

ROGUE WORKFORCE PARTNERSHIP

FINANCIAL STATEMENTS

**YEARS ENDED JUNE 30, 2018 AND 2017
WITH
INDEPENDENT AUDITOR'S REPORT**



Certified Public Accountants, LLP

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**ROGUE WORKFORCE PARTNERSHIP
Medford, Oregon
Year Ended June 30, 2018**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Rogue Workforce Partnership
Medford, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of Rogue Workforce Partnership (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, and cash flows for the years 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 Rogue Workforce Partnership as of June 30, 2018, and 2017, and the changes in its net assets and its cash flows for the years 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 accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the Rogue Workforce Partnership's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rogue Workforce Partnership'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 Rogue Workforce Partnership's internal control over financial reporting and compliance.



Mark E. Damon, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 11, 2018

ROGUE WORKFORCE PARTNERSHIP
Statements of Financial Position
June 30, 2018 and 2017

<u>ASSETS:</u>	<u>2018</u>	<u>2017</u>
Current assets:		
Cash and cash equivalents	\$ 742,361	757,239
Grants and contract receivables, net	517,934	1,394,732
Rent receivable	121,010	46,551
Prepaid expenses	22,704	16,285
Total current assets	<u>1,404,009</u>	<u>2,214,807</u>
Non-current assets:		
Property and equipment, net	<u>8,476</u>	<u>10,971</u>
Total assets	<u>\$ 1,412,485</u>	<u>\$ 2,225,778</u>
 <u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 309,801	1,059,435
Deferred revenue	7,997	34,301
Accrued payroll payable	57,689	57,598
Accrued vacation payable	50,328	52,303
Total current liabilities	<u>425,815</u>	<u>1,203,637</u>
Net assets:		
Unrestricted	<u>986,670</u>	<u>1,022,141</u>
Total net assets	<u>986,670</u>	<u>1,022,141</u>
Total liabilities and net assets	<u>\$ 1,412,485</u>	<u>\$ 2,225,778</u>

ROGUE WORKFORCE PARTNERSHIP
Statements of Activities
Years Ended June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>
Revenues and support:		
Federal grants	\$ 2,784,293	3,102,832
Other grants	402,891	1,423,147
Contributions (in-kind)	9,212	27,807
Rental income	378,268	341,275
Other revenue	<u>15,062</u>	<u>13,159</u>
Total revenue and support	<u>3,589,726</u>	<u>4,908,220</u>
Expenses:		
Employment and training:		
Contracted workforce services	2,100,656	3,154,153
Payroll and related	677,967	807,965
Rent/lease	473,351	449,443
Occupancy	104,927	109,083
IT and telecommunications	74,499	72,531
Outside services	88,189	158,895
Other	<u>105,608</u>	<u>180,033</u>
Total expenses	<u>3,625,197</u>	<u>4,932,103</u>
Operating income (loss)	<u>(35,471)</u>	<u>(23,883)</u>
Increase/(decrease) in unrestricted net assets	(35,471)	(23,883)
Net assets at beginning of year	<u>1,022,141</u>	<u>1,046,024</u>
Net assets at end of year	<u>\$ 986,670</u>	<u>\$ 1,022,141</u>

ROGUE WORKFORCE PARTNERSHIP
Statements of Cash Flows
Years Ended June 30, 2018 and 2017

	2018	2017
Cash flows from operating activities:		
Change in net assets	\$ (35,471)	\$ (23,833)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation	2,495	2,495
Changes in:		
(Increase) decrease in grants and contract receivables	876,798	(972,488)
(Increase) decrease in rent receivables	(74,459)	164,039
(Increase) decrease in prepaid expenses	(6,419)	4,325
(Decrease) increase in accounts payable and accrued liabilities	(749,634)	481,516
(Decrease) increase in deferred revenue	(26,304)	(154,648)
(Decrease) increase in accrued payroll payable	91	(8,932)
(Decrease) increase in accrued PTO payable	(1,975)	13,299
Net cash provided/(used) by operating activities	(14,878)	(494,227)
Net change in cash and cash equivalents	(14,878)	(494,277)
Beginning cash and cash equivalents	757,239	1,251,516
Ending cash and cash equivalents	\$ 742,361	\$ 757,239

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies

The Reporting Entity

Rogue Workforce Partnership (the Organization) is a business-led coalition that works to strengthen the economy of the Rogue Valley. The Organization catalyzes and convenes dynamic partnerships with business leaders, K-20 educators, workforce service providers, economic development, and other key community partners. The focus of the Organization is on building innovative solutions to address the workforce priorities and needs of employers, especially those in traded-sector industries that drive the region's economic growth. Working collaboratively across complex systems and institutional boundaries, the Organization leverages and aligns resources to build the skills and talents of the region's workforce, so local businesses and career seekers can succeed in the modern global economy.

The Organization is the local Workforce Investment Board (WIB) for both Jackson and Josephine County (Oregon) as described in the Workforce Innovation and Opportunity Act of 2014 (WIOA). WIOA programs provide employment and training programs for adults, dislocated workers, and youth. WIOA is administered at the Federal level by the Department of Labor (DOL) and at the State level by the Higher Education Coordinating Commission (HECC). In accordance with WIOA, the Organization contracted with Arbor E & T LLC. (dba ResCare Workforce Services) (ResCare) to serve as the American Job Center (AJC) as defined in WIOA. ResCare is deemed to be a sub-recipient of WIOA funds.

In addition, the Organization receives other workforce-related grants from HECC and other State agencies, as well as grants from public and non-profit entities.

The Organization, a not-for-profit entity, is governed by a Board of Directors. A primary function of the Organization is to receive and administer funds provided under WIOA through the State of Oregon. The Board of Directors is responsible for all funds received and makes policy and program decisions. The Board of Directors serves as the Executive Committee for the federally-mandated Workforce Development Board. The full Workforce Development Board is charged with overseeing and creating a stronger alignment of the workforce, education, and economic development systems. It makes policy and program decision as required under WIOA.

Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and are presented in accordance with accounting for financial statements of not-for-profit organizations, which requires classification of an organization's net assets and its revenues, expenses, gains, and losses based on the existence or absence of donor-imposed restrictions. It requires that the amounts for each of the three classes of net assets – permanently restricted, temporarily restricted, and unrestricted – be presented in a statement of financial position and that the amounts of change in each of those classes of net assets be presented in a statement of activities. The assets, liabilities, revenues, expenses, and net assets of the Organization are reported in the following categories:

Unrestricted Net Assets – represent unrestricted resources available to support the Organization's operations and temporarily restricted resources which have become available for use by the Organization in accordance with the intention of the donor.

Temporarily Restricted Net Assets – represent contributions that are limited in use by the Organization in accordance with temporary donor-imposed stipulations. These stipulations may expire with time or may be satisfied by the actions of the Organization according to the intention of the donor. Upon satisfaction of such stipulations, the associated net assets are released from temporarily restricted net assets and recognized as unrestricted net assets. Temporarily restricted net assets are available primarily for assistance and capital projects as designated by the donors.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Basis of Accounting (continued)

Permanently Restricted Net Assets – represent net assets subject to donor imposed stipulations that they be maintained by the Organization in perpetuity. Generally, the donors of these assets permit the Organization to use all or part of the investment return on these assets.

Currently, the Organization only reports unrestricted net assets.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. 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. When a donor 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 in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are reported as unrestricted.

Donated Materials, Services and Facilities

Donated materials, services and facilities are reflected as in-kind contributions and corresponding expense in the accompanying statements at their estimated value at the date of receipt. The in-kind contributions consisted of hardware, software, and other goods and services. The donated services reported were provided by people with specialized skills that otherwise would have been purchased by the Organization. The amounts recognized as revenue and expense for contributed services were \$9,212 and \$0 for the years ending June 30, 2018 and 2017, respectively.

Cash and Cash Equivalents

The Organization's cash and cash equivalents consist of cash on hand, demand deposits, and money market checking accounts, all with original maturities of three months or less from the date of acquisition.

Grant Revenue, Receivables, and Deferred Revenue

The majority of grant revenues are recognized under cost reimbursement contracts. For cost reimbursement contracts, revenues are considered measurable and available when the expenditures related to the programs have been incurred. Unreimbursed grant expenditures due from grantor agencies are reflected in the basic financial statements as receivables and revenues. Grant revenues are recorded at the time eligible expenditures are incurred.

Certain grants received by the Organization are not cost reimbursement contracts. In addition, certain grants contain provisions regarding potential repayment if certain metrics are not met. When grant monies are received in advance for such grants, the Organization records such balances as deferred revenue.

The management of the Organization considers all amounts included in accounts and grants receivable to be collectible. Therefore, no provision for uncollectible accounts has been made.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 1 - Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets are defined by the Organization as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Currently, the Organization's capital assets consist of fixtures and equipment. Maintenance and repairs of capital assets are charged to expense/expenditures as incurred.

All capital assets of the Organization were purchased with federal or state grants. The federal government retains a limited interest in capital assets purchased with federal grant monies.

Depreciation is reported in the statement of activities and is calculated using the straight-line method over the following estimated useful lives:

Equipment	– 3 to 7 Years
Furniture and fixtures	– 5 Years

Accrued Vacation

It is the Organization's policy to permit employees to accumulate earned but unused Personal Time Off (PTO), up to a maximum of 240 hours. All unused PTO is accrued when earned. A liability is recorded in the Statement of Financial Position and is the amount of vested PTO earned but unused at year end. The liability is reduced as employees use the PTO or terminate.

Use of Estimates

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

Tax-Exempt Status

Rogue Workforce Partnership has been recognized by the Internal Revenue Service as a not-for-profit corporation as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes on related activities. No tax provision has been made in the accompanying statement of activities. Rogue Workforce Partnership recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Rogue Workforce Partnership recognizes interest and penalties related to income tax matters in operating expenses. As of June 30, 2018, there were no such uncertain tax positions.

Note 2 – Deposits in Excess of Insured Limits

Rogue Workforce Partnership has several bank accounts at various financial institutions located in Oregon. The Federal Deposit Insurance Corporation (FDIC) insures accounts at each banking institution up to \$250,000. As of June 30, 2018 and 2017, funds held at a certain financial institution exceeded amounts insured by the FDIC by \$501,380 and \$519,132, respectively.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 3 – Property and Equipment

The following is a summary of property and equipment, at costs less accumulated depreciation and accumulated amortization as of June 30, 2018 and 2017:

	<u>2017</u>	<u>Additions</u>	<u>2018</u>
Furniture and fixtures	\$ 15,462	\$ -	\$ 15,462
Less: accumulated depreciation	(4,491)	(2,495)	(6,986)
Net capital assets	<u>\$ 10,971</u>	<u>\$ (2,495)</u>	<u>\$ 8,476</u>

	<u>2016</u>	<u>Additions</u>	<u>2017</u>
Furniture and fixtures	\$ 15,462	\$ -	\$ 15,462
Less: accumulated depreciation	(1,996)	(2,495)	(4,491)
Net capital assets	<u>\$ 13,466</u>	<u>\$ (2,495)</u>	<u>\$ 10,971</u>

Depreciation expense for the years ended June 30, 2018 and 2017 was \$2,495 and \$2,495, respectively.

Note 4 – Operating Leases and Subleases

Operating Leases

On July 1, 2015, the Organization assumed certain real property operating lease agreements from a related organization. The real property agreements include the following locations: N.E. F Street in Grants Pass, and South Bartlett Street and East Main Street in Medford. In addition, the Organization leases certain office equipment. Operating lease expense for the years ended June 30, 2018 and 2017 was \$445,502 and \$449,443, respectively. The lease agreements include certain provisions for rent escalation clauses based on the Consumer Price Index (CPI). Such increases have not been included in the following future minimum lease payment schedule.

Future minimum lease payments for buildings, office space, and office equipment as of June 30, 2018 are as follows:

For the year ending June 30,	
2019	\$ 288,881
2020	288,881
2021	104,472
2022	104,472
2023	7,058
	<u>\$ 793,764</u>

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 4 – Operating Leases and Subleases (continued)

Subleases

The Organization provides the space for ResCare's workforce services in its South Bartlett Street (Medford) and N.E. F Street. (Grants Pass) locations. However, ResCare has a separate contract with the State's Department of Human Services to administer its JOBS and OFSET programs. Effective July 1, 2015, the Organization entered into a sublease agreement with ResCare for certain space in those locations. ResCare administered both the JOBS and OFSET programs in such locations. The original term of the sublease was from July 1, 2015 to June 30, 2016, and later extended through June 30, 2018. The estimated annual payment was based upon certain budget amounts estimated to be \$14,600 per month for JOBS and \$2,230 per month for OFSET. A year-end reconciliation to actual cost is performed. Since the expiration of the contract on June 30, 2018, the sublease is considered month to month with no official contract (see subsequent event footnote). Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$218,952 and \$185,668, respectively.

Effective July 1, 2015, the Organization entered into a sublease agreement with the Southern Oregon Education Service District (SOESD) for certain space in the South Bartlett St. location. SOESD will utilize such space for the purpose of co-locating its Child Care Resource Network. The original term of the sublease is from July 1, 2015 through June 30, 2017. Monthly base rent is \$1,000 per month, with a year-end reconciliation to actual cost. Since the expiration of the contract on June 30, 2017, the sublease is considered month to month with no official contract. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$12,000 and \$12,000, respectively.

Effective July 1, 2015, the Organization entered into a sublease agreement with the Oregon Employment Department for certain space in the East Main Street Location. The original term of the sublease was from July 1, 2015 to June 30, 2017 with monthly rent of \$356 per month. On November 1, 2017, the Organization extended the term of the sublease through June 30, 2019 with monthly rent of \$394 per month. However, due to a move, the lease was cancelled during the year ended June 30, 2018 and is now considered month to month with no official contract. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$4,730 and \$4,274, respectively.

Effective July 1, 2010, the Organization entered into a sublease agreement with the Oregon Employment Department for certain space in the N.E. F Street Location. The initial term of the sublease is from July 1, 2010 to June 30, 2015. Since the expiration of the contract on June 30, 2015 the sublease is considered month to month with no official contract. The monthly rent is \$5,466 per month. A year-end reconciliation to actual cost is performed. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$83,168 and \$88,679, respectively.

On November 1, 2017, the Organization entered into a sublease agreement with the Oregon Employment Department for certain space in the N.E. F Street location. The term of the sublease is from July 1, 2017 to June 30, 2019. The monthly rent amount is \$153 per month. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$1,833 and \$0, respectively.

Effective July 18, 2011, the Organization entered into a sublease agreement with the State of Oregon Department of Administrative Services on behalf of the Regional Solution Center for certain space in the East Main Street location. The initial term of the sublease was from July 18, 2011 to December 31, 2014. The sublease was amended and extended through June 30, 2017, and again through June 30, 2018. On February 5, 2018, the sublease was again amended and the rented space was increased. The monthly rent was \$1,538 per month through January 31, 2018, and \$1,625 through the remainder of the year ended June 30, 2018. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$18,889 and \$18,158, respectively.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 4 – Operating Leases and Subleases (continued)

Subleases (continued)

Effective July 1, 2015, the Organization entered into a sublease agreement with Vocational Rehabilitation for certain space in the South Bartlett Street and N.E. F Street locations. The initial term of the sublease was from July 1, 2015 to June 30, 2016. The sublease was extended through June 30, 2017, and again through June 30, 2019. The monthly rent was \$66 per month, increasing to \$170 per month. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$1,836 and \$789, respectively.

Effective May 18, 2017, the Organization entered into a sublease agreement with Southern Oregon Visitors Association for certain space in the East Main Street location. The initial term of the sublease was from May 18, 2017, to June 30, 2018. On February 1, 2018, the sublease was amended to increase the monthly rent from \$400 per month to \$455 per month. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$5,601 and zero, respectively.

Effective July 1, 2013, the Organization entered into a sublease agreement with Southern Oregon Regional Economic Development, Inc. for certain space in the East Main Street location. The initial term of the sublease was from July 1, 2013, to June 30, 2017, with rent starting at \$2,416.85 per month. The sublease was amended on July 2, 2014, to decrease the monthly rent to \$2,380.45. The sublease was again amended on February 5, 2016, to increase the monthly rent to \$2,555.33. On July 1, 2017, the Organization extended the term of the lease to June 30, 2018. Rental income associated with this arrangement for the years ended June 30, 2018 and 2017 was \$31,259 and \$31,495 respectively.

In addition to the above subleases, the Organization had several subleases which expired on or before June 30, 2018. Finally, the Organization had certain month to month leases that were terminated during the course of 2018.

Sublease income for the years end June 30, 2018 and 2017 was \$378,270 and \$341,275, respectively.

Subleases extended or entered into subsequent to June 30, 2018 are not reflected in the following table as the condition (formal extension) did not exist as of June 30, 2018. Future sublease income for buildings, office space, and office equipment as of June 30, 2018 are as follows:

For the year ending June 30,	
2019	\$ 8,171
2020	-
2021	-
2022	-
2023	-
	\$ 8,171

Note 5 - Contingencies

Amounts received or receivable from grantor agencies are subject to compliance audits by grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the Organization expects such amounts, if any, to be immaterial.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2018 and 2017

Note 6 - Retirement Plan

The Organization provides a 401(k) retirement savings plan for eligible employees. Employees may voluntarily contribute a percentage of their annual compensation to the plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Organization, at the discretion of the Board of Directors, made a guaranteed contribution of 4% of wages per pay period, and a matching contribution as of December 31, 2016, of up to 4% of wages for qualified employees. Retirement contribution expense associated with the plan for the years ended June 30, 2018 and 2017 was \$35,441 and \$32,812, respectively. There were five employees participating in the plan as of June 30, 2018.

Note 7 – Concentration of Credit Risk

Rogue Workforce Partnership carries out various iterations of federal, state, and local workforce programs. However, the Organization relies heavily on the WIOA funding stream as it provided 77% and 57% of total revenue for the years ended June 30, 2018 and 2017, respectively.

Note 8 - Subsequent Events

Management of the Organization has evaluated events and transactions occurring after June 30, 2018 through December 11, 2018, the date the financial statements were available for issuance, for recognition and/or disclosure in the financial statements. Based on management's knowledge there were no additional events and/or transactions that required recognition and disclosure in the financial statements except as follows:

On July 11, 2018, the Organization entered into a new lease agreement for certain space on North Central Avenue. The term of the lease is from October 1, 2018 through September 30, 2023. Monthly rent increases incrementally annually from \$4,299 to \$4,886 per month during the term of the lease.

Effective July 1, 2018, the Organization entered into a lease agreement for certain parking lot spaces on Front Street. The term of the lease is from July 1, 2018 through June 30, 2022. Rent for the spaces is \$525 per month for the term of the lease.

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

To the Board of Directors of
Rogue Workforce Partnership
Medford, Oregon

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 Rogue Workforce Partnership (a 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, and have issued our report thereon dated December 11, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rogue Workforce Partnership'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 Rogue Workforce Partnership's internal control. Accordingly, we do not express an opinion on the effectiveness of Rogue Workforce Partnership'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 Rogue Workforce Partnership'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 Rogue Workforce Partnership's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rogue Workforce Partnership's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark E. Damon, CPA, Partner
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Medford, Oregon
December 11, 2018



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

To the Board of Directors of
Rogue Workforce Partnership
Medford, Oregon

Report on Compliance for Each Major Federal Program

We have audited Rogue Workforce Partnership's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rogue Workforce Partnership's major federal programs for the year ended June 30, 2018. Rogue Workforce Partnership'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 Rogue Workforce Partnership'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 Rogue Workforce Partnership'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 Rogue Workforce Partnership's compliance.

Opinion on Each Major Federal Program

In our opinion, Rogue Workforce Partnership 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 Rogue Workforce Partnership 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 Rogue Workforce Partnership'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 Rogue Workforce Partnership'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 a 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.



Mark E. Damon, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
December 11, 2018

ROGUE WORKFORCE PARTNERSHIP
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Identification Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF LABOR:</u>				
<u>Passed through the State of Oregon acting through its Department of Community Colleges and Workforce Development:</u>				
Workforce Investment Act - Adult	17.258	J01007	\$ 393,187	\$ 574,318
Workforce Investment Act - Youth	17.259	J01007	654,043	1,072,306
Workforce Investment Act - Dislocated Worker	17.278	J01007	852,125	1,128,438
Rapid Response (Pacific Crest Transformers)	17.278	J01007	-	4,120
Additional Assistance Project (Rough and Ready)	17.278	J01007	-	5,111
WIOA Cluster Total			<u>1,899,355</u>	<u>2,784,293</u>
Total Expenditures of Federal Awards			<u>\$ 1,899,355</u>	<u>\$ 2,784,293</u>

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal awards activity of 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 Requirements, 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, change 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Indirect Cost Rate

The Organization has elected to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**ROGUE WORKFORCE PARTNERSHIP
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

A. SUMMARY OF AUDIT RESULTS

1. The independent auditor's report expresses unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses in internal controls were disclosed by the audit of the Financial Statements.
3. No instances of noncompliance material to the financial statements which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major programs were disclosed by the audit.
5. The auditor's report on compliance for the major federal award programs expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The program tested as major was:

Workforce Investment Act / Workforce Innovation and Opportunity Act Cluster (CFDAs 17.258, 17.259, 17.278).
8. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
9. Rogue Workforce Partnership did not qualify as a low-risk auditee under the criteria specified in the Uniform Guidance.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

None