



**FINANCIAL STATEMENTS
JUNE 30, 2022 AND 2021**

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

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June 30, 2022 and 2021

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Independent Auditor's Report

To the Board of Directors of
Partnerships for a Skilled Workforce, Inc.:

Opinion

We have audited the financial statements of Partnerships for a Skilled Workforce, Inc. (a Massachusetts corporation, not for profit) (PSW, Inc.) which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities and changes in net assets, cash flows and functional expenses 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 Partnerships for a Skilled Workforce, Inc. as of June 30, 2022 and 2021, 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 audits in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 PSW, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PSW, 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 PSW, 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.

AAFCPA, Inc.

Westborough, Massachusetts
October 20, 2022

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.Statements of Financial Position
June 30, 2022 and 2021

Assets	2022	2021
Current Assets:		
Cash	\$ 225,159	\$ 182,441
Grants and contributions receivable	126,833	85,705
Prepaid expenses	12,750	12,880
Total current assets	364,742	281,026
Websites, net	23,390	29,362
Total assets	<u>\$ 388,132</u>	<u>\$ 310,388</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable and accrued expenses	\$ 127,984	\$ 46,032
Accrued compensation	27,440	49,271
Total current liabilities	155,424	95,303
Net Assets:		
Without donor restrictions:		
Operating	196,504	173,081
Board designated	12,814	12,642
Websites	23,390	29,362
Total net assets without donor restrictions	232,708	215,085
Total liabilities and net assets	<u>\$ 388,132</u>	<u>\$ 310,388</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Statements of Activities and Changes in Net Assets
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Support and Revenue:		
Grants and contributions	\$ 2,157,686	\$ 1,168,456
Rental income and other	16,672	13,736
Program service fees	-	13,950
	<u>2,174,358</u>	<u>1,196,142</u>
Expenses:		
Program	1,954,909	1,008,250
General and administrative	201,826	120,920
	<u>2,156,735</u>	<u>1,129,170</u>
Changes in net assets without donor restrictions	17,623	66,972
Net Assets Without Donor Restrictions:		
Beginning of year	<u>215,085</u>	<u>148,113</u>
End of year	<u>\$ 232,708</u>	<u>\$ 215,085</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Changes in net assets without donor restrictions	\$ 17,623	\$ 66,972
Adjustments to reconcile changes in net assets without donor restrictions to net cash provided by operating activities:		
Amortization	5,972	498
Changes in operating assets and liabilities:		
Grants and accounts receivable	(41,128)	(343)
Prepaid expenses	130	(4,930)
Accounts payable and accrued expenses	81,952	(3,553)
Accrued compensation	(21,831)	13,488
Net cash provided by operating activities	42,718	72,132
Cash Flows from Investing Activities:		
Website development	-	(17,430)
Net Change in Cash	42,718	54,702
Cash:		
Beginning of year	182,441	127,739
End of year	<u>\$ 225,159</u>	<u>\$ 182,441</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Statements of Functional Expenses
For the Years Ended June 30, 2022 and 2021

	<u>2022</u>			<u>2021</u>		
	<u>Program</u>	<u>General and Admin- istrative</u>	<u>Total</u>	<u>Program</u>	<u>General and Admin- istrative</u>	<u>Total</u>
Personnel	\$ 629,940	\$ 104,119	\$ 734,059	\$ 498,839	\$ 21,793	\$ 520,632
Consultant fees	690,949	-	690,949	71,223	-	71,223
Subcontractor fees	318,929	-	318,929	124,844	-	124,844
Stipends	157,142	-	157,142	121,872	-	121,872
Professional fees	20,285	87,604	107,889	59,037	95,465	154,502
Occupancy	63,740	7,510	71,250	64,667	2,215	66,882
Supplies	56,867	848	57,715	65,188	713	65,901
Office expenses and other	11,085	1,745	12,830	2,082	734	2,816
Amortization	5,972	-	5,972	498	-	498
Total expenses	<u>\$ 1,954,909</u>	<u>\$ 201,826</u>	<u>\$ 2,156,735</u>	<u>\$ 1,008,250</u>	<u>\$ 120,920</u>	<u>\$ 1,129,170</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2022 and 2021

1. OPERATIONS AND NONPROFIT STATUS

Partnerships for a Skilled Workforce, Inc. (PSW, Inc.) is a Massachusetts nonprofit organization formed in September 2000. PSW, Inc. explores and initiates actions that will increase involvement of the private sector in employment and training activities for the benefit of economically disadvantaged, unemployed and underemployed persons, as well as youth and adults in need of training, retraining or re-employment services. PSW, Inc. operates in the Metrowest area of greater Boston.

PSW, Inc. provides policy guidance and oversight for all training and placement programs within its jurisdiction that are funded under the Workforce Innovations and Opportunities Act, the Workforce Investment Act of 1998, and other Federal and state legislation, foundation grants, and corporate contributions. Directors of PSW, Inc. are elected for staggered terms.

In 2018, the Massachusetts Executive Office of Labor and Workforce Development (EOLWD) implemented a mandatory rebranding of all Commonwealth workforce boards and career centers. Incorporated agencies had the option of changing their legal name, or retain it and utilize "DBA - doing business as." PSW, Inc. elected to retain its legal name and when applicable attaches "DBA MassHire Metro South/West Workforce Board."

PSW, Inc. is exempt from Federal income taxes as an organization (not a private foundation) formed for charitable purposes under Section 501(c)(3) of the Internal Revenue Code (IRC). PSW, Inc. is also exempt from state income taxes. Donors may deduct contributions made to PSW, Inc. within IRC requirements.

2. SIGNIFICANT ACCOUNTING POLICIES

PSW, Inc. prepares its financial statements in accordance with generally accepted accounting standards and principles (U.S. GAAP) established by the Financial Accounting Standards Board (FASB). References to U.S. GAAP in these notes are to the FASB Accounting Standards Codification (ASC).

Estimates

The preparation of financial statements in accordance with U.S. 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 the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Grants and Accounts Receivable and Allowance for Doubtful Accounts

Grants and accounts receivable consist of amounts due from grants, contributions and other funding sources. Management determines an allowance for doubtful accounts based on historical collections. No allowance was deemed necessary at June 30, 2022 and 2021.

Websites and Amortization

Costs incurred for developing new websites or adding new components to the websites are capitalized and amortized over a useful life of three years. Costs incurred for renovations, upgrades, and uploading of content to the websites are considered routine maintenance and are expensed as incurred.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Assets

Net Assets Without Donor Restrictions

Net assets without donor restrictions are those net resources that bear no external restrictions and are generally available for use by PSW, Inc. PSW, Inc. has grouped its net assets without donor restrictions into the following categories:

Operating - represents funds available to carry on PSW, Inc.'s operations.

Board designated - represents funds set aside by the Board of Directors for future programmatic needs. These funds may only be used with the approval of the Board of Directors.

Websites - represents the activities relating to PSW, Inc.'s net book value in websites.

Net Assets With Donor Restrictions

PSW, Inc. receives grants that are designated by donors for specific purposes. These grants are recorded as net assets with donor restrictions until they are expended for their designated purposes. There were no net assets with donor restrictions at June 30, 2022 and 2021.

Revenue Recognition

Grants and Contributions (Topic 958)

Grants and contributions are recognized when the donor makes an unconditional promise to give to PSW, Inc. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend have been met (see Note 7). Unconditional contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Revenue from Contracts with Customers (Topic 606)

PSW, Inc. generally measures revenue from exchange transactions based on the amount of consideration to which PSW, Inc. expects to be entitled for the transfer of goods or services to a customer, then recognizes this revenue when or as PSW, Inc. satisfies its performance obligations under a contract, except in transactions where U.S. GAAP provides other applicable guidance. PSW, Inc. evaluates its revenue recognition based on the five-step model under Topic 606: (1) Identify the contract with the customer; (2) Identify the performance obligations in the contract; (3) Determine the transaction price; (4) Allocate the transaction price to separate performance obligations; and (5) Recognize revenue when (or as) each performance obligation is satisfied. Program service fees are considered revenues from contracts with customers and are recorded as services are provided at the stated contract price with adjustments for any consideration for explicit and implicit price consideration. Program service fees received before services are provided are recorded as deferred revenue.

All other revenue is recorded when earned.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Expense Allocation

Expenses related directly to a program are distributed to that program, while other expenses are allocated to programs based upon management's estimate of the percentage attributable to each function.

Certain categories of expenses are attributable to more than one program or supporting function and are allocated on a basis that is consistently applied. The expenses that are allocated based on full-time equivalent employee ratios are salaries and benefits, occupancy, supplies, and office expenses and other.

Fair Value Measurements

PSW, Inc. follows the accounting and disclosure standards pertaining to ASC Topic, *Fair Value Measurements*, for qualifying assets and liabilities. Fair value is defined as the price that PSW, Inc. would receive upon selling an asset or pay to settle a liability in an orderly transaction between market participants.

PSW, Inc. uses a framework for measuring fair value that includes a hierarchy that categorizes and prioritizes the sources used to measure and disclose fair value. This hierarchy is broken down into three levels based on inputs that market participants would use in valuing the financial instruments based on market data obtained from sources independent of PSW, Inc. Inputs refer broadly to the assumptions that market participants would use in pricing the financial instrument, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the financial instrument developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels as follows:

Level 1 - Inputs that reflect unadjusted quoted prices in active markets for identical assets at the measurement date.

Level 2 - Inputs other than quoted prices that are observable for the asset either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 - Inputs that are unobservable and which require significant judgment or estimation.

An asset or liability's level within the framework is based upon the lowest level of any input that is significant to the fair value measurement. All qualifying assets and liabilities are valued using Level 1 inputs.

Income Taxes

PSW, Inc. accounts for uncertainty in income taxes in accordance with ASC Topic, *Income Taxes*. This standard clarifies the accounting for uncertainty in tax positions and prescribes a recognition threshold and measurement attribute for the financial statements regarding a tax position taken or expected to be taken in a tax return. PSW, Inc. has determined that there are no uncertain tax positions which qualify for either recognition or disclosure in the financial statements at June 30, 2022 and 2021. PSW, Inc.'s information returns are subject to examination by the Federal and state jurisdictions.

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2022 and 2021

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Subsequent events have been evaluated through October 20, 2022, which is the date the financial statements were available to be issued. See Note 9 for an event that met the criteria for disclosure in the footnotes.

3. LEASE AGREEMENTS

PSW, Inc. leases office space under an operating agreement that expires in December 2022, with required monthly payments of approximately \$4,800. Rent expense for the years ended June 30, 2022 and 2021, was \$58,170 and \$57,170, respectively, and is included in occupancy in the accompanying statements of functional expenses. The remaining annual minimum lease payments under this agreement for fiscal year 2023 is \$29,085.

PSW, Inc. leases equipment under a three-year agreement expiring in November 2024. Annual minimum lease payments for fiscal years 2023 and 2024 are \$3,180 and \$2,915, respectively.

PSW, Inc. subleased office space under month-to-month agreements. Rental income of \$16,500 and \$13,650 for fiscal years 2022 and 2021, respectively, is included in rental and other income in the accompanying statements of activities and changes in net assets.

4. FUNDING AND RELATED CONCENTRATIONS

PSW, Inc. receives a significant portion of its funding from the Commonwealth of Massachusetts (the Commonwealth) and a not-for-profit agency. Payments to PSW, Inc. are subject to audit by the Commonwealth. In the opinion of management, the results of such audits, if any, will not have a material effect on the financial position of PSW, Inc. as of June 30, 2022 and 2021, or on its results of operations for the years then ended. Funding and receivable concentrations at June 30, 2022 and 2021, are as follows:

	<u>2022</u>		<u>2021</u>	
	<u>Funding Concentration</u>	<u>Receivable Concentration</u>	<u>Funding Concentration</u>	<u>Receivable Concentration</u>
The Commonwealth	68%	12%	60%	44%
Quasi-Governmental	31%	85%	38%	56%

5. WEBSITES

Websites consist of the following as of June 30:

	<u>2022</u>	<u>2021</u>
Websites	\$ 29,860	\$ 29,860
Less - accumulated amortization	<u>(6,470)</u>	<u>(498)</u>
Websites, net	<u>\$ 23,390</u>	<u>\$ 29,362</u>

PARTNERSHIPS FOR A SKILLED WORKFORCE, INC.

Notes to Financial Statements
June 30, 2022 and 2021

6. LINE OF CREDIT

PSW, Inc. has available up to \$125,000 under a line of credit agreement. Borrowings under the agreement are due on demand and interest is payable monthly at the bank's prime lending rate (4.75% and 3.25% as of June 30, 2022 and 2021, respectively), with a floor of 4.5%. The line of credit is secured by PSW, Inc.'s assets. As of June 30, 2022 and 2021, there was no outstanding balance under this agreement.

7. CONDITIONAL GRANTS

PSW, Inc. has been awarded conditional grant commitments from various state agencies that include a barrier that must be overcome. PSW, Inc. recognizes related revenue from these government grants when funder-imposed conditions are substantially met (see Note 2). These grants are not included in the accompanying financial statements. Total amounts committed but not recognized as of June 30, 2022, from the various state agencies are approximately \$1,097,313.

8. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

PSW, Inc.'s financial assets available within one year from the statements of financial position date for general operating expenses as of June 30, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 225,159	\$ 182,441
Accounts receivable	<u>126,833</u>	<u>85,705</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 351,992</u>	<u>\$ 268,146</u>

PSW, Inc.'s financial assets are available for use to cover its obligations as they become due. As of June 30, 2022 and 2021, PSW, Inc. has financial assets equal to approximately two and three months of operating expenses, respectively. In addition, PSW, Inc. has a line of credit agreement (see Note 6) which allows for additional borrowings up to \$125,000.

9. SUBSEQUENT EVENT

On July 1, 2022, PSW, Inc. merged into Metro South/West Employment and Training Administration Incorporated (MSWETA). The surviving corporation, MSWETA, is now named Metro South/West Workforce Board Inc. (MSWWB) as a function of the merger. As of October 20, 2022, PSW, Inc., as a separate 501(c)(3) charitable organization, still remains as a viable entity and has not dissolved. The majority of the financial activity has transferred to MSWWB.

10. RECLASSIFICATION

Certain amounts in the fiscal year 2021 financial statements have been reclassified to conform with the fiscal year 2022 presentation.