WACOSA

Audit Presentation – Year Ending December 31, 2022

CPAs | CONSULTANTS | WEALTH ADVISORS

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Results of Professional Services

Identified Significant / Fraud Risks/Transactions

- Revenue Recognition
- Management Override of Controls
- New Lease Standard Adoption
- Transition of Executive Director

Audit Adjustments

- A few minor audit adjustments

Other Matters

- Finance department was very timely with our audit requests, especially in a hybrid environment
- Restricted donations need to be in writing
- Endowment fund descriptions update for consistency with board-designated and permanently restricted terminology
- Obtain SOC 1 report from investment company

Deliverables

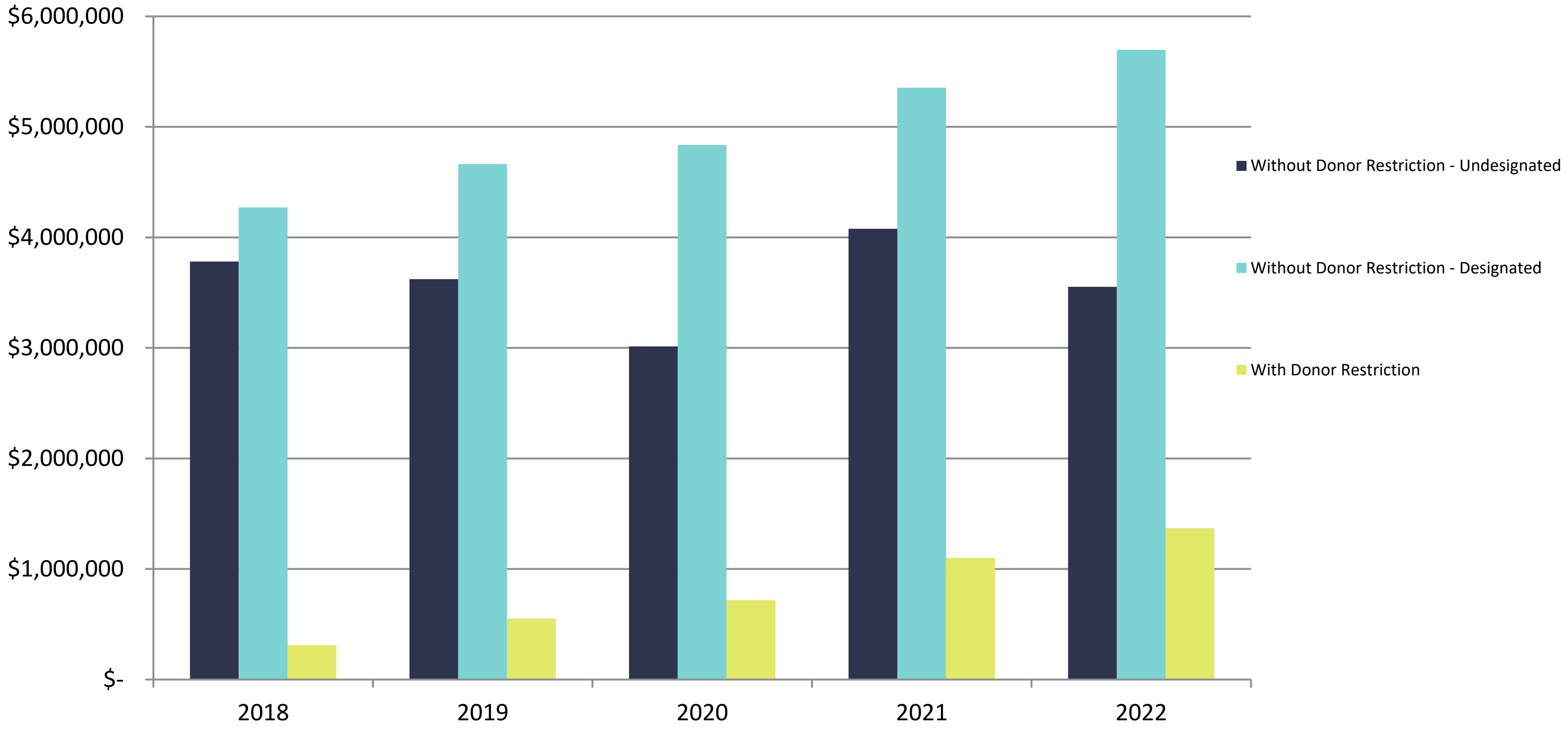
Report on the Financial Statements

Internal Control Communication

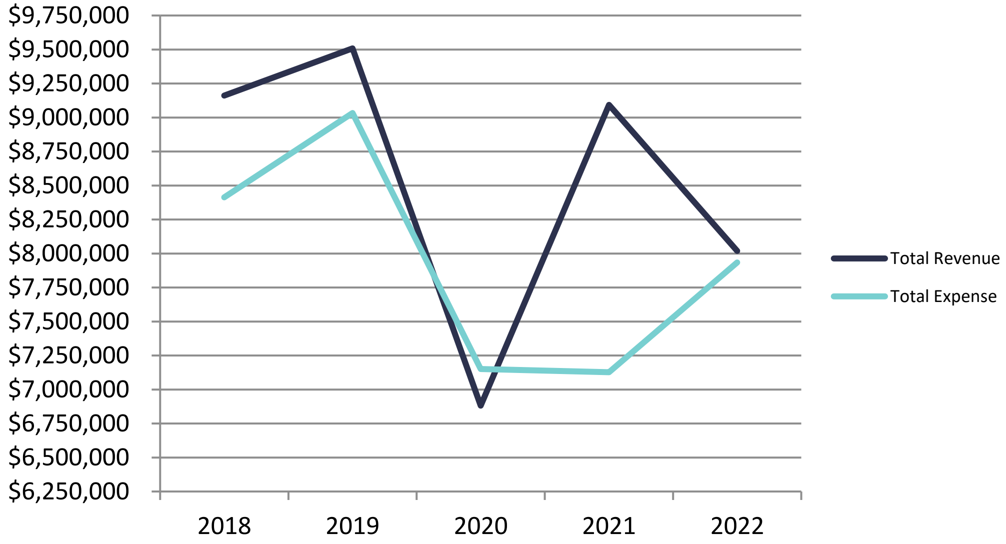
Form 990 and State Filing

(To be completed once audit is finished)

Net Asset Composition



Revenue and Expense



Year	Total Revenue	Total Expense
2018	$ 9,160,933	$ 8,413,060
2019	$ 9,507,803	$ 9,033,608
2020	$ 6,881,694	$ 7,151,179
2021	$ 9,092,645	$ 7,127,905
2022	$ 8,018,974	$ 7,933,902

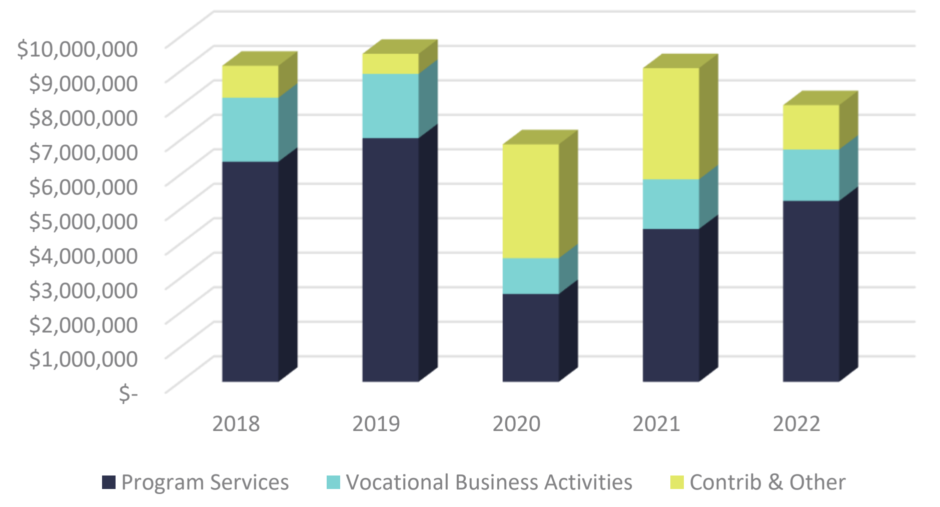
Highlights

*Decrease in revenue from 2021 to 2022 is primary related to the PPP Loan Forgiveness and Employee Retention Credit revenue from 2021 amounting to $2.3 million that did not occur in 2022. This was partially offset by Provider Relief Funding of $861k received in 2022 along with an increase in Medical Assistance Per Diem ($812k) due to bringing more clients back.

*Overall contract revenue also increased by $51K. This is also related to bringing more clients back and price adjustments.

*Increase in expenses from 2021 to 2022 is primarily due to Staff Salary increases during 2022 along with an increase in program expenses due to increased activity and bringing clients back.

Revenue Composition



	Program Services	Vocational Business Activities	Contrib & Other	Total Revenue
2018	$ 6,376,871	$ 1,857,900	$ 926,162	$ 9,160,933
2019	$ 7,062,068	$ 1,864,548	$ 581,187	$ 9,507,803
2020	$ 2,541,939	$ 1,036,901	$ 3,302,854	$ 6,881,694
2021	$ 4,426,959	$ 1,440,657	$ 3,225,029	$ 9,092,645
2022	$ 5,240,895	$ 1,491,671	$ 1,286,408	$ 8,018,974

Highlights

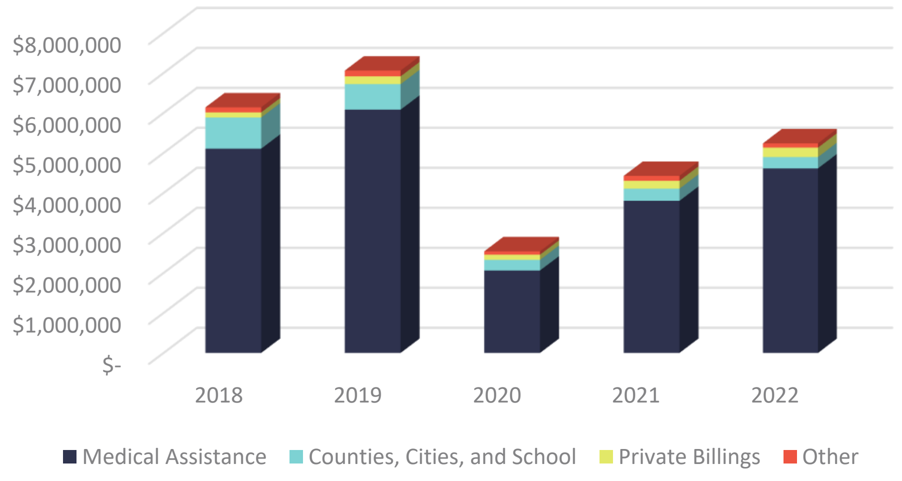
*Shift in revenue breakdown is relatively consistent in 2018 and 2019. 2022 getting back closer to previous year

*From 2019 to 2020 the revenue breakdown shifted. This is primarily due to the impact of the COVID-19 pandemic:
^Program Service Revenue: Shutdown for partial year starting in March and gradual reopening thereafter causing a decrease.
^Contributions and Other: Increase in COVID-19 related grants, contributions and other including: PPP loan forgiveness, Provider Relief Funding and various county grants.

*From 2020 to 2021 the revenue breakout shifted again.
^Program Service Revenue: Due primarily to the increase in Medical Assistance Per Diem revenue due to bringing more clients back.
^Contributions and Other: Continued support from PPP loan forgiveness, and Employee Retention Credit.

*From 2021 to 2022 the revenue breakout is relatively consistent outside of contributions & other.
^Contributions and Other: Decrease due to PPP Loan Forgiveness and Employee Retention Credit received in 2021 but not 2022partially offset by Provider Relief Funding received in 2022.

Program Service Revenue



	Medical Assistance	Counties, Cities, and School	Private Billings	Other
2018	$ 5,108,292	$ 779,820	$ 127,072	$ 126,066
2019	$ 6,084,814	$ 636,992	$ 196,927	$ 143,335
2020	$ 2,061,725	$ 266,230	$ 128,392	$ 85,592
2021	$ 3,802,961	$ 304,133	$ 198,184	$ 121,681
2022	$ 4,614,526	$ 282,579	$ 236,819	$ 106,971

Highlights

*Shift in revenue breakdown is relatively consistent in 2018 and 2019

*From 2019 to 2020 the revenue breakdown shifted. This is primarily due to the impact of the COVID-19 pandemic and the related closures:

^Medical Assistance decreased approx. $4,000,000
^Counties, Cities School decreased approx. $370,000
^Private Billings decreased approx. $68,000
^Other (DEED State Grant income) decreased approx. $58,000

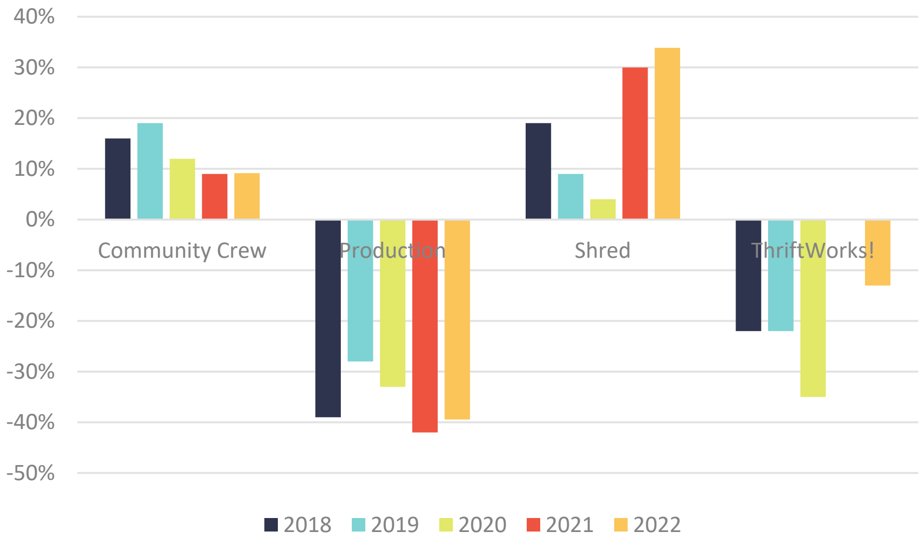
*From 2020 to 2021 the revenue breakout shifted again.

^The year of rebuilding
^ Medical Assistance increased approx. $1,700,000
^Counties, Cities School increased approx. $37,000
^Private Billings increased approx. $70,000
^Other (DEED State Grant income) increased approx. $36,000

*From 2021 to 2022 the revenue breakout is relatively consistent.

^Another year of rebuilding
^ Medical Assistance increased approx. $812,000
^Counties, Cities School decreased approx. $22,000
^Private Billings increased approx. $39,000
^Other (DEED State Grant income) decreased approx. $15,000

Vocational Revenue Profit Margins



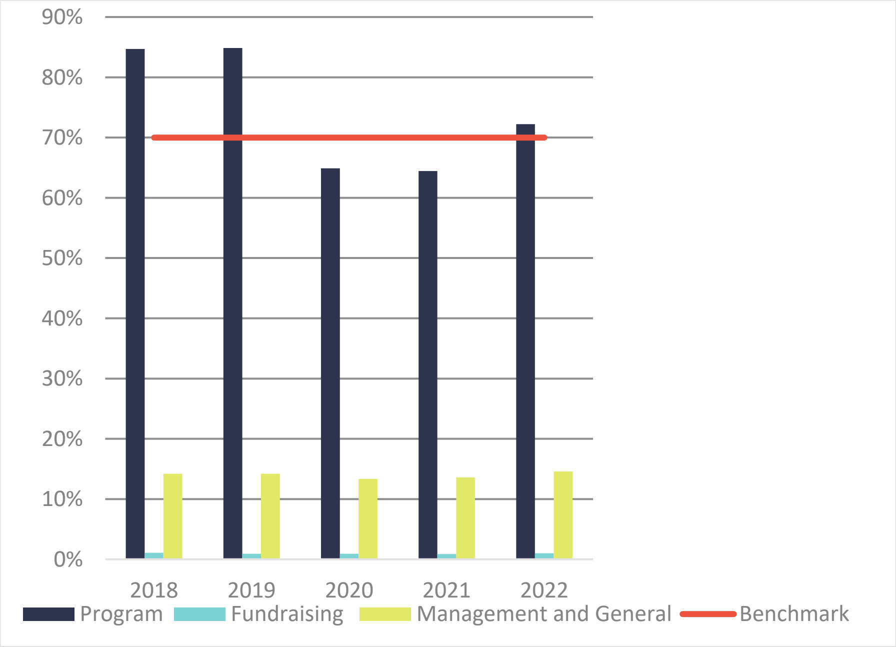
	2018	2019	2020	2021	2022
Community Crew	16%	19%	12%	9%	9%
Production	-39%	-28%	-33%	-42%	-39%
Shred	19%	9%	4%	30%	34%
ThriftWorks!	-22%	-22%	-35%	0%	-13%

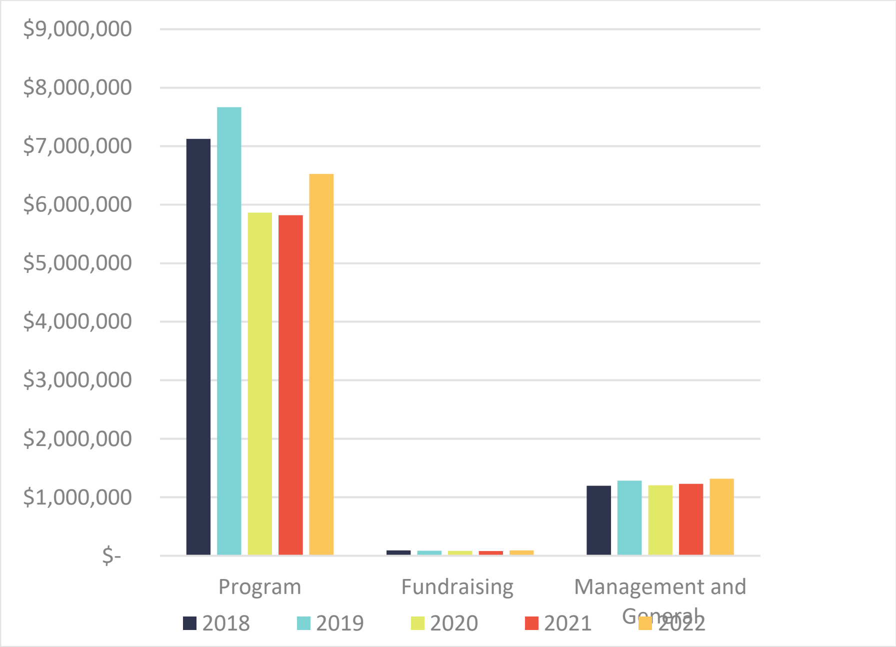
Expense Composition Table

Total Dollars per Category						
	Staff Wages/Ben	Client Wages/Ben	Bldg/Equip	Transp	Dep/Amort	Other
2019	$ 6,287,970	$ 1,046,239	$ 465,750	$ 449,334	$ 413,484	$ 370,831
2020	$ 5,420,786	$ 399,765	$ 419,306	$ 198,754	$ 414,684	$ 297,884
2021	$ 5,006,100	$ 665,233	$ 431,637	$ 336,167	$ 379,637	$ 309,131
2022	$ 5,595,429	$ 692,385	$ 487,818	$ 443,481	$ 328,464	$ 386,325

Total Category as a Percentage of Revenue						
	Staff Wages/Ben	Client Wages/Ben	Bldg/Equip	Transp	Dep/Amort	Other
2019	66%	11%	5%	5%	4%	4%
2020	79%	6%	6%	3%	6%	4%
2021	55%	7%	5%	4%	4%	3%
2022	70%	9%	6%	6%	4%	5%

Functional Expense Trending





Plan Audit

- ERISA 103(a)(3)(C) Audit to be Issued Upon Approval
  - Net Assets at 12-31-22 = $2,472,085
  - Net Assets at 12-31-21 = $3,205,005
  - Matching contribution : 100% on first 3% deferred (increased from 2.5% for 2021)
  - No changes to Plan provisions or documents during 2022 Plan year.

- Draft Form 5500 (prepared by Empower) still needed prior to issuance

Required Communications

- Required Communications
  - No changes in accounting principles
  - No significant estimates
  - No sensitive disclosures
  - No passed adjustments
- Internal Control Matters including Reportable Findings
  - None noted

Your Industry

https://www.claconnect.com/industries/nonprofit#Resources

BLOG | 4/13/2023

Simple Ways Nonprofits Can Identify Grant Opportunities and Stay Current on Legislation and Public Policy Changes

BLOG | 4/24/2023

Single Audit and Funding Considerations for Organizations

BLOG | 2/6/2023

Top Priorities for Nonprofits in 2023

You don't have to do it alone

CLA: THE Premier Resource for Nonprofits, Businesses and Their Leaders

Required Communications

Topic	Communication
Our Responsibility Under Generally Accepted Auditing Standards	• Express an opinion on the fair presentation of the financial statements in conformity with GAAP • Plan and perform the audit to obtain reasonable, non absolute assurance that the financial statements are free of material misstatement • Evaluate internal control over financial reporting • Utilize a risk-based audit approach • Communicate significant matters to appropriate parties
Planned Scope and Timing of the Audit	• Performed the audit according to the planned scope and timing previously communicated during the audit planning discussion
Other Information in Documents Containing the Audited Financial Statements	• Financial statements may only be used in their entirety • Our approval is required to use our audit report in a client prepared document • We have no responsibility to perform procedures beyond those related to the financial statements

Required Communications (Continued)

Topic	Communication
Significant Accounting Policies	• Management is responsible for the accounting policies of the organization • Accounting policies are outlined in Note 1 to the financial statements • Consistent accounting standards applied • Accounting policies deemed appropriate • No unusual transactions occurred
Significant Accounting Estimates	• An area of focus under a risk-based audit approach • Significant estimates include pension costs, depreciable lives of fixed assets, and functional expenses allocations • Estimates determined by management based on their knowledge and experience • No management bias indicated • Estimates were deemed reasonable • Estimate uncertainty is disclosed in the financial statements
Significant Financial Statement Disclosures	Concentrations– Note 2 Net Assets – Note 10 Endowment – Note 15

Required Communications (Continued)

Topic	Communication
Supplemental Information	• Supplementary Schedule of Vocational Business Activities • Disclaim an opinion as this supplemental schedule is responsibility of management (no assurance provided by CLA) • Supplemental information is appropriate and complete in relation to our audit
Management Representation Letter	• Management will provide signed representation letter(s) prior to finalization of the audit report(s)
Other	• No difficulties encountered in performing the audit • No issues discussed prior to retention as independent auditors • No disagreements with management regarding accounting, reporting, or other matters • No consultations with other independent auditors • No significant or unusual transactions noted in performing the audit • No other findings or issues were discussed with, or communicated to, management

Internal Control Matters

Topic	Communication
Purpose	• Express an opinion on the financial statements, not on the effectiveness of internal controls. • Our consideration of internal controls was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls.
Material Weakness	• Reasonable possibility that a material misstatement would not be prevented, or detected and corrected on a timely basis
Significant Deficiencies	• Less significant than a material weakness, yet important enough to merit the attention of governance
Restricted Use	• This communication is intended solely for the information and use of management, the board of directors, and others within the Organization, and is not intended to be, and should not be, used by anyone other than these specified parties
Results	• No Material weaknesses identified

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