

WORKNET PINELLAS, INC.

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

**June 30, 2015
(With Independent Auditor's Report Thereon)**

WORKNET PINELLAS, INC.

Table of Contents

	<u>Page</u>
Independent Auditor's Report	1 - 2
Financial Statements:	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7 - 16
Supplemental Information:	
Schedule of Expenditures of Federal Awards	17
Notes to Schedule of Expenditures of Federal Awards	18
Regulatory Reports:	
Independent Auditors' 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>	19 - 20
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	21 - 22
Schedule of Findings and Questioned Costs	23 - 24



INDEPENDENT AUDITORS' REPORT

Board of Directors
WorkNet Pinellas, Inc.
Clearwater, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of WorkNet Pinellas, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2015, and the related statements 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.

Auditors' 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 auditors' 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, 2015, 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.

Other Matters

Other Information – Schedule of Federal Awards

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2016, on our consideration of WorkNet Pinellas, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result 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 WorkNet Pinellas, Inc.'s internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tampa, Florida
January 15, 2016

WORKNET PINELLAS, INC.

Statement of Financial Position

June 30, 2015

Assets

Current assets:

Cash and cash equivalents	\$	742,868
Accounts receivable		28,636
Grants receivable		1,611,300
Inventory		6,261
Prepaid expenses		<u>217,115</u>
Total current assets		2,606,180

Noncurrent assets:

Restricted cash		265,969
Loan costs, net		14,251
Endowment investments		10,097
Property and equipment, net		<u>2,406,620</u>
Total noncurrent assets		<u>2,696,937</u>

Total assets \$ 5,303,117

Liabilities and Net Assets

Current liabilities:

Accounts payable and accrued liabilities		1,854,088
Deferred revenue		37,373
Deferred grant revenue		328,325
Mortgage payable		<u>22,022</u>
Total current liabilities		2,241,808

Noncurrent liabilities:

Mortgage payable		<u>667,262</u>
Total noncurrent liabilities		<u>667,262</u>
Total liabilities		2,909,070

Net assets

Unrestricted		2,117,981
Unrestricted - Board designated		265,969
Permanently restricted		<u>10,097</u>
Total net assets		<u>2,394,047</u>

Total liabilities and net assets \$ 5,303,117

WORKNET PINELLAS, INC.

Statement of Activities

Year Ended June 30, 2015

Revenues and support:	
Grants	
Federal	\$ 15,801,003
Local	99,775
Matching revenue	116,980
Contribution and sponsorship revenue	163,018
Educational program tuition and fees	185,818
Other revenue	200,382
Total revenues and support	<u>16,566,976</u>
Expenses:	
Program services	
Workforce development	15,907,484
Supporting services	
General and administrative	652,206
Total expenses	<u>16,559,690</u>
Changes in unrestricted net assets	7,286
Net assets at beginning of year	2,386,761
Net assets at end of year	\$ <u><u>2,394,047</u></u>

WORKNET PINELLAS, INC.

Statement of Functional Expenses

Year Ended June 30, 2015

Expenses	Workforce development	General and administrative	Totals
Salaries	\$ 5,517,490	\$ 322,687	\$ 5,840,177
Retirement	257,545	14,190	271,735
Payroll taxes and fringe	457,693	25,648	483,341
Staff training and education	12,268	626	12,894
Accounting and professional	74,626	103,158	177,784
Community outreach	208,159	12,690	220,849
License, dues, and other fees	52,072	2,540	54,612
Communications	151,265	9,040	160,305
Office expenses	463,646	23,427	487,073
Occupancy	469,416	24,536	493,952
Travel	56,685	2,722	59,407
Meetings and conferences	49,425	478	49,903
Other expense	15,456	-	15,456
Contract labor	259,666	15,155	274,821
Insurance	119,940	15,615	135,555
Service provider contracts	3,576,576	-	3,576,576
Customer training	3,985,710	-	3,985,710
Inkind expense	29,707	-	29,707
Matching expense	116,980	-	116,980
Investment loss	-	390	390
Interest expense	-	28,815	28,815
Depreciation and amortization	33,159	50,489	83,648
Total Expenses	\$ 15,907,484	\$ 652,206	\$ 16,559,690

WORKNET PINELLAS, INC.

Statement of Cash Flows

Year Ended June 30, 2015

Cash flows from operating activities:	
Change in net assets	\$ 7,286
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation	73,867
Amortization	9,781
Investment loss	390
Changes in assets and liabilities:	
Increase in accounts receivable	(28,636)
Decrease in grants receivable	277,763
Decrease in inventory	3,353
Decrease in prepaid expenses	16,473
Increase in loan costs	(16,032)
Decrease in accounts payable and accrued liabilities	(439,910)
Decrease in deferred revenue	(1,127)
Decrease in deferred grant revenue	(40,282)
Net cash used in operating activities	<u>(137,074)</u>
Cash flows from investing activities:	
Sales of investments	1,383
Acquisition of property and equipment	(89,390)
Net cash used in investing activities	<u>(88,007)</u>
Cash flows from financing activities:	
Payments on mortgage payable	(382,049)
Borrowings on mortgage payable	700,000
Net cash provided by financing activities	<u>317,951</u>
Net increase in cash	92,870
Cash and cash equivalents, beginning of year	<u>915,967</u>
Cash and cash equivalents, end of year	\$ <u>1,008,837</u>
Supplemental disclosure of cash flow information:	
Cash paid during the year for interest	\$ <u>28,815</u>

WORKNET PINELLAS, INC.

Notes to Financial Statements

Year Ended June 30, 2015

(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 Peyser
- Disabled Veterans Outreach Program
- Local Veterans Employment Representative Program
- Workforce Investment Act (WIA Title I) – Adult, Youth, and Dislocated Worker
- National Emergency Grants
- Reemployment and Eligibility
- 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 \$265,969 for fiscal year ended June 30, 2015.
- 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

(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 \$33,160 for fiscal year ending June 30, 2015.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(2) Summary of Significant Accounting Policies - Continued

(k) Personal Time Off

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 \$232,809 is included as a component of accounts payable and accrued expenses in the Statement of Financial Position at June 30, 2015.

(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, 2015.

(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) Contributed Services

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 approximately \$19,000 reflected in the accompanying statement of activities as a component of contribution and sponsorship revenue represent services for repairs and maintenance and teaching.

In addition, volunteered time for administrative and program functions totaling \$1,470 for the year ended June 30, 2015 is not included in the financial statements as these services do not meet the criteria for recognition. The value of the 183 hours of volunteer services was estimated using the minimum wage rate of \$8.05 per hour.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

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

(p) **In-Kind Contributions of Material**

In-kind donations of materials 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 materials 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 \$11,000 is included as a component of contribution and sponsorship revenue include contributions for building maintenance supplies.

(q) **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, 2015 totaled \$2,691,647. The amount of \$2,574,667 that differs from the amount recorded on the statement of activities represents matching contributions that qualify for grant matching requirements but does not meet the criteria for financial statement recognition.

(r) **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.

(s) **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. Expenses that are not directly identifiable with a program, but are for the overall support, are charged to supporting services. Supporting services expenses 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, 2015 and 2014, 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, 2015 for financial assets and liabilities measured at fair value on a recurring basis:

	<u>Fair Value Measurement at Reporting Date Using</u>		
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Beneficial Interest in Assets Held by Others	\$ <u>-</u>	<u>-</u>	<u>10,097</u>

Fair Value Measurements

The table below sets for the a summary of changes in the fair value of WORKNET's level 3 financial assets during the year ended June 30, 2015:

Balance, beginning of year	\$ 11,870
Investment loss	(391)
Distributions	<u>(1,382)</u>
Balance, end of year	\$ <u>10,097</u>

All of the gains and losses above are recorded as increases in unrestricted net assets as the investments do not maintain donor restrictions.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(4) Grants Receivable

Grants receivable is comprised of the following federal awards at June 30, 2015:

Federal awards:

U.S. Department of Health and Human Services:

Temporary Assistance for Needy Families	\$ 712,669
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U.S. Department of Labor:

Employment Service Cluster:

Disability Employment Initiative	19,545
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Disability Employment Initiative Asset Development and Training	5,807
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Wagner Peyser	105,771
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Disabled Veterans Outreach Program	22,906
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Local Veterans Employment Representative Program	8,500
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Workforce Investment Act (WIA) Cluster:

WIA Adult	53,617
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National Emergency Grant Dislocated Worker Training	27,500
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Job-Driven (JD) National Emergency Grant	30,960
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Unemployment Insurance	12,710
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Trade Adjustment Assistance	15,788
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Workforce Innovation Fund - Startup Quest	29,873
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H-1B Technical Skills Training Grant	60,997
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Youthbuild	379,977
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U.S. Department of Agriculture:

Supplemental Nutrition Assistance Program	51,703
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Supplemental Nutrition Assistance Program Employment and Training 50%	1,919
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U.S. Department of Transportation:

Section 5316 Job Access/Reverse Commute Project	71,001
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Corporation for National & Community Service:

AmeriCorps Member Support	57
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Total grants receivable	\$ <u>1,611,300</u>
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(5) Property and Equipment

Property and equipment consists of the following at June 30, 2015:

Land	\$ 880,000
Building	1,513,800
Equipment	415,163
Vehicles	67,513
Leasehold Improvements	88,292
Educational Videos	24,600
Total cost	2,989,368
Accumulated depreciation	582,748
	\$ <u>2,406,620</u>

Depreciation expense for the year ended June 30, 2015 was \$73,867.

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, 2015:

Federal awards:

U.S. Department of Labor:

Workforce Investment Act (WIA) Cluster:

WIA - Youth	\$	203,240
WIA - Dislocated Worker		124,644
Reemployment and Eligibility		441
Total deferred grant revenue	\$	328,325

(7) 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, 2015, 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:

<u>Year Ended June 30,</u>		
2016	\$	22,022
2017		23,171
2018		24,287
2019		25,458
2020		594,346
Total	\$	689,284

Interest expense totaled \$28,815 for the year ended June 30, 2015.

(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, 2015.

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.

WORKNET PINELLAS, INC.

Notes to Financial Statements - Continued

(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 \$340,761, net of \$7,629 sublease income, is comprised of cancelable and non-cancelable payments of \$171,492 and \$169,931, respectively, for the year ending June 30, 2015. Equipment lease payments totaling \$83,631 is comprised of cancelable and non-cancelable payments of \$30,355 and \$53,277, respectively, for the year ending June 30, 2015. Minimum future lease payments under non-cancelable facility leases having remaining terms in excess of one year are as follows:

<u>Year Ended June 30,</u>		Facility
2016	\$	166,514
2017		124,031
2018		108,527
	\$	<u>399,072</u>

Storage and lease deposits of \$6,967 comprise the remaining lease expense.

(10) **Employment Benefits**

(a) **Retirement Plan**

All employees who have completed three months of service are eligible to participate in the WorkNet Pinellas, Inc. 401(k) Plan (the Plan). The Plan may provide two types of employer contributions, a non-elective contribution (NEC) and a matching contribution. 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 \$271,735 for the year ended June 30, 2015.

(b) **Benefit Stipend**

Effective January 1, 2013, all full-time employees who have completed three months of service are eligible for a benefit stipend (stipend). 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 \$1,090,000 for the year ended June 30, 2015.

(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, 2015, 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.

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 - Continued

The following shows a reconciliation of grant revenue on the Schedule of Expenditures of Federal Awards and the amounts reported in OSMIS for the fiscal year ended June 30, 2015:

Total Federal Expenditures/Grant Revenue	\$ 15,801,003
Funds received directly from the Federal Government not reported in OSMIS	<u>2,342,519</u>
Reported in OSMIS	<u>\$ 13,458,484</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, 2015, 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, 2015 were approximately \$2,250,000 and accounts payable at June 30, 2015 were approximately \$48,000.

(16) Subsequent Events

WORKNET has evaluated subsequent events from the statement of financial position date through January 15, 2016 the date the financial statements were available to be issued.

SUPPLEMENTAL INFORMATION

WORKNET PINELLAS, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

<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	WTS14, WTS15	\$ 4,022,245	\$ 1,453,767
Total U.S. Department of Health and Human Services			<u>4,022,245</u>	<u>1,453,767</u>
U.S. Department of Labor				
Passed through the Department of Economic Opportunity:				
Employment Service Cluster				
Disability Employment Initiative	17.207	WDE13	309,587	-
Disability Employment Initiative Asset Development and Training	17.207	WDE13	110,088	99,963
Wagner Peysner	17.207	WPA14, WPA15, WPB14, WPB15	1,052,849	-
Subtotal Employment Service/Wagner-Peyser Funded Activities			<u>1,472,524</u>	<u>99,963</u>
Disabled Veterans Outreach Program	17.801	DVP14, DVP15	129,200	-
Local Veterans Employment Representative Program	17.804	LVR14, LVR15	65,406	-
Subtotal Employment Service Cluster			<u>1,667,130</u>	<u>199,926</u>
Workforce Investment Act (WIA) Cluster				
WIA - Adult	17.258	WIA14, WIA15, WIS14	2,270,354	-
WIA - Youth	17.259	WIS14, WIY14, WIY15	1,108,484	727,396
WIA - Dislocated Worker	17.278	WIS14, WID14, WID15	2,280,561	-
Subtotal WIA Cluster			<u>5,659,399</u>	<u>727,396</u>
National Emergency Grant Dislocated Worker Training	17.277	WNDW3	271,709	-
Job-Driven (JD) National Emergency Grant	17.277	WNJD5	305,960	-
Subtotal WIA National Dislocated Worker Grants/WIA National Emergency Grants			<u>577,669</u>	<u>-</u>
Reemployment and Eligibility	17.225	UCRE3, UCRE4	360,646	-
Unemployment Insurance	17.225	UCB14, UCB15	137,003	-
Subtotal Unemployment Insurance			<u>497,649</u>	<u>-</u>
Trade Adjustment Assistance	17.245	TAT13, TAC13, TAA13	271,788	-
Subtotal Department of Economic Opportunity			<u>8,673,635</u>	<u>827,359</u>
Passed through Business Advocacy and Self-Employment Consortium				
Workforce Innovation Fund - Startup Quest	17.283	IF-23244-12-60-A-12	126,755	-
Subtotal Business Advocacy and Self-Employment Consortium			<u>126,755</u>	<u>-</u>
H-1B Technical Skills Training Grant	17.268	HG-22619-12-60-A-12	1,442,845	1,120,736
Youthbuild Program	17.274	YB-24706-13-60-A-12	492,007	174,715
Subtotal Direct U.S. Department of Labor			<u>1,934,852</u>	<u>1,295,451</u>
Total U.S. Department of Labor			<u>10,735,242</u>	<u>2,122,810</u>
U.S. Department of Agriculture				
Passed through the Department of Economic Opportunity:				
Supplemental Nutrition Assistance Program	10.561	FSH14, FSH15	742,872	-
Supplemental Nutrition Assistance Program Employment and Training 50%	10.561	FSF14, FSF15	19,677	-
Total U.S. Department of Agriculture			<u>762,549</u>	<u>-</u>
U.S. Department of Transportation				
Passed through the Pinellas County Metropolitan Organization				
Section 5316 Job Access/Reverse Commute Project	20.516	FL-37-X033-03, AQP67	280,912	-
Total U.S. Department of Transportation			<u>280,912</u>	<u>-</u>
Corporation for National & Community Service				
Passed through the Department of Economic Opportunity				
AmeriCorps Member Support	94.006	AMC14	55	-
Total Expenditures of Federal Awards			<u>\$ 15,801,003</u>	<u>\$ 3,576,577</u>

WORKNET PINELLAS, INC.

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

(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, 2015. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. 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 OMB Circular A-122, Cost Principles for Non-Profit Organizations wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Property and Equipment

Property and equipment of approximately \$11,000 was purchased using federal grant awards during fiscal year ending June 30, 2015. 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 \$2,691,647 represents \$2,574,667 salaries paid by an employer providing incumbent worker training for the H-1B Technical Skills Training Grant and \$116,980 in-kind for equipment, facilities and supplies for the Youthbuild Program.

REGULATORY REPORTS

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
WorkNet Pinellas, Inc.
Tampa, Florida

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., which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 15, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered WorkNet Pinellas, Inc.'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 WorkNet Pinellas, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of WorkNet Pinellas, Inc.'s internal control.

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

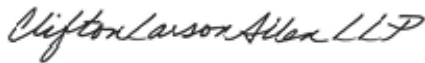
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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 WorkNet Pinellas, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 result 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.



CliftonLarsonAllen LLP

Tampa, Florida
January 15, 2016



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Directors
WorkNet Pinellas, Inc.
Clearwater, Florida

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 Circular A-133 Compliance Supplement* that could have a direct and material effect on each of WorkNet Pinellas, Inc.'s major federal programs for the year ended June 30, 2015. WorkNet Pinellas, Inc.'s major federal programs are identified in the summary of auditors' 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.

Auditors' 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; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and special audit guidance provided by the Florida Department of Economic Opportunity. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 result of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



CliftonLarsonAllen LLP

Tampa, Florida
January 15, 2016

**WORKNET PINELLAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
YEAR ENDED JUNE 30, 2015**

Section I - Summary of Auditors' Results

Financial Statement

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiencies identified not considered to be a material weakness(es)	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over compliance:	
Material weakness(es) identified?	No
Were significant deficiency(ies) identified not considered to be a material weakness(es)	No
Type of auditors' report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133 section 510 (a)	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster
17.207, 17.801, 17.804	Employment Service/ Wagner-Peyser Funded Activities, Disabled Veterans' Outreach Program (DVOP), Local Veterans' Employment Representative (LVER) Program.
17.274	Youthbuild
17.277	Workforce Investment Act (WIA) National Emergency Grants
20.516	Job Access and Reverse Commute Program
93.558	Temporary Assistance for Needy Families (TANF)

Dollar threshold used to determine Type A Federal programs	\$474,030
Auditee qualified as low-risk auditee?	Yes

WORKNET PINELLAS, INC.
SCHEDULE OF FINDINGS AND QUESTIONS COSTS
YEAR ENDED JUNE 30, 2015

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Findings and Questioned Costs – Major Federal Programs

Our audit did not disclose any matters required to be reported in accordance with Section 510(a) of OMB Circular A-133.

Section IV – Prior Year Major Federal Program Findings

There were no findings in the prior year that were reequired to be reported in accordance with Section 510(a) of OMB Circular A-133.