

**MADERA COUNTY WORKFORCE
INVESTMENT CORPORATION**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

**WITH INDEPENDENT AUDITOR'S
REPORT THEREON
JUNE 30, 2014**

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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 Madera County Workforce Investment Corporation as of June 30, 2014, 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.

Prior Period Adjustment

As discussed in Note 9, a prior period adjustment is reflected for contributed property and equipment overstated in the prior year.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of grant expenses on page 27 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards on page 20, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

STATEMENT OF FINANCIAL POSITION

June 30, 2014

ASSETS

Current Assets

Cash and cash equivalents	\$	20,263
Grants receivable		211,428
Accounts receivable, net		7,598
Total current assets		<u>239,289</u>

Property and Equipment, Net

Total assets		<u>46,059</u>
	\$	<u>285,348</u>

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts payable	\$	103,968
Accrued payroll and related expenses		77,848
Total current liabilities		<u>181,816</u>

Commitments and Contingencies

-

Net Assets

Temporarily restricted		5,927
Unrestricted		97,605
		<u>103,532</u>
Total liabilities and net assets	\$	<u>285,348</u>

See Independent Auditor's Report and Notes to Financial Statements.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2014

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues, Gains, and Other Support:			
Grants and contracts	\$ 2,618,733	\$ -	\$ 2,618,733
Contributions	1,335	35,000	36,335
Rental and other income	25,058	-	25,058
Charges for services	49,214	-	49,214
	<u>2,694,340</u>	<u>35,000</u>	<u>2,729,340</u>
Net assets released from restrictions	47,323	(47,323)	-
Total revenues, gains, and other support	<u>2,741,663</u>	<u>(12,323)</u>	<u>2,729,340</u>
Expenses:			
Program services	2,618,733	-	2,618,733
Supporting services	111,374	-	111,374
Total expenses	<u>2,730,107</u>	<u>-</u>	<u>2,730,107</u>
Increase (Decrease) in Net Assets	<u>11,556</u>	<u>(12,323)</u>	<u>(767)</u>
Net Assets, Beginning of Year	106,796	18,250	125,046
Prior Period Adjustment	<u>(20,747)</u>	<u>-</u>	<u>(20,747)</u>
Net Assets, Beginning of Year as Restated	<u>86,049</u>	<u>18,250</u>	<u>104,299</u>
Net Assets, End of Year	<u>\$ 97,605</u>	<u>\$ 5,927</u>	<u>\$ 103,532</u>

See Independent Auditor's Report and Notes to Financial Statements.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2014

	Program Services					Total Program Services	Supporting Services	Total Expenses
	Workforce Investment Act	California Department of Corrections and Rehabilitation Program	Disability Employment Initiative	Madera County Dept of Corrections Realignment Services	City of Madera Community Development Block Grant			
Salaries	\$ 850,939	\$ 189,614	\$ 103,838	\$ 27,740	\$ -	\$ 1,172,131	\$ 39,769	\$ 1,211,900
Payroll taxes	73,228	17,781	10,518	2,456	-	103,983	2,715	106,698
Employee benefits	167,661	40,987	24,995	1,860	-	235,503	19,573	255,076
Materials and supplies	29,872	9,039	5,240	499	-	44,650	4,960	49,610
Overhead and operating expenses	167,618	45,003	39,420	4,047	-	256,088	44,357	300,445
Client program expenses	770,154	-	21,962	-	14,262	806,378	-	806,378
	<u>\$ 2,059,472</u>	<u>\$ 302,424</u>	<u>\$ 205,973</u>	<u>\$ 36,602</u>	<u>\$ 14,262</u>	<u>\$ 2,618,733</u>	<u>\$ 111,374</u>	<u>\$ 2,730,107</u>

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2014

Cash Flows From Operating Activities:	
Decrease in net assets	\$ (767)
Adjustment to reconcile decrease in net assets to net cash provided by operating activities:	
Depreciation	19,742
Bad debt expense	1,435
Changes in operating assets and liabilities:	
Increase in grants receivable	(62,485)
Increase in other receivable	(684)
Decrease in deposits and prepaid expenses	17,696
Increase in accounts payable	55,149
Increase in accrued payroll and related expenses	5,586
Decrease in refundable advances	(16,833)
Net cash provided by operating activities	<u>18,839</u>
Cash Flows From Investing Activities:	
Purchase of property and equipment	(22,100)
Net cash used in investing activities	<u>(22,100)</u>
Net Decrease in Cash and Cash Equivalents	(3,261)
Cash and Cash Equivalents, Beginning of Year	23,524
Cash and Cash Equivalents, End of Year	<u>\$ 20,263</u>

See Independent Auditor's Report and Notes to Financial Statements.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 1. Nature of Activities and Summary of Significant Accounting Policies

Nature of Activities: Madera County Workforce Investment Corporation (the “Organization”) is a California nonprofit public benefit corporation incorporated in 2011. The Organization received its tax exempt status as a 501(c)(3) organization from the Internal Revenue Service in 2012. The Organization is located in Madera, California and has satellite offices in Chowchilla, California and Oakhurst, California. The Organization was formed with the purpose of securing more private sector jobs for the unemployed and working poor, attracting greater employer participation in all aspects of local employment and training activities, and acting as an administrative entity to assist in the implementation of the Workforce Investment Act (WIA) in Madera County, in a manner that is responsive to the needs of the private sector. The Organization is also authorized to receive contributions and to make donations to, and otherwise aid and support, legally permissible undertakings consistent with the above-stated purposes.

Basis of Presentation: The Organization is required 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 as follows:

Unrestricted: These generally result from revenue generated by receiving grants, unrestricted contributions, providing services, and receiving interest from investments, less expenses incurred in providing program-related services, raising contributions (fundraising expenses), and performing administrative functions.

Temporarily Restricted: Gifts of cash and other assets are temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or the purpose of the 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. The Organization had temporarily restricted net assets of \$5,927 at June 30, 2014.

Permanently Restricted: These net assets are restricted by donors who stipulate that resources are to be maintained permanently, but permit the Organization to expend all of the income (or other economic benefits) derived from the donated assets. The Organization did not have any permanently restricted net assets.

Method of Accounting: The Organization uses the accrual basis method of accounting in accordance with accounting principles generally accepted in the United States of America.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents: For purposes of reporting the statement of cash flows, the Organization considers all highly liquid investments with an original maturity of three (3) months or less to be cash equivalents. Accounts at each financial institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At June 30, 2014 there were no uninsured cash balances.

Grants and Accounts Receivable: Accounts receivable consist primarily of rental income in addition to reimbursed administrative fees charged to sub-lessees. Receivables are written off through an allowance for doubtful accounts when the Organization determines the payments will not be received. Allowance for doubtful accounts at June 30, 2014 was \$1,435. All accounts receivable are non-interest bearing.

Grants receivable are primarily awards from federal and State of California grants for services provided under cost reimbursement agreements. These receivables are considered fully collectible and, therefore, no allowance for doubtful accounts has been recorded in the accompanying financial statements.

Exchange Transactions: Revenues earned from contracts and grants with state and federal agencies are considered to be exchange transactions. Revenue from exchange transactions are reported gross of any related expense in the accompanying financial statements.

Property and Equipment: It is the Organization's policy to capitalize property and equipment over \$500. Purchased property and equipment is capitalized at cost. Donated property and equipment is recorded at fair value at the date of the gift. Expenditures that increase the life of the related assets are capitalized. Repairs and maintenance, including planned major maintenance activities, are charged to operations when incurred.

Depreciation is computed using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Furniture and fixtures	5 - 10
Office and computer equipment	3 - 5
Vehicles	5

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 1. Nature of Activities and Summary of Significant Accounting Policies (Continued)

Advertising Costs: Advertising costs, except for costs associated with direct-response advertising, are charged to operations when incurred. The costs of direct-response advertising are capitalized and amortized over the period during which the future benefits are expected to be received. There were no costs required to be capitalized during the year ended June 30, 2014. Advertising costs during the year ended June 30, 2014 were \$14,280

Income Taxes: The Organization is a tax-exempt corporation under section 501(c)(3) of the Internal Revenue Code and section 23701(d) of the State of California Corporate Code. The Organization is subject to taxation on any unrelated business income. The Organization does not believe its unrelated business income activities result in a material tax liability and therefore no tax provision has been recorded in the financial statements.

Uncertain Tax Positions: The Organization recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. The Organization does not believe its financial statements include any uncertain tax positions.

The federal and state income tax returns of the Organization have not been examined by the respective taxing authorities. Both federal and state income tax returns are open to examination since the year of inception of 2011.

Fundraising Expenses: Fundraising expenses are expensed as incurred. Revenue from fundraising events is recognized in the period in which the event takes place. The Organization did not have any fundraising activity during the year ended June 30, 2014.

Note 2. Grants Receivable

The following grants receivable from funding sources were due to the Organization as of June 30, 2014:

	<u>Amount</u>	<u>% of Total</u>
State of California, Employment Development Department	\$ 124,280	59%
Madera County, California Department of Corrections and Rehabilitation	64,467	30%
Other	22,681	11%
	<u>\$ 211,428</u>	<u>100%</u>

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 3. Property and Equipment

Property and equipment consisted of the following at June 30, 2014:

	<u>Amount</u>
Computer equipment	\$ 52,115
Office equipment	11,000
Vehicles	2,125
Furniture and fixtures	550
	<u>65,790</u>
Less: accumulated depreciation	<u>(19,731)</u>
	<u>\$ 46,059</u>

Note 4. Obligations Under Operating Leases

The Organization leases office space and office equipment under operating leases, which require certain minimum monthly rental payments. The leases vary in terms and expire between June 2016 and May 2019. The future minimum rental payments as of June 30, 2014 are as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2015	\$ 79,437
2016	79,437
2017	6,765
2018	6,305
2019	4,937
	<u>\$ 176,881</u>

Total rent expense included in the statement of activities and functional expenses for the year ended June 30, 2014 was \$70,866.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 5. Rental Income Under Operating Leases

The Organization sub-leases a portion of its office facilities to two non-related parties. The sub-leases vary in terms; one a month to month, the other expiring June of 2017. Future minimum rental receipts are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 6,660
2016	6,660
2017	6,660
	<u>\$ 19,980</u>

Rental income on all leases for the year ending June 30, 2014 was \$33,116, which includes utility and other administrative charges allocated proportionately to the sub-lessor based on square footage leased.

Note 6. Retirement Plan

During the year ended June 30, 2014 the Organization established a 457 Retirement Plan (the “Plan”) covering all active full-time employees. All full-time employees are eligible to participate in the Plan after completing a six month introductory period. The Organization contributes 6% of the employee’s compensation for the year. The employer contribution for the year ended June 30, 2014 was \$70,491 and is included within employee benefits on the statement of functional expenses.

Note 7. Net Assets

During the year ended June 30, 2014, Chukchansi contributed \$25,000 with the restriction that the funds be used to purchase computers as part of its Community Grant Program. In addition, Wells Fargo contributed \$10,000 for the use in the Veterans Assistance Project.

Temporarily restricted net assets consisted of the following at June 30, 2014:

	<u>Amount</u>
Chukchansi – Community Grant Program for Computers	\$ 3,458
Wells Fargo Foundation – Veterans Assistance Project	2,469
	<u>\$ 5,927</u>

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

Note 8. Contingencies and Concentrations

Federal and State Grants

Amounts received from grant agencies are subject to audit and adjustment by grantor agencies, principally the state and federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the Organization. There are no pending audits or proposed adjustments at this time.

Economic Dependency

Over 90% of the Organization's total support and revenue is derived from state and federal grants. Grant and contract revenue for the year ended June 30, 2014 consists of the following:

<u>Programs</u>	<u>Amount</u>	<u>% of Total</u>
Workforce Investment Act:		
Youth program	\$ 677,116	26%
Adult program	613,471	23%
Dislocated worker program	527,647	20%
National Emergency Grants	241,238	9%
	<u>2,059,472</u>	<u>78%</u>
California Department of Correction and Rehabilitation	302,424	12%
Disability Employment Initiative	205,973	8%
CCP Realignment	36,602	1.5%
CDBG Block Grant	14,262	0.5%
	<u>\$ 2,618,733</u>	<u>100%</u>

Note 9. Prior Period Adjustment

A prior period adjustment was recorded for contributed property and equipment which was overstated by \$20,747 in the prior year's financial statements. Accordingly, unrestricted net assets was reduced from \$106,796 to \$86,049 as noted in the statement of activities.

Note 10. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent statements of financial position, have been evaluated for possible adjustment to the financial statements or disclosure is November 3, 2014, which is the date on which the financial statements were available to be issued. There were no subsequent events required to be disclosed.

SINGLE AUDIT REPORTS

MADERA COUNTY WORKFORCE INVESTMENT CENTER

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014**

Pass-through Grantor/Federal Grantor/Program Title	Federal CFDA #	Pass-Through Grantor's Number	Total Costs Expended
Workforce Investment Act - Cluster			
U.S. Department of Labor			
Passed through State of California Employment Development			
Department Workforce Services Division:			
Title I-A: Workforce Investment Act - Adult	17.258	201/202/327	\$ 613,471
Title I-D: Workforce Investment Act - Dislocated Workers	17.278	501/502/537/540/541	478,644
Title I-Y: Workforce Investment Act - Youth	17.259	301	677,116
			<u>1,769,231</u>
Passed through Fresno Regional Workforce Investment Board:			
Title I-D: Workforce Investment Act - Dislocated Workers	17.258	201/202	49,003
Total Workforce Investment Act - Cluster			<u>1,818,234</u>
Other Programs			
U.S. Department of Labor			
Passed through State of California Employment Development			
Department Workforce Services Division:			
Employment Service/Wagner-Peyser Funded Activities	17.207	326/329	205,973
Workforce Investment Act - National Emergency Grants	17.277	338	241,238
Passed through the City of Madera			
Community Development Block Grant	14.218	2013-78	14,262
Total Other Programs			<u>461,473</u>
Total Expenditures of Federal Awards			<u><u>\$ 2,279,707</u></u>

See Independent Auditor's Report and Notes to the Schedule of Expenditures of Federal Awards.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014**

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Madera County Workforce Investment Corporation (the “Organization”) under programs of the federal government for the year ended June 30, 2014. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

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 OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 – Subrecipients

Of the federal expenditures presented in the Schedule, the Organization provided federal awards to subrecipients for the year ended June 30, 2014 as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
17.259	Title I-Y: Workforce Investment Act - Youth	\$ 488,291

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No

Significant deficiency(s) identified that are 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 weakness(es) identified? Yes X No

Significant deficiency(s) identified that are not considered to be material weaknesses? Yes X No

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

Title I-A: Workforce Investment Act - Adult - CFDA #17.258
Title I-D: Workforce Investment Act - Dislocated Workers - CFDA #17.278
Title I-Y: Workforce Investment Act - Youth - CFDA #17.259

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as "low-risk auditee"? X Yes No

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

TYPES OF FINDINGS:

There were no reportable findings related to financial statement reporting for the fiscal year ended June 30, 2014.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS & QUESTIONED COSTS

TYPES OF FINDINGS:

There were no reportable findings for the fiscal year ended June 30, 2014.

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended June 30, 2014

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no reportable audit findings in the prior fiscal year ended June 30, 2013.

SUPPLEMENTARY INFORMATION

MADERA COUNTY WORKFORCE INVESTMENT CORPORATION

SCHEDULE OF GRANT EXPENSES - WORKFORCE INVESTMENT ACT

For the Year Ended June 30, 2014

	<u>Adult Program</u>	<u>Dislocated Worker Program</u>	<u>Youth Program</u>	<u>National Emergency Program</u>	<u>Total</u>
Salaries	\$ 353,855	\$ 302,575	\$ 122,421	\$ 72,087	\$ 850,938
Payroll taxes	29,938	27,311	10,476	5,504	73,229
Employee benefits	72,276	58,601	26,196	10,589	167,662
Materials and supplies	9,533	10,016	2,691	7,632	29,872
Overhead and operating expenses	70,016	59,286	27,385	10,932	167,619
Client program expenses	77,853	69,858	487,947	134,494	770,152
	<u>\$ 613,471</u>	<u>\$ 527,647</u>	<u>\$ 677,116</u>	<u>\$ 241,238</u>	<u>\$ 2,059,472</u>