

# Saltmarsh

Saltmarsh, Cleaveland & Gund

*CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS*

**AMSKILLS, INC.**

**HOLIDAY, FLORIDA**

**FINANCIAL STATEMENTS**

**SEPTEMBER 30, 2022**

**AMSKILLS, INC.**  
**HOLIDAY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**CONTENTS**

	PAGE
Independent Auditor's Report	1
<b>Audited Financial Statements:</b>	
Statement of Financial Position	4
Statement of Activities and Change in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8
<b>Other Reports and Schedules:</b>	
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 <i>Government Auditing Standards</i>	15
Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General	17
Schedule of Expenditures of Federal Awards	20
Schedule of Expenditures of State Financial Assistance	21
Schedule of Findings and Questioned Costs	22
Management Letter	26

## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
AmSkills, Inc.  
Holiday, Florida

### Opinion

We have audited the accompanying financial statements of the AmSkills, Inc., (the "Organization") (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

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

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit 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 the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 the Organization's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.650, Rules of the Auditor General, are presented for purposes of additional analysis and also are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 September 27, 2023, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.



Tampa, Florida  
September 27, 2023

**AMSKILLS, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**SEPTEMBER 30, 2022**

**ASSETS**

**Current Assets:**

Cash and cash equivalents	\$ 142,056
Grants, contracts and local support receivable	917,326
Prepaid expenses	40,690
Total current assets	1,100,072

<b>Property and Equipment, net</b>	3,954,090
------------------------------------	-----------

<b>Other Assets</b>	115,612
---------------------	---------

<b>Total Assets</b>	\$ 5,169,774
---------------------	--------------

**LIABILITIES AND NET ASSETS**

**Current Liabilities:**

Current portion of long-term debt	\$ 317,117
Borrowings under line of credit	249,993
Accounts payable	428,190
Accrued expenses	185,414
Refundable advances	81,064
Total current liabilities	1,261,778

**Other Liabilities:**

Long-term debt, less current maturities and unamortized debt issuance costs	331,151
--	---------

<b>Total Liabilities</b>	1,592,929
--------------------------	-----------

<b>Net Assets Without Donor Restrictions</b>	3,576,845
--	-----------

<b>Total Liabilities and Net Assets</b>	\$ 5,169,774
---	--------------

The accompanying notes are an integral  
part of these financial statements.

**AMSKILLS, INC.**  
**STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**Revenue:**

State grants	\$ 1,437,287
Federal grants	1,083,571
Local support	197,537
Contributions	139,593
Program and rental income	82,051
Total revenue	2,940,039

**Expenses:**

Program services -	
Youth programs	95,103
Entry level programs	1,264,728
Certification programs	106,735
Total program services	1,466,566
Support services -	
Management and general	91,248
Total expenses	1,557,814

**Change in Net Assets**

1,382,225

**Net Assets:**

Beginning of year	2,194,620
End of year	\$ 3,576,845

The accompanying notes are an integral  
part of these financial statements.

**AMSKILLS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED SEPTEMBER 30, 2022**

	Program Services			Total Program Expenses	Support Services	
	Youth Programs	Entry Level Programs	Certification Programs		Management and General	Total Expenses
Wages and benefits	\$ 33,000	\$ 274,351	\$ 2,885	\$ 310,236	\$ 205,968	\$ 516,204
Contracted services	-	219,955	17,500	237,455	36,098	273,553
Instructor training	-	41,481	-	41,481	2,906	44,387
Training supplies and assessments	-	9,068	99	9,167	16,325	25,492
Program supplies	590	56,872	1,074	58,536	26,248	84,784
Business development	432	2,733	649	3,814	9,052	12,866
Advertising	36	130,212	-	130,248	9,260	139,508
Meals and travel	-	251	-	251	7,797	8,048
Fleet expenses	-	2,227	1,022	3,249	12,629	15,878
Equipment repair and maintenance	40	37,101	2,631	39,772	61,717	101,489
Building repair and maintenance	-	4,006	3,536	7,542	1,030	8,572
Depreciation and amortization	-	-	-	-	149,678	149,678
Insurance	-	30,929	-	30,929	21,328	52,257
Professional, legal and accounting	-	-	-	-	9,711	9,711
Administrative	173	44,956	4,879	50,008	7,720	57,728
Dues and subscriptions	-	100	-	100	5,481	5,581
Website expenses	-	357	75	432	2,377	2,809
Taxes and licenses	-	-	11,553	11,553	4,313	15,866
Bad debt expense	-	-	-	-	6,886	6,886
Interest expense	-	14,720	-	14,720	861	15,581
Realized loss on sales of property	-	-	-	-	10,936	10,936
<b>Totals</b>	<u>34,271</u>	<u>869,319</u>	<u>45,903</u>	<u>949,493</u>	<u>608,321</u>	<u>1,557,814</u>
<b>Allocation of Management and General Expenses</b>	<u>60,832</u>	<u>395,409</u>	<u>60,832</u>	<u>517,073</u>	<u>(517,073)</u>	<u>-</u>
<b>Total Expenses</b>	<u>\$ 95,103</u>	<u>\$ 1,264,728</u>	<u>\$ 106,735</u>	<u>\$ 1,466,566</u>	<u>\$ 91,248</u>	<u>\$ 1,557,814</u>

The accompanying notes are an integral  
part of these financial statements.



**AMSKILLS, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**Cash Flows From Operating Activities:**

Change in net assets	\$ 1,382,225
Adjustments to reconcile change in net assets to net cash provided by operating activities -	
Depreciation and amortization	154,808
Bad debt expense	6,886
Realized loss on sales of property	10,936
Imputed interest - long-term debt	(13,872)
Changes in -	
Grants, contracts and local support receivable	(888,496)
Prepaid expenses	(20,530)
Inventory	4,083
Other assets	(5,749)
Accounts payable	388,758
Accrued expenses	141,782
Refundable advances	(34,440)
Net cash provided by operating activities	1,126,391

**Cash Flows From Investing Activities:**

Purchases of property and equipment	(1,936,181)
-------------------------------------	-------------

**Cash Flows From Financing Activities:**

Borrowings from long-term debt	380,000
Repayment of long-term debt	(37,831)
Borrowings from line of credit	455,086
Repayment of line of credit	(205,093)
Net cash provided by financing activities	592,162

<b>Net Decrease in Cash</b>	(217,628)
-----------------------------	-----------

<b>Cash at Beginning of Year</b>	359,684
----------------------------------	---------

<b>Cash at End of Year</b>	\$ 142,056
----------------------------	------------

**Supplemental Disclosure of Cash Flow Information:**

Interest paid	\$ 15,581
---------------	-----------

The accompanying notes are an integral  
part of these financial statements.

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Organization and Purpose:*

AmSkills, Inc., (the “Organization”) was incorporated as a Florida not-for-profit corporation in 2020. The Organization’s primary purpose is to plan, manage, and administer the AmSkills Manufacturing Training Apprenticeships program. This program teaches hands-on foundational skills including Mechatronics, Industrial Maintenance, Machining (CNC), Electronics and Tool & Die Maker. The purpose is to allow candidates to explore the top jobs needed in Tampa Bay and obtain the foundational skills needed to launch a career in the manufacturing industry.

*Basis of Presentation:*

The accompanying financial statements of the Organization, which are presented on the accrual basis of accounting, have been prepared to focus on the Organization as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions.

Federal, state and local amounts received by the Organization in advance of the incurrence of allowable costs or performance of services are recorded as refundable advances until such allowable costs are incurred or services are rendered.

Contributions are recognized when a donor makes an unconditional promise to give to the Organization. Contributions that are restricted by a donor are reported as increases in net assets with donor restrictions. When a time restriction expires or a purpose restriction is met, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Net assets without donor restrictions represent resources generated from operations, donations without donor restrictions, and lapse of time or purpose restrictions and are not subject to donor-imposed stipulations.

*Use of Estimates:*

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Cash and Cash Equivalents:*

Cash and cash equivalents include all highly-liquid investments purchased with an original maturity of ninety days or less.

*Grants, Contracts and Local Support Receivable:*

Grants, contracts and local support receivable are stated at the amount management expects to collect from outstanding balances, net of allowance for doubtful accounts when applicable. As of September 30, 2022, management believes all amounts are collectible and therefore has not reserved an allowance for doubtful accounts.

*Property and Equipment:*

Property and equipment are recorded at cost. Donated property and equipment are recorded at their estimated market value on the date of contribution. Expenditures which equal or exceed \$5,000 that materially increase values, change capacities, or extend useful lives are capitalized. Repairs and maintenance costs are charged to operations when incurred.

Depreciation and amortization are computed using the straight-line method. Estimated useful lives of property and equipment range as follows:

Buildings and improvements	15-39 years
Vehicles and trailers	5 years
Furniture and equipment	5-13 years
Hardware and software	3-5 years

*Debt Issuance Costs:*

Debt issuance costs are presented as a reduction of the carrying amount of debt and are amortized over the term of the debt using the straight-line method. Amortization of debt issuance costs are reported as interest expense in the statements of activities and changes in net assets.

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Revenue Recognition:*

Revenue from local governments and government grants are recorded based upon the terms of the grantor allotment which generally provides that revenue is earned when the allowable costs of the specific grant provisions have been incurred or the performance of the services has been rendered. Such revenue is subject to audit by the grantor, and if the examination results in a deficiency of allowable expenses, the Organization will be required to refund any deficiencies.

Contributions are recognized when cash, or other assets, an unconditional promise to give, or notification of beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met or the donor has explicitly released the restriction.

*Income Taxes:*

The Organization is exempt from federal income taxes under Internal Revenue Service Code Section 501(c)(3) with the exception of unrelated business income derived from rental income. However, income from certain activities not directly related to the Organization's tax-exempt purpose is subject to taxation as unrelated business income.

*Advertising Costs:*

Advertising costs are expensed when incurred. Advertising cost for the year ended September 30, 2022 was \$139,508.

*General and Administration Expense Allocation:*

Management and general expenses are allocated to various programs based on each program's percentage of direct salaries and wages to total direct salaries and wages.

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Recent Accounting Pronouncements:*

In February 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The guidance in this topic supersedes the requirements in Accounting Standards Codification Topic 840, *Leases*. With the exception of short-term leases, the updated guidance requires lessees to recognize a lease liability representing the lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset representing the lessee’s right to use, or control the use of, a specified asset for the lease term upon adoption. Lessor accounting was largely unchanged under the new guidance, except for clarification of the definition of initial direct costs which provided additional guidance on the timing of recognition of those costs. Subsequent to the issuance of this update, the FASB issued three additional ASUs that provide codification improvements and certain transition elections. The Organization adopted the standard effective January 1, 2022; however, the Organization has no leases that fall under this guidance and thus no new lease disclosures were required.

*Subsequent Events:*

Management has evaluated subsequent events through September 27, 2023, which is the date the financial statements were available to be issued.

**NOTE 2 - GRANTS, CONTRACTS AND LOCAL SUPPORT RECEIVABLE**

Grants, contracts and local support receivable consists of the following:

Federal grants	\$ 698,980
State grants	199,622
Program and rental	<u>18,724</u>
Total	<u><u>\$ 917,326</u></u>

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment consists of the following:

Land	\$ 558,843
Buildings and improvements	816,207
Vehicles and trailers	158,722
Furniture and equipment	1,537,446
Hardware and software	33,004
Construction in process	<u>1,070,240</u>
	4,174,462
Accumulated depreciation and amortization	<u>(220,372)</u>
Total	<u><u>\$ 3,954,090</u></u>

Depreciation and amortization expense was \$149,678 for the year ended September 30, 2022.

**NOTE 4 - LINE OF CREDIT**

The Organization has a \$250,000 line of credit with a financial institution. The line of credit has a maturity date of January 28, 2024, accrues interest at the lender's prime rate (5.5% at September 30, 2022), and is secured by substantially all business assets. At September 30, 2022, the outstanding balance on this line of credit was \$249,993.

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 5 - LONG-TERM DEBT**

Long-term debt consists of the following:

Note payable to company, bearing interest at 5%, maturity in March 2026, secured by property and building	\$ 321,051
Notes payable to individual, imputed interest rate of 5.24%, maturities through January 2026, secured by property and building	317,600
Note payable to board member, bearing no interest, due on demand	30,000
	668,651
Less unamortized debt issuance costs	20,383
Less current portion	317,117
	\$ 331,151

Scheduled maturities of long-term debt are as follows:

2024	46,248
2025	47,379
2026	257,907
	\$ 668,651

**AMSKILLS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**NOTE 6 - COMMITMENTS AND CONTINGENCIES**

*Dependency on Government Support:*

The Organization's services are funded primarily with grants from the U.S. Department of Labor, the U.S. Department of Housing and Urban Development and the State of Florida passed through the Florida Department of Education and the Florida Department of Economic Opportunity. A reduction in the level of future support from these agencies could have a substantial effect on the Organization's programs and activities. As of September 30, 2022, management is unaware of any such reduction in future support.

**NOTE 7 - LIQUIDITY**

The Organization's financial assets available within one year of the statement of financial position date for general expenditure are as follows:

Grants, contracts and local support receivable	<u>917,326</u>
	<u>\$ 1,059,382</u>

As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the Organization has a \$250,000 line of credit.

**NOTE 8 - RELATED PARTY TRANSACTIONS**

The Organization has an outstanding note payable to a board member in the amount of \$30,000. This unsecured note is due on demand with no stated interest rate and is included in the current portion of long term debt.



## **OTHER REPORTS AND SCHEDULES**

**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**

To the Board of Directors  
AmSkills, Inc.  
Holiday, Florida

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audit contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the AmSkills, Inc. (the “Organization”) (a nonprofit organization), which comprise the statement of financial position as of September 30, 2022, and the related statements of activities and changes in net assets, 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 September 27, 2023.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during the audit we did identify a deficiency in internal control that we consider to be a material weakness, described in the accompanying schedule of findings and questioned costs as Finding 2022-001. We also identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2022-002, that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, described in the accompanying schedule of findings and questioned costs as Finding 2022-003.

## **The Organization's Response to the Findings**

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

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



Tampa, Florida  
September 27, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
AND CHAPTER 10.650, RULES OF THE AUDITOR GENERAL**

To the Board of Directors  
AmSkills, Inc.  
Holiday, Florida

**Report on Compliance for Each Major Federal Program and State Project**

We have audited the AmSkills, Inc.’s (the “Organization”) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the *Executive Office of the Governor’s State Project Compliance Supplement* that could have a direct and material effect on each of the Organization’s major federal programs and state projects for the year ended September 30, 2022. The Organization’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

Management is responsible for compliance with federal and state statutes, regulations and the terms and conditions of its federal awards and state financial assistance applicable its federal programs and state projects.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs and state projects based on our audit of the types of compliance requirements referred to above. 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; 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”); and Chapter 10.650, Rules of the Auditor General. Those standards, the Uniform Guidance and Chapter 10.650, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and state project. However, our audit does not provide a legal determination of the Organization’s compliance.

## **Opinion on Each Major Federal Program and State Project**

In our opinion, the Organization complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2022.

## **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's 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 or state project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 or state project 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 or state project 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a material weakness in internal control, as described in the accompanying schedule of findings and questioned costs as Finding 2022-001. We also identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2022-003.

Board of Directors  
AmSkills, Inc.

The Organization's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Organization's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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 and Chapter 10.650, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Tampa, Florida  
September 27, 2023

**AMSKILLS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED SEPTEMBER 30, 2022**

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Agency's Identifying Number</u>	<u>Expenditures</u>
<b><u>United States Department of Labor</u></b>			
<b><u>Passed Through Advanced Robotics for Manufacturing Institute, Inc.</u></b>			\$ 373,831
WIOA National Dislocated Workers Grant / WIA National Emergency Grants	17.277	DW-37008-21-60-A-42	
<b><u>United States Department of Housing and Urban Development Office of Community Project Development</u></b>			
Economic Development Initiative, Community Project Funding, and Miscellaneous Grants	14.251	B-22-CP-FL-0242	242,909
<b><u>Passed Through Pasco County, FL</u></b>			
<b><u>CDBG - Entitlement Grants-Cluster</u></b>			434,253
Community Development Block Grant	14.218		
<b><u>United States Department of Health and Human Services</u></b>			
<b><u>Passed Through Pasco County, FL</u></b>			14,765
Coronavirus State & Local Fiscal Recovery Funds	21.027	OEG20-1074	
<b><u>United States Department of Education</u></b>			
<b><u>Passed Through FACTE</u></b>			17,813
Florida Association for Career and Technical Education	84.048		
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 1,083,571</u></u>

Note 1: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2: The Organization has elected not to use the 10% de minimis cost rate allowed by the Uniform Guidance.

**AMSKILLS, INC.**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**YEAR ENDED SEPTEMBER 30, 2022**

<u>State Grantor/Pass-through Grantor/Project Title</u>	<u>CSFA Number</u>	<u>Contract / Grant Number</u>	<u>Expenditures</u>
<b><u>State of Florida Department of Education</u></b>			
<b><u>Commissioner of Education</u></b>			
Pathways to Career Opportunities Grant Program	48.190	N/A	\$ 1,050,118
<b><u>State of Florida Department of Economic Opportunity</u></b>			
<b><u>Department of Commerce</u></b>			
Workforce Development Projects	40.037	N/A	387,169
<b>Total Expenditures of State Financial Assistance</b>			<b><u><u>\$ 1,437,287</u></u></b>

Note 1: This schedule is presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

Note 2: The Organization has elected not to use the 10% de minimis cost rate allowed by the Uniform Guidance.



**AMSKILLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2022**

**A. SUMMARY OF AUDIT RESULTS**

1. The independent auditor's report expresses an unmodified opinion on the financial statements of AmSkills, Inc.
2. One material weakness and one significant deficiency relating to the audit of the financial statements were reported in the 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*. The material weakness and significant deficiency are reported in Part B of this schedule as Findings 2022-001 and 2022-002.
3. No instances of noncompliance material to the financial statements of AmSkills, Inc., which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. One significant deficiency and one material weakness relating to the audit of the major federal award programs and state projects are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control Over Compliance Required by the Uniform Guidance and Chapter 10.650, Rules of the Auditor General. The significant deficiency in internal control over compliance is reported in Part B of this schedule as Finding 2022-003. The material weakness is also reported in Part B of this schedule as Finding 2022-001.
5. The auditor's report on compliance for major federal award programs and state projects for the AmSkills, Inc. expresses an unmodified opinion.
6. There is an audit finding relative to the major federal programs and state projects for AmSkills, Inc. which are required to be reported in accordance with 2 CFR section 200.516(a) of the Uniform Guidance and Chapter 10.656, Rules of the Auditor General. The instance of noncompliance is reported in Part B of this schedule as part of Finding 2022-003.
7. The programs/projects tested as major were:

**Federal Programs**

WIOA National Dislocated Workers Grant / WIA National Emergency Grants (CFDA No. 17.277)  
Economic Development Initiative, Community Project Funding (CFDA No. 14.251)

**State Projects**

Pathway to Career Opportunities (CSFA No. 48.190)

8. The threshold for distinguishing Type A and B programs was \$750,000 for major federal programs and \$431,186 for major state projects.
9. AmSkills, Inc. was not determined to be a low-risk auditee pursuant to the Uniform Guidance.

**AMSKILLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2022**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Operational Effectiveness of Internal Control Over Financial Reporting**

**Finding 2022-001**

Throughout the current year audit planning and testing procedures, several accounts were not reconciled to supporting reports which resulted in numerous journal entries. These unreconciled amounts were not initially identified by the Organization's accounting process and procedures, resulting in adjusting entries to accounts receivable, fixed assets, accrued and other current liabilities, net assets, revenue and various expense accounts.

The general ledger detail, as well as the underlying support, is the source from which the Organization's financial statements and related grant reports are prepared. It is also the basis upon which those charged with governance monitor the Organization's compliance with applicable regulations and make informed decisions related to the Organization's ability to achieve its stated purpose. Therefore, the accuracy of the financial records within the general ledger and the related support is fundamental to the Organization's ability to achieve its stated purpose and to remain in compliance with applicable regulations.

We recommend that management follow the internal controls established in its Accounting Policies and Procedures handbook, and consider implementing additional control procedures, including, but not limited to, the following annual and monthly review procedures.

Annual Procedures:

- Review additions to capitalized assets to ensure proper capitalization or expensing of asset costs in accordance with the Organization's policy and generally accepted accounting principles.
- Implement additional cutoff review procedures at the end of each reporting period to include a review of all purchase orders and invoices outstanding as of year-end to determine whether a liability and expense have been incurred as well as a reconciliation of cash disbursements subsequent to reporting period end to proper inclusion or exclusion from accounts payable ledger as of period end date.
- Review any necessary adjustments for accrual-basis accounting, such as accrued payroll, at least annually.
- Prepare a complete schedule of expenditures of federal awards on the accrual basis.

**AMSKILLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2022**  
**(Continued)**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)**

**Operational Effectiveness of Internal Control Over Financial Reporting (Continued)**

**Finding 2022-001 (Continued)**

Monthly Procedures:

- Reconcile material accounts, review general ledger activity and create necessary supporting schedules.
- Reconcile payment applications from contractors with retainage to ensure proper recording of expenses and contract liabilities.
- Review documentation for capitalized expenses to ensure documentation is retained.

*Management's Response:*

In the fiscal year 2021-2022, AmSkills received a significant increase in grants and funding compared to previous years, leading to a substantial rise in grant management responsibilities and financial accounting complexities. These included managing new programmatic grants and receiving federal funding for the first time, along with other grants earmarked for construction renovations of the AmSkills Workforce Training Center. Balancing construction and grant management became challenging, particularly in regard to recording construction project retainage. We acknowledge that as our funding continues to grow, we must enhance our financial accounting procedures and oversight, collaborating closely with our third-party accountant to ensure effective management.

**Allocation of Costs**

**Finding 2022-002**

During audit procedures, a lack of indirect cost allocation was noted. The costs allocated to programs affect the reimbursement of expenses and the presentation of expenditures by program in the statement of functional expenses for financial statement users. A lost opportunity for cost reimbursement with the Department of Labor was noted due to this lack of indirect cost allocation.

We recommend the Organization create a formal policy for the allocation of indirect costs to appropriately reflect total expenses for each program.

*Management's Response:*

AmSkills received federal funding for the first time in the fiscal year 2021-2022, and we recognized our lack of expertise in indirect cost allocations may have led to missed opportunities. We are actively collaborating with the Advanced Robotics for Manufacturing Institute and the Department of Labor to capture these costs for our current grant. AmSkills will work on creating a formal policy to address the method to allocate indirect costs where applicable.

**AMSKILLS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED SEPTEMBER 30, 2022**  
**(Continued)**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AND STATE PROJECTS**

**Federal Audit Clearinghouse and Florida Auditor General Submission - Non-compliance**

**Finding 2022-003**

Due to the level of federal funding received, the Organization was required to have a Federal single audit. The deadline to submit the single audit to the Federal Audit Clearinghouse is the earlier of 1) 30 calendar days after receipt of the audit report and 2) nine months after the end of the audit period. As of the date of our audit report, the Organization has not completed the Federal Audit Clearinghouse submission for fiscal year 2022.

Additionally, due to the level of state funding received, the Organization was required to have a state single audit. The deadline to submit the single audit to the Florida Auditor General is the earlier of 1) 45 calendar days after receipt of the audit report and 2) nine months after the end of the audit period. As of the date of our audit report, the Organization has not completed the Florida Auditor General submission for fiscal year 2022.

We recommend that the Organization continue to bring accounting records up-to-date and submit the late filings as soon as possible after receiving the final audit report. Additionally, we recommend that the Organization begin to file their reporting submissions in a timely manner.

*Management's Response:*

AmSkills did not anticipate that the HUD reimbursement we received in 2023 would be considered 2022 revenue, and AmSkills initially did not contemplate that a federal single audit was required for the fiscal year ended September 30, 2022. As a result of audit procedures, it was determined that a federal single audit for FY 2022 was required, and this discovery was not made until later than nine months after AmSkills' fiscal year end. However, we have now gained a clear understanding of these obligations and are actively in the process of completing the necessary registrations. Going forward, we are committed to working closely with our accounting team to ensure full compliance with all single audit reporting requirements.

Regarding the completion of the state-required audit, AmSkills requested and received an extension.

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

There were no such findings on which to report, however, material weaknesses may exist that have not been identified.

## MANAGEMENT LETTER

To the Board of Directors  
AmSkills, Inc.  
Holiday, Florida

### Report on the Financial Statements

We have audited the financial statements of AmSkills, Inc. as of and for the fiscal year ended September 30, 2022, and have issued our report thereon dated September 27, 2023.

### Auditor's Responsibility

We conducted our audit 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; 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); and Chapter 10.650, Rules of the Auditor General.

### Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and Report on Internal Control over Compliance; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated September 27, 2023, should be considered in conjunction with this management letter.

## **Additional Matters**

Section 10.654(1)(e), Rules of the Auditor General, requires us to communicate noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements or State project amounts that is less than material but warrants the attention of those charged with governance. In connection with our audit, we noted the following matters:

### 2022-04 Design of Internal Control over Financial Reporting

Throughout the current year audit planning and testing procedures, breakdowns in internal control systems were noted. A proper internal control system is essential to producing complete and reliable financial reporting data. We recommend the following:

- We recommend that the Organization continue to segregate duties related to the functions of transaction approval, custody and disposition of assets and resources, and accounting for assets and resources to the greatest extent possible.
- We recommend that the Organization strengthen its controls by requiring documentation of significant purchase approvals before the purchase is initiated and implementing signoffs of individuals performing independent reviews of accounting records and reconciliations.
- We recommend that the Organization adhere to their formal expense reimbursement policies which require employees to submit supporting receipts for reimbursement.
- We recommend that the Organization strengthen its controls by creating a formal policy for the approval and retention of employee offer letters and accrual of compensated absences time available for each employee.

### 2022-05 Standards of Bookkeeping

Throughout the current year audit planning and testing procedures, various documents and support requested for testing purposes were either not available or difficult to locate. Obtaining, organizing, and retaining documentation is critical for nonprofit organizations who have strict requirements and expectations for completeness of records. We recommend the following:

- We recommend that the Organization strengthen its controls by outlining additional procedures for record keeping ensuring the required documents as part of the cash disbursements, cash expenditures, and payroll approval processes are obtained, organized, and retained.
- We recommend that all journal entries posted be reviewed and approval documented by a member of management other than the person initiating the entry. Additionally, supporting documentation for all journal entries should be maintained using a standardized journal transaction input sheet.

2022-06 Revenue Recognition, Classification, and Billing

During our revenue and expense procedures, we noted the Organization had incorrectly recorded revenue for various Federal and State grants, incorrectly classified expenses, inappropriately categorized contributions, and had delays in billing for reimbursements. We recommend the following:

- We recommend that the Organization identify Federal and State grant classifications early on, and appropriately differentiate between those that are cost reimbursement based versus service based. We recommend that the Organization implement a system to ensure when expenses are coded to a given cost reimbursement grant, they are also reviewed and recorded as revenue where appropriate.
- We recommend that the Organization review grant billing reports regularly to ensure the records are appropriate and complete.
- We recommend that the Organization ensure personnel understand the difference between the classification types of contribution revenue and program revenue, identify this upon receipt of revenue, and review to ensure they are appropriately categorized as such.
- We recommend that management submit invoices for reimbursement to the appropriate grantor agency monthly.

**Purpose of this Letter**

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.



Tampa, FL  
September 27, 2023