

Work2Future Foundation
(A California Nonprofit Organization)

Audited Financial Statements & Reports
June 30, 2018



Chavan & Associates, LLP
Certified Public Accounts
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Work2Future Foundation
(A California Nonprofit Organization)

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Financial Section



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Work2Future Foundation
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Work2Future Foundation (a California Nonprofit Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities 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 the Work2Future Foundation as of June 30, 2018, 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

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 and the federal award compliance section, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards are 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 State of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated 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 October 15, 2018 on our consideration of the Work2Future Foundation'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 results of that testing, and not to provide an opinion on the effectiveness of Work2Future Foundation's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Work2Future Foundation's internal control over financial reporting and compliance.

C & A LLP

October 15, 2018
San Jose, California

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Basic Financial Statements

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Financial Position
June 30, 2018

ASSETS

Current assets:

Cash and cash equivalents	\$ 1,036,011
Grants receivable	140,155
Prepaid expenses and other current assets	<u>26,067</u>
Total current assets	1,202,233

Noncurrent Assets:

Capital Assets - net	<u>42,867</u>
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Total Assets	<u>\$ 1,245,100</u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 112,865
Accrued expenses	22,779
Accrued payroll and related liabilities	<u>339,622</u>

Total Liabilities	<u>475,266</u>
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NET ASSETS

Temporarily restricted	150,714
Unrestricted	<u>619,120</u>

Total Net Assets	<u>769,834</u>
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Total Liabilities and Net Assets	<u>\$ 1,245,100</u>
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The accompanying notes are an integral part of these financial statements.

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants	\$ 4,124,341	\$ -	\$ 4,124,341
Contributions	102,802	125,253	228,055
In-kind contributions	436,534	-	436,534
Net investment income	1,873	-	1,873
Miscellaneous	317,694	-	317,694
Released from restrictions	144,804	(144,804)	-
Total Revenue and Support	5,128,048	(19,551)	5,108,497
EXPENSES			
Program expenses	4,654,561	-	4,654,561
Management and general expenses	288,276	-	288,276
Total Expenses	4,942,837	-	4,942,837
 Change in Net Assets	 185,211	 (19,551)	 165,660
 Total Net Assets - Beginning	 433,909	 170,265	 604,174
Total Net Assets - Ending	\$ 619,120	\$ 150,714	\$ 769,834

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

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Expenses	Management and General	Total Expenses
Employee benefits and expense	\$ 3,826,942	\$ 120,415	\$ 3,947,357
Payroll taxes	299,433	5,759	305,192
Professional fees	23,509	65,033	88,542
Purchased services	20,118	28,046	48,164
Supplies	23,665	4,725	28,390
Travel	16,731	536	17,267
In-kind donations	436,534	-	436,534
Insurance	-	24,343	24,343
Communication	4,689	3,587	8,276
Building and Equipment Rental	-	2,772	2,772
Depreciation Expense	-	30,694	30,694
Other	2,940	2,366	5,306
	<u>\$ 4,654,561</u>	<u>\$ 288,276</u>	<u>\$ 4,942,837</u>
Total Expenses	<u>\$ 4,654,561</u>	<u>\$ 288,276</u>	<u>\$ 4,942,837</u>

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

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Cash Flows
For the Year Ended June 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 165,660
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation expense	30,694
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	25,515
(Increase) decrease in grants receivable	37,331
(Increase) decrease in prepaid expenses and other current assets	3,869
Increase (decrease) in accounts payable	102,512
Increase (decrease) in accrued expenses	(8,232)
Increase (decrease) in accrued payroll and related liabilities	<u>(19,138)</u>
Net cash provided by (used for) operating activities	<u>338,211</u>
Cash and cash equivalents - beginning of year	<u>697,800</u>
Cash and cash equivalents - end of year	<u>\$ 1,036,011</u>

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

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Work2Future Foundation was established in September of 2011 with the purpose of creating and advancing new opportunities to connect workforce and economic development as well as to promote small business development, growth and sustainability. The Work2Future Foundation is a 501(c)(3) corporation that provides private and publicly funded vocational education and training programs in Santa Clara County and its unincorporated areas. The Work2Future Foundation serves an estimated 5,000 job seekers each year.

Basis of Presentation

The financial statements are presented in conformity with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958) of Not-For-Profit Organizations. Under FASB ASC 958, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Permanently Restricted Net Assets - Net assets subject to third party or legal stipulations that they be maintained permanently. There were no permanently restricted net assets as of June 30, 2018.

Temporarily Restricted Net Assets - Net assets whose use is limited by third party or legal stipulations that either expire by passage of time or can be fulfilled and released by actions pursuant to those donor-imposed or legal stipulations. There was \$150,714 in temporarily restricted net assets as of June 30, 2018.

Unrestricted Net Assets - Net assets whose use is not subject to third party or legal restrictions.

Revenues are reported as increases in unrestricted net assets unless their use is limited by third party restrictions. Expenses are reported as decreases in unrestricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

Accounting Principles

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized in the period incurred.

Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. When a donor restriction expires because a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of an expenditure under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Items

A substantial number of individuals have donated significant amounts of time and inventory to the Organization's programs and supporting functions. However, these services do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States and, therefore, are not recorded in the financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and investments. The Organization maintains its cash in interest bearing bank deposit accounts. At times, interest bearing accounts may exceed federally insured limits as guaranteed by the Federal Depository Insurance Corporation (FDIC).

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. For financial statement purposes, the Organization considers investments with maturity of three months or less to be cash equivalents.

Property, Equipment and Improvements

When applicable, expenses for property and equipment are capitalized at cost and depreciated over their estimated useful lives of five to twenty-five years using the straight-line method.

Tax Exempt Status

The Organization has been granted tax-exempt status by the Internal Revenue Service (Section 501 (c)(3)) and the California Franchise Tax Board (Section 23701(d)). The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization is subject to a tax on income from any unrelated business. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2015 through

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

2018 are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended June 30, 2015 through 2018 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

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

New Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, Leases (ASU 2016-02). ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

In August 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. ASU 2016-14 was added to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's (NFP's) liquidity, financial performance, and cash flows. ASU 2014-14 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2017.

In January 2018, FASB issued Accounting Standards Update (ASU) 2018-01, Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842. ASU 2018-01 allows for an entity to elect an optional transition practical expedient to not evaluate under Topic 842 land easements that exist or expired before the entity's adoption of Topic 842 and that were not previously accounted for as leases under Topic 840. ASU 2018-01 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019.

NOTE 2 - CASH AND CASH EQUIVALENTS

The carrying amount of the Organization's total cash was \$1,036,011 at June 30, 2018. The bank balances before reconciling items exceeded the Federal Depository Insurance Corporation's (FDIC) insured limits by \$836,617. The FDIC covers up to \$250,000 per entity, per bank.

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

NOTE 3 - GRANTS RECEIVABLE

As of June 30, 2018, the Organization's grants receivable consisted of \$140,155 in claims made to the City of San Jose and other organizations for Workforce Investment Program and other program expenditures incurred in June of 2018.

NOTE 4 - ACCRUED PAYROLL AND RELATED LIABILITIES

Accrued payroll and related liabilities consisted of \$41,998 in accrued vacation and \$297,624 in accrued payroll as of June 30, 2018. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Payroll was accrued for the last payroll of the fiscal year which was not paid until the beginning of the following fiscal year.

NOTE 6 - LINE OF CREDIT

The Organization has an unsecured line of credit available. The maximum borrowing limit of \$125,000 on the line of credit which expires December 21, 2018. As of June 30, 2018 the outstanding balance was \$0.00. The line of credit agreement includes certain financial covenants, all of which have been met for the year ended June 30, 2018.

NOTE 7 - RETIREMENT PLANS

The Organization has an employer profit sharing plan which qualifies under Section 403(b) of the Internal Revenue Code. This contribution plan covers all permanent employees.

NOTE 8 - DEFERRED REVENUE

Deferred revenue represents revenue collected by the Organization but not earned as of June 30. This is primarily composed of revenue for San Jose Works program. If a program is conducted over fiscal year end, deferred revenue is recorded for all revenue related to programs to be conducted in the next fiscal year. Deferred revenue is reflected as a liability on the Statement of Financial Position until it is earned and can be recognized as income. As of June 30, 2018 the Organization has not received any program funding meant for next fiscal year's program expenses.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The Organization has received Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Lease Commitments

The Organization is provided space in San Jose, Gilroy and Morgan Hill by the City of San Jose to operate its youth center and job centers. The fair value rental of the properties has been recorded as an in-kind donation in the financial statements since management has determined that the estimated value of the

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2018

annual rent is significant to the financial statements. The approximate fair value including equipment, supplies, utilities and repairs and maintenance was \$436,534.

NOTE 10 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

*Federal Award
Compliance Section*

Work2Future Foundation
(A California Nonprofit Organization)
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Program Name	Federal Catalog Number	Pass-through Identifying Number	In-Kind Rent Non-cash Expenditures	Program Expenditures
US Department of Labor:				
Passed through California Employment Development Department:				
Passed through City of San Jose Office of Economic Development - Work2Future:				
Workforce Innovation and Opportunity Act (WIOA) Program Cluster:				
WIOA Adult Program	17.258	(1) 662464-1	\$ 91,613	\$ 732,361
WIOA Youth Program	17.259	(1) 662477-1	253,556	1,566,897
WIOA Dislocated Workers Program	17.278	(1) 662464-1	91,365	563,929
Total WIOA Program Cluster			<u>436,534</u>	<u>2,863,187</u>
H-1B Job Training Grants				
Ready to Work Program	17.268	662464-1	-	88,483
Rapid Response	17.268	662464-1	-	115,973
Total H-1B Job Training Grants			<u>-</u>	<u>204,456</u>
WIOA National Dislocated Worker/ WIA National Emergency Grants				
WIOA Flood	17.277	662464-1	-	423,067
Prop39/Construction Careers Initiative (CCI)	17.277	662464-1	-	77,658
Sector Partnership - National Emergency Grants (SP-NEG)	17.277	662464-1	-	116,041
Total WIOA National Dislocated Worker/ WIA National Emergency Grants			<u>-</u>	<u>616,766</u>
Total Federal Programs			<u>\$ 436,534</u>	<u>\$ 3,684,409</u>

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Federal Awards Compliance Section
For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Work2Future Foundation (the Organization) under programs of the federal government for the year ended June 30, 2018. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Regulations, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Organization.

The Organization has elected to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the OMB Compliance Supplement, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying schedule agree, in all material respects, to amounts reported within the Organization's financial statements. Federal award revenues are reported principally in the Organization's financial statements as grant revenues.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree or can be reconciled with the amounts reported or to be reported in the federal financial reports.

NOTE 5 - PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization has determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

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Other Independent Auditor's Reports



**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***

Board of Directors
Work2Future Foundation
San Jose, California

We have audited, 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, the financial statements of Work2Future Foundation (the Organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated October 15, 2018.

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.

C & A LLP

October 15, 2018
San Jose, California



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

Board of Directors
Work2Future Foundation
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Work2Future Foundation's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Organization 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, 2018.



Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program 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 the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program 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.

C & A LLP

October 15, 2018
San Jose, California

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Findings and Recommendations

Work2Future Foundation
 (A California Nonprofit Organization)
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x No

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x No

Type of auditor's report issued on compliance
over major programs: **Unmodified**

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a) _____ Yes x No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
17.258	WIOA Adult Program
17.259	WIOA Youth Program
17.278	WIOA Dislocated Workers Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes x No

Work2Future Foundation
(A California Nonprofit Organization)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

Work2Future Foundation
(A California Nonprofit Organization)
Status of Prior Year Findings and Recommendations
For the Year Ended June 30, 2018

No findings noted.