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope, timing, and with respect to significant risks identified by us, all of which were previously communicated to your representative, Jeff Longwell, in our letter dated October 3, 2023, in addition to our engagement letter dated June 6, 2023, accepted by Keith Lawing.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Organization are described in Note 1 to the financial statements. As described in Note 1 to the financial statements, the Organization implemented accounting policy relating to leases due to the adoption of Accounting standards Update (ASU) No. 2016-02, *Leases* (Topic 842). No new accounting policies were adopted, and the application of existing policies was not changed during the year.

We noted no transactions entered into by the Organization during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the property and equipment valuation, grant award commitment, and noncancellable contract period for the right of use asset and lease obligation for operating leases.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgement, such uncorrected misstatements are immaterial to the financial statements under audit. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 25, 2024, a copy of which accompanies this letter.

Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

Other Matters

Supplementary Information Accompanying Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Other Information in Documents Containing Audited Financial Statements

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements.

Board of Directors
Workforce Alliance of South Central Kansas, Inc.
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January 29, 2024

We appreciate the opportunity to be of service to Workforce Alliance of South Central Kansas, Inc..

This communication is intended solely for the information and use of management, Board of Directors, others within the Organization, and federal awarding agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

Wipfli LLP

Wipfli LLP

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Workforce Alliance of South Central Kansas, Inc.

Wichita, Kansas

Financial Statements and
Supplementary Information

Year Ended June 30, 2023



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Workforce Alliance of South Central Kansas, Inc.

Year Ended June 30, 2023

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Independent Auditor's Report

Board of Directors
Workforce Alliance of South Central Kansas, Inc.
Wichita, Kansas

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Workforce Alliance of South Central Kansas, Inc., 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 accompanying financial statements referred to above present fairly, in all material respects, the financial position of Workforce Alliance of South Central Kansas, Inc. 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 ("GAAP").

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 Workforce Alliance of South Central Kansas, Inc. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, 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 Workforce Alliance of South Central Kansas, Inc.'s ability to continue as a going concern for 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 auditing standards generally accepted in the United States of America 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 auditing standards generally accepted in the United States of America 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 Workforce Alliance of South Central Kansas, Inc.'s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Workforce Alliance of South Central Kansas, Inc.'s ability to continue as a going concern for a reasonable period of time.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions 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 a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information 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 January 25, 2024 on our consideration of Workforce Alliance of South Central Kansas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Workforce Alliance of South Central Kansas, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Workforce Alliance of South Central Kansas, Inc.'s internal control over financial reporting and compliance.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

January 25, 2024

Workforce Alliance of South Central Kansas, Inc.

Statement of Financial Position

June 30, 2023

Assets	
Current assets:	
Cash	\$ 313,380
Funds held for others	96,716
Grants receivable	1,180,896
Related-party receivable	29,380
Prepaid expenses	118,076
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Total current assets	1,738,448
Other assets:	
Right of use lease assets - Operating	1,816,224
Right of use lease assets - Finance	77,539
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TOTAL ASSETS	\$ 3,632,211
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Liabilities and Net Assets	
Current liabilities:	
Current portion of operating lease liabilities	\$ 512,278
Current portion of finance lease liabilities	24,931
Accounts payable	495,236
Accrued payroll and related expenses	143,741
Compensated absences and related expenses	230,761
Funds held for others	96,716
Refundable advances	258,925
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Total current liabilities	1,762,588
Long-term liabilities:	
Operating lease liabilities, long term	1,310,777
Finance lease liabilities, long term	7,190
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Total liabilities	3,080,555
Net assets:	
Without donor restriction	391,656
With donor restriction	160,000
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Total net assets	551,656
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TOTAL LIABILITIES AND NET ASSETS	\$ 3,632,211

See accompanying notes to financial statements.

Workforce Alliance of South Central Kansas, Inc.

Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue:			
Grant revenue	\$ 8,025,524	\$ 0	\$ 8,025,524
Program income	58,769	0	58,769
Total revenue	8,084,293	0	8,084,293
Expenses:			
Program activities:			
Workforce Investment Program	3,473,011	0	3,473,011
Senior Community Services Employment Program	719,802	0	719,802
KEEP H-1B Grant	1,863,980	0	1,863,980
Regional Economic Area Partnership Program	236,407	0	236,407
Older Kansas Employment Program	107,157	0	107,157
RETAIN	254,697	0	254,697
Workforce Innovation Fund	161,205	0	161,205
Pathways	309,084	0	309,084
American Rescue Plan Program	201,122	0	201,122
Other programs	415,930	0	415,930
Total program activities	7,742,395	0	7,742,395
Management and general	410,803	0	410,803
Total expenses	8,153,198	0	8,153,198
Change in net assets	(68,905)	0	(68,905)
Net assets - Beginning of the Year	460,561	160,000	620,561
Net assets - End of the Year	\$ 391,656	\$ 160,000	\$ 551,656

See accompanying notes to financial statements.

Workforce Alliance of South Central Kansas, Inc.

Statement of Functional Expenses

Year Ended June 30, 2023

	Program	Management & General	Total
Expenses:			
Wages	\$ 3,071,637	\$ 188,799	\$ 3,260,436
Payroll taxes	233,998	12,671	246,669
Benefits	411,569	39,245	450,814
Rent	337,517	21,602	359,119
Security	43,328	556	43,884
Utilities	31,205	3,101	34,306
Insurance	20,549	12,417	32,966
Office supplies	21,579	1,625	23,204
Office equipment / furniture	79,018	1,507	80,525
Postage	625	109	734
Dues and subscriptions	32,788	3,338	36,126
Conference	38,997	25,072	64,069
Job fairs	15,552	0	15,552
Meetings	33,927	1,730	35,657
Outreach	94,771	8,484	103,255
Staff development	18,543	474	19,017
Travel	24,192	792	24,984
Contract services	171,779	122,712	294,491
Miscellaneous	31,525 (35,667) (4,142)
Depreciation expense	61,550	0	61,550
Interest expense	5,419	0	5,419
Incentives	23,552	0	23,552
Education and training	2,272,275	0	2,272,275
Supportive services	194,823	0	194,823
Subrecipient pass-thru	380,075 (587)	379,488
IT Supplies	8,338	81	8,419
IT Licenses	56,215	2,347	58,562
IT Contracts	27,049	395	27,444
Total expenses	\$ 7,742,395	\$ 410,803	\$ 8,153,198

See accompanying notes to financial statements.

Workforce Alliance of South Central Kansas, Inc.

Statement of Cash Flows

Year Ended June 30, 2023

Increase (decrease) in cash and funds held for others:	
Cash flows from operating activities:	
Change in net assets	(\$ 68,905)
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation	61,550
Non-cash operating lease expense	6,832
Changes in operating assets and liabilities:	
Grants receivable	(416,858)
Related-party receivable	17,594
Prepaid expenses	11,380
Accounts payable	77,288
Accrued payroll and related expenses	(95,847)
Compensated absences and related expenses	11,367
Funds held for others	(71,523)
Refundable advances	191,987
Net cash from operating activities	(275,135)
Cash flows from financing activities	
Principal payments on finance lease obligation	(85,135)
Net cash from financing activities	(85,135)
Change in cash and funds held for others	(360,270)
Cash and funds held for others - Beginning of the Year	770,366
Cash and funds held for others- End of the Year	\$ 410,096
Reconciliation of cash and funds held for others:	
Cash	\$ 313,380
Funds held for others	96,716
Total cash and funds held for others	\$ 410,096
Supplemental schedule of other cash activity:	
Cash paid for interest expense	\$ 4,126
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	\$ 554,731
Operating cash flows from finance leases	93,894
Supplemental disclosure of noncash operating activity:	
Right of use assets obtained in exchange for new finance lease liabilities	\$ 48,263

See accompanying notes to financial statements.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Workforce Alliance of South Central Kansas, Inc. (the "Organization") is a tax-exempt, nonprofit organization under Section 501(c)(3) of the Internal Revenue Code. The Organization incorporated in 2001 following the passage of the Workforce Investment Act (WIA) of 1998. As the Local Workforce Investment Board (LWIB) for Butler, Cowley, Harper, Kingman, Sedgwick, and Sumner counties in the state of Kansas, the primary duties of the Organization are to manage federal job training funds, operate One-Stop Workforce Centers and coordinate the public workforce system in South Central Kansas. The Workforce Innovation and Opportunity Act (WIOA) became effective July 1, 2015, and replaces WIA. The LWIB transitioned to the Local Workforce Development Board (LWDB) on that date and continues to operate programs and One-Stop centers across South Central Kansas.

The Organization's services are funded primarily through WIA/WIOA. A significant reduction in the level of this support could have an adverse effect on the Organization's programs and services. Approximately 82% of grant funding is direct from the United States Department of Labor and federal pass-through funds received from the State of Kansas Department of Commerce.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

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

Funds Held for Others

The Organization manages activities associated with the Regional Economic Area Partnership (REAP) program. The cash is held separately in a cash account with a corresponding liability as ownership of the funds rests with the REAP organization. Neither the receipt nor the disbursement of REAP funds are recognized as an operating activity in the Organization's financial statements as the Organization is acting as the fiscal agent.

Related-Party Receivable

Related-party receivable represents costs shared with partner agencies for office spaces and other services that were requested for reimbursement. No estimate is made for doubtful receivables, as the Organization believes they are fully collectible.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Property and Equipment

Property and equipment for which title passes to the Organization is capitalized and stated at cost. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in operations for the period. The cost of maintenance and repairs is charged to operations as incurred. Depreciation is provided by straight-line method over the estimated useful lives of the assets. Due to adoption of ASC 842, capital leases has been accounted as finance leases and hence net book value of grant-funded property and equipment is \$0 and net book value of right of use lease assets, finance is \$77,539 as of June 30, 2023.

Classification of Net Assets

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Net assets without donor restrictions: Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Net assets with donor restrictions: Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, net assets with donor restrictions are transferred to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Revenue Recognition

Contributions, including promises to give, are considered conditional or unconditional, depending on the nature and existence of any donor or grantor conditions. A contribution or promise to give contains a donor or grantor condition when both of the following are present:

- An explicit identification of a barrier, that is more than trivial, that must be overcome before the revenue can be earned and recognized
- An implicit right of return of assets transferred or a right of release of a donor or grantor's obligation to transfer assets promised, if the condition is not met.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Conditional contributions are recognized when the barrier(s) to entitlement are overcome. Unconditional contributions are recognized as revenue when received.

Unconditional contributions or conditional contributions in which the conditions have been substantially met or explicitly waived by the donor are recorded as support with or without donor restrictions, depending on the existence and nature of any donor restrictions. When a restriction expires, 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. If a restriction is satisfied in the year of contribution, the program contribution is recorded as without donor restrictions.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards That Are Contributions

Grant awards that are contributions are evaluated for conditions and recognized as revenue when conditions in the award are satisfied. Unconditional awards are recognized as revenue when the award is received. Amounts received in which conditions have not been met are reflected as refundable advances.

B. Grant Awards That Are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed. Amounts received in excess of those earned are reflected in the statement of financial position as a contract liability.

Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from Federal and Kansas income taxes.

The Organization is required to assess whether it is more likely than not that a tax position will be sustained upon examination on the technical merits of the position assuming the taxing authority has full knowledge of all information. If the tax position does not meet the more likely than not recognition threshold, the benefit of that position is not recognized in the financial statements. The Organization has determined there are no amounts to record as assets or liabilities related to uncertain tax positions.

Cost Allocation

Direct costs that can be identified specifically with a final cost objective are directly charged to the program benefited. Joint costs are allocated to benefiting programs using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all of the

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Cost Allocation (Continued)

Organization's programs, which cannot be readily identified with a final cost objective.

Functional Expenses

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

Adoption of New Accounting Policy

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases* (Topic 842). ASU No. 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases on the statement of financial position. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases.

The Organization adopted this guidance for the year June 30, 2023, with modified retrospective application to July 1, 2022, through a cumulative effect adjustment. The Organization has elected the package of practical expedients permitted in ASC Topic 842.

Accordingly, the Organization accounted for its existing operating leases as operating leases and capital leases as finance leases under the new guidance, without reassessing (a) whether the contracts contain a lease under ASC Topic 842, (b) whether the classification of the leases would be different in accordance with ASC Topic 842, or (c) whether any unamortized initial direct costs before transition adjustments (as of July 1, 2022) would have met the definition of initial direct costs in ASC Topic 842 at lease commencement. Similarly, the Organization did not reassess service contracts evaluated for lease treatment under ASC Topic 840 for embedded leases under ASC Topic 842.

As a result of the adoption of the new lease accounting guidance, the Organization recognized the following right-of-use (ROU) assets and lease liabilities as of July 1, 2022:

ROU assets - Operating leases	\$ 2,318,962
ROU assets - Finance leases	76,695
Lease obligation - Operating leases	\$ 2,318,962
Lease obligation - Finance leases	76,695

This standard did not have a material impact on the Organization's net assets or cash flows from operations and had an immaterial impact on its operating results. The most significant impact was the recognition of the ROU assets and lease obligations for operating and finance leases.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

ASC 842 Lease Accounting

The Organization is a lessee in multiple noncancelable operating and financing leases. If the contract provides the Organization the right to substantially all the economic benefits and the right to direct the use of the identified asset, it is considered to be or contain a lease. ROU assets and lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the expected lease term. The ROU asset is also adjusted for any lease prepayments made, lease incentives received, and initial direct costs incurred.

The lease liability is initially and subsequently recognized 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 a rate. Increases (decreases) to variable lease payments due to subsequent changes in an index or rate are recorded as variable lease expense (income) in the future period in which they are incurred.

The ROU asset for operating leases is subsequently measured throughout the lease term at the amount of the remeasured lease liability (i.e., 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, and any impairment recognized. The ROU asset for finance leases is amortized on a straight line basis over the lease term. For operating leases with lease payments that fluctuate over the lease term, the total lease costs are recognized on a straight line basis over the lease term.

For all underlying classes of assets, the Organization has elected to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement and do not include an option to purchase the underlying asset that the Organization is reasonably certain to exercise. Leases containing termination clauses in which either party may terminate the lease without cause and the notice period is less than 12 months are deemed short-term leases with lease costs included in short-term lease expense. The Organization recognizes short-term lease cost on a straight line basis over the lease term.

The Organization made an accounting policy election for all underlying classes of assets to not separate the lease components of a contract and its associated non-lease components.

Subsequent Events

The Organization have evaluated events and transactions for potential recognition or disclosure in the financial statements through January 25, 2024, which is the date the financial statements were available to be issued.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 2: Liquidity and Availability of Financial Resources

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, without one year of the statement of financial position, are comprised of the following at June 30, 2023:

Cash	\$ 313,380
Grants receivable	1,180,896
Related party receivable	29,380
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Subtotal financial assets	1,523,656
Less - Current liabilities	(1,128,663)
Less - Net assets with donor restrictions	(160,000)
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Total	\$ 234,993
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The Organization does not have a formal liquidity policy but generally maintains financial assets in liquid form such as cash. The Organization can rely on a lower cash balance as it is primarily funded with cost reimbursement grants. Under cost reimbursement grants, once expenses are incurred, an organization can request reimbursement from the funding source (see Note 8).

Note 3: Cash and Investments

The Organization maintains its cash in bank deposits that, at times, may exceed federally insured limits. The Organization has not experienced any losses in such accounts. The Organization believes it is not exposed to any significant credit risk on cash deposits. The following table represents the detail cash balances, as of June 30, 2023:

Bank account:	
WIOA cash	\$ 28,041
Non-Federal cash	285,339
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Total bank accounts	313,380
<hr/>	
Funds held for others:	
REAP	91,548
Flexible spending-employees	5,168
<hr/>	
Total funds held for others	96,716
<hr/>	
Total cash	\$ 410,096
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Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 4: Grants Receivable

Grants receivable represents reimbursable expenditures incurred and accrued for WIOA program and other grant funds. Management does not believe that estimate for doubtful receivables would be necessary since such funds are awarded by the federal, state, and other local governments and are expected to be fully reimbursed. As of June 30, 2023, the Organization reported the following outstanding receivables:

Kansas Department of Commerce	\$	154,260
U.S. Department of Labor		248,848
Partners 4 Work		239,654
Midwest Urban Strategies		190,555
Other		347,579
<hr/>		
Total	\$	1,180,896

Note 5: Leases

The Organization leases various office space and copiers for operation of its programs. Some of the leases entered into include one or more options to renew. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases. Renewal option periods are included in the measurement of the ROU asset and the lease liability when the exercise is reasonably certain to occur.

The depreciable life of assets and leasehold improvements are limited by the expected lease term, unless there is a transfer of title or purchase option reasonably certain of exercise.

Components of lease expense were as follows for the year ended June 30, 2023:

Finance lease cost		
Interest	\$	1,183
Amortization of right-of-use asset		92,872
<hr/>		
Subtotal		94,055
Operating lease cost		561,562
<hr/>		
Total lease cost	\$	655,617

The weighted-average of the remaining lease terms and weighted average discount rates are as follows for the year ended June 30, 2023:

Weighted-average remaining lease term - Operating leases	3.6 years
Weighted-average remaining lease term - Finance leases	0.9 years
Weighted-average discount rate - Operating leases	2.87%
Weighted-average discount rate - Finance leases	1.80%

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 5: Leases (Continued)

Maturities of lease liabilities are as follows as of June 30, 2023:

	Operating Leases	Finance Leases
2024	\$ 556,647	\$ 24,533
2025	564,729	8,962
2026	395,457	0
2027	401,583	0
Total lease payments	1,918,416	33,495
Less: Imputed Interest	(95,361)	(1,374)
Subtotals	1,823,055	32,121
Less: Current portion	512,278	24,931
Long-term portion	\$ 1,310,777	\$ 7,190

Note 6: Retirement Plan

The Organization has a 403(b) plan covering substantially all employees. The Organization matches 100% of employee contributions up to a maximum of 3% of compensation once employed for six months. The Organization contributed \$70,544 to this Plan for the year ended June 30, 2023.

Note 7: Related Parties

During the year ended June 30, 2023, the Organization entered into contracts for training services with the following entities. Officials of these entities also served as board members for the Organization, through June 30, 2023. The contracts were awarded through a competitive bid process and the Organization's policies were strictly followed. The board members of the Organization were not involved in the selection process and no special consideration was given in awarding the contracts.

Workforce Alliance of South Central Kansas, Inc.

Notes to Financial Statements

Note 7: Related Parties (Continued)

During the year ended June 30, 2023, the following amounts are reported in the Organization's financial statements:

	Expenses
Wichita Area Technical College	\$ 400,026
Cerebral Palsy Research Foundation	137,068
Butler Community College	107,422
Spirit AeroSystems	174,400
Evergy	27,420
Wichita Chamber of Commerce	42,463
Cowley Community College	50,821
Keycentrix	44,600
City of Wichita	11,774
Creekstone Farms	10,794
Flagship Kansas Tech	500
Total	\$ 1,007,288

Note 8: Grant Award Commitments

At June 30, 2023, the Organization had received future funding commitments under various grants. The remaining unspent amount of these commitments is approximately \$9,330,000. These commitments are not recognized in the accompanying financial statements as revenue and receivables as they are conditional awards.

Note 9: Net Assets with Donor Restriction

Net assets with donor restrictions at June 30, 2023 were \$160,000, which were restricted for the RoadTrip Nation program.

Supplementary Information

Workforce Alliance of South Central Kansas, Inc.

Schedule A-1

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	AL Number	Pass-Through Entity Identifying Number	Program Year	Passed Through to Subrecipients	Federal Expenditures
U.S. DEPARTMENT OF LABOR					
Passed through Kansas Department of Commerce					
Employment Service Cluster					
Employment Service - RETAIN	17.207	FY22-RETAIN2-004	05/17/21-05/16/25	\$ 0	\$ 254,697
Senior Community Service Employment	17.235	PY22-SCSEP-004	07/01/22-06/30/23	2,316	761,577
WIOA Cluster					
WIOA Adult Program	17.258	FY22-A-004	10/01/21-06/30/23	6,001	99,080
WIOA Adult Program	17.258	PY22-A-004	07/01/22-06/30/24	13,775	254,649
WIOA Adult Program	17.258	FY23-A-004	10/01/22-06/30/24	62,224	902,190
Total Federal Expenditures - AL 17.258				82,000	1,255,919
WIOA Youth Program	17.259	PY21-Y-004	04/01/21-06/30/23	14,495	501,990
WIOA Youth Program	17.259	PY22-Y-004	04/01/22-06/30/24	67,453	1,064,772
Total Federal Expenditures - AL 17.259				81,948	1,566,762
WIOA Dislocated Worker Program	17.278	FY22-DW-004	10/01/21-06/30/23	13	29,899
WIOA Dislocated Worker Program	17.278	PY22-DW-004	07/01/22-06/30/24	1,749	142,180
WIOA Dislocated Worker Program	17.278	FY23-DW-004	10/01/22-06/30/24	16,797	371,798
WIOA Dislocated Worker Program	17.278	FY22-RR-004	10/01/21-09/30/22	75	4,034
WIOA Dislocated Worker Program	17.278	FY23- RR-004	10/01/22-09/30/23	328	19,992
Total Federal Expenditures - AL 17.278				18,962	567,903
Total Federal Expenditures - WIOA Cluster (AL 17.258, 17.259, 17.278)				182,910	3,390,584
Direct Funding					
H-1B Job Training (KAMP)	17.268	HG-35909-21-60-A-20	02/01/21-01/31/25	135,419	1,863,980
Passed through Midwest Urban Strategies					
Pathway Home Grant Program	17.270	WA-PE-35039-20-60-A-55	07/01/20-12/31/23	0	309,084
Direct Funding					
National Emergency Grant - DWG	17.277	DW-34833-20-60-A-20	01/01/20-12/31/22	1,715	156,140
Passed through Partners 4 Work					
Midwest Urban Strategies - DWG	17.277	WA-DW-37016-21-60-A-55	09/24/21-09/23/23	0	295,311
Total Federal Expenditures - AL 17.277				1,715	451,451
Passed through Kansas Department of Commerce					
Work Based Learning	17.283	FY22-SSA-004	01/01/22-12/31/22	0	18,405
Work Based Learning	17.283	FY-23-WBL-004	07/01/22-06/30/23	1,372	142,800
Total Federal Expenditures - AL 17.283				1,372	161,205
TOTAL U.S. DEPARTMENT OF LABOR				323,732	7,192,578
U.S. DEPARTMENT OF TREASURY					
Passed through The City of Wichita Housing and Community Services Department					
COVID-19 American Rescue Plan Program	21.027	(not provided)	07/05/22-01/31/27	45,070	201,122
TOTAL U.S. DEPARTMENT OF TREASURY				45,070	201,122
TOTAL FEDERAL AWARDS				\$ 368,802	\$ 7,393,700

See Independent Auditor's Report
See Notes to Schedule of Expenditures of Federal Awards

Workforce Alliance of South Central Kansas, Inc.

Schedule A-2

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2023

Notes to the Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Workforce Alliance of South Central Kansas, Inc. under programs of the federal government for the year ended June 30, 2023. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Workforce Alliance of South Central Kansas, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Workforce Alliance of South Central Kansas, Inc.

Note 2 - Summary of Significant Accounting Policies

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

Note 3 - Indirect Cost Rate

Workforce Alliance of South Central Kansas, Inc. did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditor's Report

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

Board of Directors
Workforce Alliance of South Central Kansas, Inc.
Wichita, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Workforce Alliance of South Central Kansas, Inc. (a nonprofit organization), which comprises the statement of financial position as of June 30, 2023, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Workforce Alliance of South Central Kansas, Inc.'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 Workforce Alliance of South Central Kansas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Workforce Alliance of South Central Kansas, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies in internal control, such that there is 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 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 weakness. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

January 25, 2024

Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Workforce Alliance of South Central Kansas, Inc.
Wichita, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Workforce Alliance of South Central Kansas, Inc.'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 its major federal programs for the year ended June 30, 2023. Workforce Alliance of South Central Kansas, Inc.'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, Workforce Alliance of South Central Kansas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Workforce Alliance of South Central Kansas, Inc.'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 Workforce Alliance of South Central Kansas, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America, *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 Workforce Alliance of South Central Kansas, Inc.'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 Workforce Alliance of South Central Kansas, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Workforce Alliance of South Central Kansas, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Workforce Alliance of South Central Kansas, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Wipfli LLP

Wipfli LLP

Madison, Wisconsin

January 25, 2024

Workforce Alliance of South Central Kansas, Inc.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued Unmodified

Internal control over financial reporting:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? None reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

 Material weakness(es) identified? yes no

 Significant deficiency(ies) identified? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance [2 CFR 200.516(a)]? yes no

Identification of major federal programs:

<u>AL Number</u>	<u>Name of Federal Program or Cluster</u>
17.235	Senior Community Services employment Program
17.258, 17.259, 17.278	WIOA Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

Federal \$750,000

Auditee qualified as low-risk auditee? Yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Year Findings

None