

WORKNET PINELLAS, INC.

**Financial Statements, Supplemental Information
and Regulatory Reports**

June 30, 2016

(With Independent Auditor's Report Thereon)

WORKNET PINELLAS, INC.

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
WorkNet Pinellas, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of WorkNet Pinellas, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2016, and the related statement of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of WorkNet Pinellas, Inc., as of June 30, 2016 and the respective changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 a report dated February 17, 2017 on our consideration of the Organization's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 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.

POWELL & JONES
Certified Public Accountants
February 17, 2017

WORKNET PINELLAS, INC.

Statement of Financial Position

June 30, 2016

Assets

Current assets:

Cash and cash equivalents	\$	110,272
Accounts receivable		143,167
Grants receivable		1,366,930
Inventory		3,918
Prepaid expenses		<u>240,217</u>
Total current assets		1,864,504

Noncurrent assets:

Restricted cash		365,887
Loan costs, net		11,000
Endowment investments		9,073
Property and equipment, net		<u>2,553,856</u>
Total noncurrent assets		<u>2,939,816</u>
Total assets	\$	<u><u>4,804,320</u></u>

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities		1,407,971
Deferred revenue		43,317
Deferred grant revenue		213
Debt		<u>41,149</u>
Total current liabilities		1,492,650

Noncurrent liabilities:

Debt		<u>715,287</u>
Total noncurrent liabilities		<u>715,287</u>
Total liabilities		2,207,937

Net assets

Unrestricted		2,157,908
Unrestricted - Board designated		365,887
Temporarily restricted		63,515
Permanently restricted		<u>9,073</u>
Total net assets		<u>2,596,383</u>
Total liabilities and net assets	\$	<u><u>4,804,320</u></u>

WORKNET PINELLAS, INC.

Statement of Activities

Year Ended June 30, 2016

Revenues and support:

Grants	
Federal	\$ 14,333,252
State	250,000
Local	191,345
Contribution and sponsorship revenue	211,373
Educational program tuition and fees	232,584
Other revenue	11,511
Inkind revenue	<u>53,357</u>
Total revenues and support	<u>15,283,422</u>

Expenses:

Program services	
Workforce development	14,217,905
Supporting services	
General and administrative	<u>863,181</u>
Total expenses	<u>15,081,086</u>
Change in net assets	202,336
Net assets at beginning of year	<u>2,394,047</u>
Net assets at end of year	<u>\$ 2,596,383</u>

WORKNET PINELLAS, INC.

Statement of Functional Expenses

Year Ended June 30, 2016

Expenses	Workforce Development	General and Administrative	Totals
Salaries	\$ 5,710,742	\$ 433,509	\$ 6,144,251
Retirement	246,895	20,293	267,188
Payroll taxes and fringe	425,195	32,261	457,456
Staff training and education	22,652	885	23,537
Accounting and professional	49,382	119,818	169,200
Community outreach	199,518	13,581	213,099
License, dues, and other fees	23,315	1,674	24,989
Communications	140,734	11,206	151,940
Office expenses	387,097	78,939	466,036
Occupancy	435,302	34,692	469,994
Travel	57,075	3,469	60,544
Meetings and conferences	39,691	614	40,305
Other expense	6,713	-	6,713
Contract labor	317,260	21,403	338,663
Insurance	111,420	17,479	128,899
Service provider contracts	2,606,804	-	2,606,804
Customer training	3,337,779	-	3,337,779
Inkind expense	53,357	-	53,357
Interest expense	-	37,119	37,119
Depreciation and amortization	46,974	36,239	83,213
Total Expenses	\$ 14,217,905	\$ 863,181	\$ 15,081,086

WORKNET PINELLAS, INC.

Statement of Cash Flows

Year Ended June 30, 2016

Cash flows from operating activities:	
Change in net assets	\$ 202,336
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	79,961
Changes in assets and liabilities:	
Increase in accounts receivable	(114,531)
Decrease in grants receivable	244,370
Decrease in inventory	2,343
Increase in prepaid expenses	(23,102)
Decrease in loan costs	3,251
Decrease in accounts payable and accrued liabilities	(446,117)
Increase in deferred revenue	5,944
Decrease in deferred grant revenue	(328,112)
Net cash used in operating activities	<u>(373,657)</u>
Cash flows from investing activities:	
Sales of investments	1,024
Acquisition of property and equipment	<u>(227,197)</u>
Net cash used in investing activities	<u>(226,173)</u>
Cash flows from financing activities:	
Payments on mortgage payable	(33,248)
Borrowings on mortgage payable	<u>100,400</u>
Net cash provided by financing activities	<u>67,152</u>
Net decrease in cash	(532,678)
Cash, beginning of year	<u>1,008,837</u>
Cash, end of year	<u>\$ 476,159</u>

WORKNET PINELLAS, INC.

Notes to Financial Statements

Year Ended June 30, 2016

(1) Nature of Organization and Purpose

Effective February 10, 2014 and July 7, 2014, WorkNet Pinellas, Inc. (WORKNET) began doing business as CareerSource Pinellas and as Science Center, respectively. The CareerSource Pinellas rebranding was in coordination with Florida's Workforce System to have a unified brand state-wide. WORKNET began doing business as Science Center following its acquisition on May 16, 2014.

WorkNet Pinellas, Inc. is a not-for-profit corporation that was established on March 2, 2001 under the provisions of the Florida Corporations Not-For-Profit Law set forth in Chapter 617 of the Florida Statutes. WORKNET was created in accordance with the Florida Workforce Innovation Act of 2000 to serve as the administrative entity for programs of the Regional Workforce Board in Pinellas County. This public-private partnership supports and promotes economic growth through workforce development. The Regional Workforce Board (the Board) consists of representatives of education, labor, economic development, organizations identified as one stop partners, and other individuals as appointed by the Pinellas County Board of County Commissioners (the County). The Board is one of twenty-four Regional Workforce Development Boards in the State of Florida providing for the development, planning, monitoring and administration of the following grants and programs:

- Temporary Assistance for Needy Families
- Disability Employment Initiative Programs
- Wagner Peysner
- Disabled Veterans Outreach Program
- Local Veterans Employment Representative Program
- Workforce Innovation and Opportunity Act (WIOA) – Adult, Youth, and Dislocated Worker
- National Emergency Grants
- Reemployment Services and Eligibility Assessment
- Unemployment Insurance
- Trade Adjustment Assistance
- Startup Quest
- H-1B Technical Skills Training Grant
- Youthbuild
- Supplemental Nutrition Assistance Programs
- Section 5316 Job Access/Reverse Commute Project
- AmeriCorps Member Support

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

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(b) Basis of Presentation

WORKNET has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 958, WORKNET is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of WORKNET. These include those expendable resources, which have been board designated for capital improvements to buildings and accrued paid time off which totals \$365,887 for fiscal year ended June 30, 2016.
- Temporarily restricted net assets result from gifts from donors subject to restrictions that are limited to a specific period of time or purpose.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of funds or funds designated by WORKNET to function as an endowment, which mandate that the original principal be invested in perpetuity. Generally gains and related investment income on these gifts are available for unrestricted purposes, unless the donor designates restrictions on the use of earning for a specific purpose, in which the earning are then considered temporarily restricted.

(c) Contributions

WORKNET has adopted FASB ASC 958, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction is met through passage of time or fulfillment of a purpose restriction, temporary restricted net assets are reclassified to unrestricted net assets and are reported in the statement of activities as net assets released from restrictions. Temporary restricted contributions that are received and expended in the same period are reported and/or to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

(d) Fair Value Measurements

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

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

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(2) **Summary of Significant Accounting Policies - Continued**

(e) **Liquidity**

Assets are presented in the accompanying Statement of Financial Position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

(f) **Cash and Cash Equivalents**

For purposes of reporting cash flows, all deposits with an original maturity of three months or less are considered to be cash equivalents.

Cash designated for capital improvements to buildings and to fund accrued paid time off is classified as restricted cash in the accompanying statement of financial position.

(g) **Inventory**

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

(h) **Endowment Investments**

Endowment investments represent beneficial interest in assets held by others. In accordance with guidance related to accounting for contributions held by an organization for the benefit of another organization, which states that organization that transfer assets to other not-for-profit agencies who specify themselves as beneficiaries and has not granted variance power, are not considered expenses and recorded as an asset in the statement of financial position at fair value as endowment investments.

(i) **Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3 to 7 years for equipment and vehicles; 5 years for leasehold improvements, 7 to 15 years for educational program videos, 15 years for building improvements and 27.5 years for buildings using the straight-line method. All expenditures of property and equipment less than \$5,000 are expensed when purchased.

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

(j) **Capital Improvement to Buildings**

WORKNET has established a capital improvement fund to pay for capital improvements to buildings as they become necessary. Funds received for building depreciation expense recovered from applicable funding sources are set aside for this purpose. Depreciation expense recovered from these sources totaled \$46,974 for fiscal year ending June 30, 2016.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(2) **Summary of Significant Accounting Policies - Continued**

(k) **Personal Time Off**

IWORKNET employees are entitled to personal time off (PTO) which combines time off for personal, vacation, WORKNET employees are entitled to personal time off (PTO) which combines time off for personal, vacation, and sick leave. PTO is based on length of employment and other factors. PTO is accrued when earned. PTO of \$281,872 is included as a component of accounts payable and accrued expenses in the Statement of Financial Position at June 30, 2016.

(l) **Retirement Plan**

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

(m) **Income Taxes**

WORKNET is a not-for-profit corporation under the laws of the State of Florida and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. WORKNET believes that it has no liability for taxes with respect to unrelated business income. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

WORKNET follows Accounting Standards Codification Topic 740, *Income Taxes* ("ASC 740"). A component of this standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. WORKNET's policy is to recognize interest and penalties associated with tax positions under this standard as a component of tax expense, and none were recognized since there was no material impact of the application of this standard for the year ended June 30, 2016.

(n) **Revenue Recognition**

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

(o) **Inkind**

Inkind revenue and expense of \$53,357 is comprised of contributed services and equipment.

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services: (1) create or enhance non-financial assets at date or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation. Contributed services of \$49,182 reflected in the accompanying statement of activities as a component of contribution and sponsorship revenue represent services for teaching, receptionist, outreach, repairs and maintenance.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies – Continued

(o) Inkind - continued

In-kind donations of equipment are reflected in the accompanying financial statements in as much as an objective basis is available to measure the value of such materials. For those donated equipment for which no objective basis is available to measure the value, no such contributions are reflected in the accompanying financial statements. In-kind contributions totaling \$4,175 is included as a component of contribution and sponsorship revenue.

(p) Federal Matching Contributions

Certain Federal programs require cost sharing (match) contributions as a condition of the grant award. This match may be cash, in-kind or a combination. The amount of qualifying matching contributions received during fiscal year ended June 30, 2016 totaled \$1,143,789. This amount is not reported on the statement of activities as it does not meet the criteria for financial statement recognition.

(q) Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

(r) Functional Allocation of Expenses

The cost of providing WORKNET's various programs and other supporting services have been summarized on a functional basis in the statement of activities. Direct expenses are charged directly to the related program. Certain costs which are directly shared have been allocated to programs based upon the relative benefits received. Expenses that are not directly identifiable with a specific program are allocated as indirect costs to benefiting programs based upon de minimis indirect rate of 10-percent of modified total direct costs. Supporting services in the statement of activities include expenses that have been allocated both directly and indirectly to the Organization's programs. Supporting services include planning, development, oversight and administrative functions of all programs, support services for the One Stop System including Information Technology, Management Information Systems, Facility Management, Community Outreach, and One Stop Staff training and development activities.

(3) Investments

WORKNET uses fair value measurements to record fair value adjustment to certain assets and liabilities and to determine fair value disclosures and follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, the authoritative guidance for fair value measurements of investments that are recognized at fair value in the financial statements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(3) Investments - Continued

The three levels of fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets as of the reporting date.
- Level 2: Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3: Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset and the reporting entity makes estimates an assumptions related to the pricing of the assets or liability including assumptions regarding risk.

Fair Value of Financial Instruments

At June 30, 2016 and 2015, the carrying value of all financial instruments approximates fair value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Beneficial Interest in Assets Held by Others

Carrying value is measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by the Community Foundation of Tampa Bay.

All Other

The following table summarizes the fair value measurement by level at June 30, 2016 for financial assets and liabilities measured at fair value on a recurring basis:

	Fair Value Measurement at Reporting Date Using		
	Level 1	Level 2	Level 3
Beneficial Interest in Assets Held by Others	\$ -	-	9,073

Fair Value Measurements

The table below sets for the summary of changes in the fair value of WORKNET's level 3 financial assets during the year ended June 30, 2016:

Balance, beginning of year	\$	10,097
Distributions		(1,024)
Balance, end of year	\$	9,073

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(4) Grants Receivable

Grants receivable is comprised of the following federal awards at June 30, 2016:

Federal awards:

U.S. Department of Health and Human Services:	
Temporary Assistance for Needy Families	\$ 541,108
U.S. Department of Labor:	
Wagner Peyser	8,758
Disabled Veterans Outreach Program	528
Local Veterans Employment Representative Program	2,140
Workforce Innovation and Opportunity Act	
(WIOA) Cluster:	
WIOA Adult	9,843
WIOA Youth	181,779
WIOA Dislocated Worker	396,871
National Emergency Grant - Sector Partnership NEG	19,233
Job-Driven (JD) National Emergency Grant	4,854
Reemployment Services and Eligibility Assessment	62,749
Unemployment Insurance	3,483
Trade Adjustment Assistance	25,309
Workforce Innovation Fund - Startup Quest	29,202
H-1B Technical Skills Training Grant	15,666
U.S. Department of Agriculture:	
Supplemental Nutrition Assistance Program	9,595
U.S. Department of Transportation:	
Section 5316 Job Access/Reverse Commute Project	39,513
Corporation for National & Community Service:	
AmeriCorps Member Support	16,299
Total grants receivable	<u>\$ 1,366,930</u>

(5) Property and Equipment

Property and equipment consists of the following at June 30, 2016:

Land	\$ 880,000
Building	1,618,572
Equipment	431,220
Vehicles	67,513
Building and Leasehold Improvements	194,662
Educational Videos	<u>24,600</u>
Total cost	3,216,567
Accumulated depreciation	<u>(662,711)</u>
	<u>\$ 2,553,856</u>

Depreciation expense for the year ended June 30, 2016 was \$79,961.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(6) Deferred Grant Revenue

Deferred grant revenue is comprised of the following federal awards at June 30, 2016:

Federal awards:

U.S. Department of Labor:

Youthbuild \$ 213

(7) Debt

Mortgage Payable

Effective December 12, 2014, WORKNET obtained a new business loan for the principal amount of \$700,000 with an interest at a rate of 4.650% per annum based on a year of 360 days. The proceeds of the loan were used to pay-off the remaining principal and interest of the mortgage payable existing at June 30, 2014. The payment terms require 59 regular payments of \$4,511 each and one irregular payment of \$585,710. The first payment is due January 10, 2015, and all subsequent payments are due on the same day of each month after that. The final payment will be due on December 10, 2019, and will be for all principal and all accrued interest not yet paid. As of June 30, 2016, WORKNET is in compliance with all covenants and conditions of instruments governing the loan agreement. The loan is also secured by the real estate associated with the Science Center. Schedule maturities of the debt are as follows:

Year Ended June 30,		
2017	\$	23,171
2018		24,287
2019		25,458
2020		<u>594,346</u>
Total	\$	<u>667,262</u>

Interest expense totaled \$32,113 for the year ended June 30, 2016.

Equipment Financing Agreement

WORKNET entered into an Equipment Finance Agreement (EFA) in September 2015 to finance the labor and materials associated with the purchase and installment of a 70 ton air cooled chiller and building HVAC controls at a location. The terms of the EFA require WORKNET to pay principal of \$100,400 over 60 monthly installments at an interest rate of 7.86% per annum. The first payment of principal and interest of \$2,029 was due in November 2015 and last payment in October 2020. Schedule maturities of the debt are as follows:

Year Ended June 30,		
2017	\$	17,978
2018		19,443
2019		21,027
2020		22,741
2021		<u>7,985</u>
Total	\$	<u>89,174</u>

Interest expense totaled \$5,006 for the year ended June 30, 2016.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(8) **Beneficial Interest in Assets Held by Others – Endowment Funds**

WORKNET established a fund, a board designated endowment, at the Community Foundation of Tampa Bay (the Foundation). The Foundation was granted no variance power to redirect the use of the funds to another beneficiary. On an annual basis, the Foundation distributes net income from these funds to WORKNET which is used by the WORKNET for operational needs.

Spending Policy – The Foundation shall each year make distributions from the endowed fund based on the asset value as of December 31 of the previous year. Distributions total \$1,382 for the year ended June 30, 2016.

Investment Policy – All of the board designated endowment funds are deposited with the Foundation. The Board of Directors has delegated the investment policy responsibility to the Foundation and, therefore, follows the investment policy as determined by the Foundation.

(9) **Lease Commitments**

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

Facility lease payments totaling \$293,391, net of \$28,776 sublease income, is comprised of cancelable and non-cancelable payments of \$186,661 and \$135,506, respectively, for the year ending June 30, 2016. Equipment lease payments totaling \$62,765 is comprised of cancelable and non-cancelable payments of \$9,730 and \$53,035, respectively, for the year ending June 30, 2016. Minimum future lease payments under non-cancelable facility leases having remaining terms in excess of one year are as follows:

Year Ended June 30,	
2017	\$ 124,031
2018	<u>108,527</u>
Total	<u>\$ 232,558</u>

(10) **Employment Benefits**

(a) **Retirement Plan**

WORKNET provides a 401(k) Plan (the Plan). The Plan may provide two types of employer contributions, a non-elective contribution (NEC) and a matching contribution to eligible participants. The NEC is provided to all eligible employees regardless if the employee contributes to the Plan and equals 5% of the employee's eligible earnings. The matching contribution is only provided to those employees who elect to contribute to the Plan. WORKNET elected to provide the NEC but not the matching contributions. Employer contributions totaled \$267,189 for the year ended June 30, 2016.

(b) **Benefit Stipend**

WORKNET provides a benefit stipend (stipend) to eligible employees. The stipend equals 28% of the employee's eligible earnings. It is included as part of the employee's gross pay and paid twice a month over 24 pay periods. The stipend totaled approximately \$1,080,000 for the year ended June 30, 2016.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(11) **Reconciliation of Schedule of Expenditures of Federal Awards Programs and the Statement of Activities to OSMIS**

As required, WORKNET regularly reconciles its financial records to the One Stop Management Information System (OSMIS) which is maintained by the Florida Department of Economic Opportunity. As of June 30, 2016, no discrepancies were noted. Amounts expended on the Schedule of Expenditures of Federal Awards and revenues and expenses on the statement of activities were determined in accordance with the accrual basis of accounting.

Total Federal Expenditures/Grant Revenue	\$ 14,333,252
Funds received directly from funding sources not reported in OSMIS	<u>1,144,205</u>
Reported in OSMIS	<u>\$ 13,189,047</u>

(12) **Concentration of Credit Risk**

WORKNET maintains its cash with four financial institutions. WORKNET's deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, WORKNET has deposits which exceed the FDIC amount. Management does not anticipate nonperformance by any of the financial institutions.

(13) **Grants**

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

(14) **Legal Matters**

WORKNET is involved in various legal actions that, in the opinion of management, will not have a significant effect on the financial position or results of operations of WORKNET.

(15) **Related Party Transactions**

In accordance with applicable regulations, WORKNET's Board of Directors includes representatives of private and public sector industries. During the fiscal year ended June 30, 2016, WORKNET entered into contracts with certain private and public sector industries, with which board members are associated for the purpose of providing services to participants. Total payments for providing services to participants during the year ended June 30, 2016 were approximately \$385,000 and accounts payable at June 30, 2016 were approximately \$22,600.

(16) **Subsequent Events**

WORKNET has evaluated subsequent events from the statement of financial position date through February 17, 2017 the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

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WORKNET PINELLAS, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

<u>Federal/State Agency Pass-Through Entity/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Pass Through</u>
U.S. Department of Health and Human Services				
Passed through the Department of Economic Opportunity:				
Temporary Assistance for Needy Families	93.558	WTS15	\$ 4,724,901	\$ 1,463,003
Total U.S. Department of Health and Human Services			<u>4,724,901</u>	<u>1,463,003</u>
U.S. Department of Labor				
Passed through the Department of Economic Opportunity:				
Employment Service Cluster				
Disability Employment Initiative	17.207	WDE13	47,742	-
Disability Employment Initiative Asset Development and Training	17.207	WDE13	55,346	46,855
Wagner Peysner	17.207	WPA16	<u>697,552</u>	<u>-</u>
Subtotal Employment Service/Wagner-Peyser Funded Activities			<u>800,640</u>	<u>46,855</u>
Disabled Veterans Outreach Program	17.801	DVP15	126,028	-
Local Veterans Employment Representative Program	17.804	LVR15	<u>29,618</u>	<u>-</u>
Subtotal Employment Service Cluster			<u>956,286</u>	<u>46,855</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA - Adult	17.258	WIA15, WIA16	1,568,569	-
WIOA - Youth	17.259	WIY15, WIY16	1,360,627	559,624
WIOA - Dislocated Worker	17.278	WID15, WID16	2,591,812	-
Subtotal WIOA Cluster			<u>5,521,008</u>	<u>559,624</u>
National Emergency - Sector Partnership NEG				
Job-Driven (JD) National Emergency Grant	17.277	WNJD5	278,894	-
Subtotal WIA National Dislocated Worker Grants/WIA National Emergency Grants	17.277	WNJD5	<u>433,127</u>	<u>-</u>
Reemployment and Eligibility Assessment	17.225	UCRE5	217,800	-
Reemployment Services and Eligibility Assessment	17.225	UCRE5, UCRE6	321,087	-
Unemployment Insurance	17.225	UCB15	85,968	-
Subtotal Unemployment Insurance			<u>624,855</u>	<u>-</u>
Trade Adjustment Assistance	17.245	TAT13, TAC13, TAA13, TAT14, TAC14, TAA14	115,515	-
Subtotal Department of Economic Opportunity			<u>7,650,791</u>	<u>606,479</u>
Passed through Business Advocacy and Self-Employment Consortium				
Workforce Innovation Fund - Startup Quest	17.283	IF-23244-12-60-A-12	<u>133,983</u>	<u>-</u>
Subtotal Business Advocacy and Self-Employment Consortium			<u>133,983</u>	<u>-</u>
H-1B Technical Skills Training Grant				
Youthbuild	17.268	HG-22619-12-60-A-12	273,745	453,402
Youthbuild	17.274	YB-24706-13-60-A-12	<u>563,267</u>	<u>83,909</u>
Subtotal Direct U.S. Department of Labor			<u>837,012</u>	<u>537,311</u>
Total U.S. Department of Labor			<u>8,621,786</u>	<u>1,143,790</u>
U.S. Department of Agriculture				
Passed through the Department of Economic Opportunity:				
Supplemental Nutrition Assistance Program	10.561	FSH15	806,547	-
Supplemental Nutrition Assistance Program Employment and Training 50%	10.561	FSF15	6,809	-
Total U.S. Department of Agriculture			<u>813,356</u>	<u>-</u>
U.S. Department of Transportation				
Passed through the Pinellas County Metropolitan Organization				
Section 5316 Job Access/Reverse Commute Project	20.516	AQP67	122,594	-
Total U.S. Department of Transportation			<u>122,594</u>	<u>-</u>
Corporation for National & Community Service				
Passed through Florida Commission on Community Service dba Volunteer Florida				
AmeriCorps State	94.006	15AFHFL001	50,615	-
Total Expenditures of Federal Awards			\$ <u>14,333,252</u>	\$ <u>2,606,793</u>

WORKNET PINELLAS, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of WORKNET under programs of the federal government passed through the Department of Economic Opportunity for the year ended June 30, 2016. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Because the schedule presents only a selected portion of the operations of WORKNET, it is not intended to and does not present the financial position, changes in net assets or cash flows of WORKNET.

(2) **Basis of Accounting**

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.

(3) **Property and Equipment**

Property and equipment of approximately \$16,000 was purchased using federal grant awards during fiscal year ending June 30, 2016. These amounts are included in the Schedule but excluded from the statement of activities as the amount has been capitalized for financial statement purposes and recorded as property and equipment on the statement of position.

(3) **Match Contributions and Expenses**

Cost sharing (match) is a requirement of certain Federal programs and may be fulfilled with in-kind or cash. In-kind match may be in the form of equipment, supplies, and other expendable property, donated time, and the value of goods and services that directly benefit and are specifically identifiable to the Federal program. Cash match may include cash provided for grant activities by WORKNET, salaries paid by employers providing incumbent worker training and cash received from partners. Match is not reported in the accompanying schedule of expenditures of federal awards as they do not represent amounts expended. Match of \$1,143,789 represents salaries paid by an employer providing incumbent worker training for the H-1B Technical Skills Training Grant.

(4) **Indirect Cost Rate**

WORKNET elected to use the 10 percent de minimis indirect cost rate.

REGULATORY REPORTS

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**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 Board of Directors
WorkNet Pinellas, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WorkNet Pinellas, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2016, 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 February 17, 2017.

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 of the Organization's internal control.

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

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

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

POWELL & JONES
Certified Public Accountants
February 17, 2017

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors
WorkNet Pinellas, Inc.

Report on Compliance for Each Major Federal Program

We have audited WorkNet Pinellas, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WorkNet Pinellas, Inc.'s major federal programs for the fiscal year ended June 30, 2016. WorkNet Pinellas, Inc.'s major federal programs 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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of WorkNet Pinellas, Inc.'s major federal programs 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 or Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Florida Department of Economic Opportunity's (DEO) Audit and Audit Resolution Responsibilities (AWI FG 05-019) issued August 12, 2005. Those standards, the Uniform Guidance, and DEO guidance, 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 occurred. An audit includes examining, on a test basis, evidence about WorkNet Pinellas, Inc.'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. However, our audit does not provide a legal determination of WorkNet Pinellas, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, WorkNet Pinellas, 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, 2016.

Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

Report on Internal Control Over Compliance

Management of WorkNet Pinellas, Inc. 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 WorkNet Pinellas, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of WorkNet Pinellas, Inc.'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 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 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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

POWELL & JONES
Certified Public Accountants
February 17, 2017

WORKNET PINELLAS, INC.
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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? No
- Significant deficiency(ies) identified? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

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 2CFR 200.516(a) No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.561	Food Stamp and Employment Training
17.225	Unemployment Compensation and Reemployment Services and Eligibility Assessments
17.268	H-1B Technical Skills Training Grant
17.283	Workforce Innovation Fund - Startup Quest
93.558	Temporary Assistance for Needy Families

Dollar threshold to distinguish between type A and type B Federal Programs \$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 Audit Findings

None

Section V - Other

None

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