

ROGUE WORKFORCE PARTNERSHIP

FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2019 AND 2018

WITH

INDEPENDENT AUDITOR'S REPORT



**ROGUE WORKFORCE PARTNERSHIP
Medford, Oregon
Year Ended June 30, 2019 and 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 (the Organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities, functional expenses, 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 the Organization as of June 30, 2019, and 2018, 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 January 29, 2020, on our consideration of the Organization'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 the Organization'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 Organization's internal control over financial reporting and compliance.



Mark E. Damon, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 29, 2020

FINANCIAL STATEMENTS

ROGUE WORKFORCE PARTNERSHIP
Statements of Financial Position
June 30, 2019 and 2018

<u>ASSETS:</u>	2019	2018
Current assets:		
Cash and cash equivalents	\$ 259,150	\$ 742,361
Investments	447,018	-
Grants and contract receivables, net	560,943	517,934
Other receivables	58,785	121,010
Prepaid expenses	26,341	22,704
Total current assets	1,352,237	1,404,009
Non-current assets:		
Property and equipment, net	5,981	8,476
Total assets	\$ 1,358,218	\$ 1,412,485
<u>LIABILITIES AND NET ASSETS:</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 263,398	\$ 309,801
Deferred revenue	10,418	7,997
Accrued payroll payable	60,381	57,689
Accrued vacation payable	46,491	50,328
Total current liabilities	380,688	425,815
Net assets:		
Without donor restriction	977,530	986,670
Total net assets	977,530	986,670
Total liabilities and net assets	\$ 1,358,218	\$ 1,412,485

ROGUE WORKFORCE PARTNERSHIP
Statements of Activities
Years Ended June 30, 2019 and 2018

	Without Donor Restriction 2019	Without Donor Restriction 2018
Revenues and support:		
Federal grants	\$ 2,790,287	2,784,293
Other grants	559,679	402,891
Contributions (in-kind)	1,675	9,212
Rental income	322,440	378,268
Other revenue	119,671	15,062
	<u>3,793,752</u>	<u>3,589,726</u>
Total revenue and support		
Expenses:		
Workforce investment program	3,560,259	3,376,282
Management and general	237,481	248,915
	<u>3,797,740</u>	<u>3,625,197</u>
Total expenses		
Operating income (loss)	<u>(3,988)</u>	<u>(35,471)</u>
Nonoperating income (loss):		
Realized and unrealized change in value of investments and reinvested interest, net	<u>(5,152)</u>	<u>-</u>
Total nonoperating income (loss)	<u>(5,152)</u>	<u>-</u>
Increase/(decrease) in net assets	(9,140)	(35,471)
Net assets at beginning of year	<u>986,670</u>	<u>1,022,141</u>
Net assets at end of year	<u>\$ 977,530</u>	<u>\$ 986,670</u>

ROGUE WORKFORCE PARTNERSHIP
Statements of Functional Expenses
Years Ended June 30, 2019 and 2018

	2019			2018		
	Program Services	Supporting Services		Program Services	Supporting Services	
	Workforce Investment Program	Management and General	Total	Workforce Investment Program	Management and General	Total
Payroll	\$ 512,853	\$ 175,311	\$ 688,164	\$ 489,300	\$ 181,229	\$ 670,529
Training and Travel	17,828	8,169	25,997	21,695	3,933	25,628
Workforce Services	2,215,696	-	2,215,696	2,100,661	-	2,100,661
Contracted Services	190,431	1,199	191,630	86,208	9,419	95,627
Legal and Accounting	5,409	30,500	35,909	17,404	28,084	45,488
Rent and Parking	372,498	6,690	379,188	415,220	9,587	424,807
Facilities Costs	46,288	487	46,775	54,435	1,526	55,961
Utilities	36,817	24	36,841	43,880	-	43,880
Operations	73,562	1,744	75,306	64,763	1,782	66,545
Insurance	5,221	10,841	16,062	11,101	10,470	21,571
IT and Telephone	75,217	2,516	77,733	71,615	2,885	74,500
Contributions	8,439	-	8,439	-	-	-
	\$ 3,560,259	\$ 237,481	\$ 3,797,740	\$ 3,376,282	\$ 248,915	\$ 3,625,197

ROGUE WORKFORCE PARTNERSHIP
Statements of Cash Flows
Years Ended June 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Increase/(decrease) in net assets	\$ (9,140)	\$ (35,471)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Realized and unrealized change in value of investments and reinvested interest	2,982	-
Depreciation	2,495	2,495
Changes in:		
(Increase) decrease in grants and contract receivables	(43,009)	876,798
(Increase) decrease in other receivables	62,225	(74,459)
(Increase) decrease in prepaid expenses	(3,637)	(6,419)
(Decrease) increase in accounts payable and accrued liabilities	(46,403)	(749,634)
(Decrease) increase in deferred revenue	2,421	(26,304)
(Decrease) increase in accrued payroll payable	2,692	91
(Decrease) increase in accrued vacation payable	(3,837)	(1,975)
Net cash provided/(used) by operating activities	(33,211)	(14,878)
Cash flows from investing activities:		
Cash used for purchase of investments	(450,000)	-
Net cash provided/(used) by investing activities	(450,000)	-
Net change in cash and cash equivalents	(483,211)	(14,878)
Beginning cash and cash equivalents	742,361	757,239
Ending cash and cash equivalents	\$ 259,150	\$ 742,361

NOTES TO FINANCIAL STATEMENTS

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

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 two classes of net assets 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:

Net Assets Without Donor Restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the Organization. These net assets may be used at the discretion of management and the board of directors (assuming no other restrictions exist).

Net Assets With Donor Restrictions – Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Organization or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Contributions

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities. Currently, the Organization only reports net assets without donor restrictions.

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 \$1,675 and \$9,212 for the years ending June 30, 2019 and 2018, respectively.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with original maturities of 90 days or less to be cash equivalents. Cash and cash equivalents include bank and brokerage deposits and money market funds not otherwise held by an investment advisor.

Investments

Investments are stated at fair value based on quoted market prices. Investment in marketable securities are adjusted to fair value through recognition of unrealized gains and losses in nonoperating income (loss) as they are classified as trading securities. Gains and losses are calculated based on specific identification of the investments. Dividend, interest, and other investment income are recorded net of related custodial and advisory fees.

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.

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, 2019 and 2018

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.

Functional Expenses

The costs of providing program and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among different services and supporting services benefited. Such allocations are determined on an equitable basis.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 1 - Summary of Significant Accounting Policies (continued)

Functional Expenses (continued)

The expenses that are allocated include the following:

Expense	Method of Allocation
Payroll	Time and effort
Training & Travel	Actual usage
Workforce Services	Actual usage
Contracted Services	Actual usage
Legal & Accounting	Actual usage
Facilities Costs	Actual usage
Rent & Parking	Actual usage
Utilities	Actual usage
Insurance	Actual usage
Operations	Actual usage
IT & Telephone	Actual usage

Performance Indicator

“Increase/(decrease) in net assets without donor restrictions” as reflected in the accompanying statement of activities is the performance indicator. Change in net assets without donor restriction includes all changes in net assets without donor restrictions and assets released from donor restrictions related to long-lived assets, extraordinary items, and investment returns by donors or law.

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, 2019, there were no such uncertain tax positions.

Not-for-Profit Financial Statement Presentation

On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

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, 2019 and 2018, funds held at a certain financial institution exceeded amounts insured by the FDIC by \$47,365 and \$501,380, respectively.

Note 3 – Availability and Liquidity

As of June 30, 2019 and 2018, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, were as follows:

Financial assets at year end:	2019	2018
Cash and cash equivalents	\$ 259,150	\$ 742,361
Investments	447,018	-
Receivables	619,728	638,944
Total financial assets available within one year	\$ 1,325,896	\$ 1,381,305

The Organization’s goal is generally to maintain financial assets available to meet 90 days of general expenditures (operating expenses). Utilizing the 2019 statement of activities, 90 days of operating expenses approximates \$937,000.

As part of its liquidity plan, the Organization established an investment policy which considers risks and investment allocation. The Organization’s investment policy sets the following allocation parameters:

RWP generally requires that the majority of its assets shall be invested in liquid, publicly traded securities, subject to the exception process described in the Investment Policy Statement. Exceptions must be approved in writing by the Committee, in advance of the investment, if the Investment Manager presents an acceptable investment plan. Liquid securities are those that can be transacted quickly and efficiently for RWP absent significant liquidation penalties or fees and with minimal impact on market price.

The Organization reviews investment performance annually.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 4 – Property and Equipment

The following is a summary of property and equipment, at costs less accumulated depreciation and accumulated amortization as of June 30, 2019 and 2018:

	<u>2018</u>	<u>Additions</u>	<u>2019</u>
Furniture and fixtures	\$ 15,462	\$ -	\$ 15,462
Less: accumulated depreciation	(6,986)	(2,495)	(9,481)
Net capital assets	<u>\$ 8,476</u>	<u>\$ (2,495)</u>	<u>\$ 5,981</u>
	<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>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$2,495 and \$2,495, respectively.

Note 5 – Operating Leases and Subleases

Operating Leases

On July 1, 2015, the Organization assumed a certain real property operating lease agreement from a related organization. The real property lease agreement was for the 1569 N.E. F Street location in Grants Pass. The term of the lease is from July 15, 2010 through June 30, 2020.

Effective 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.

Effective June 24, 2019, the Organization entered into a new lease agreement for certain space on North Oakdale Avenue. The term of the lease is from January 1, 2019 through June 30, 2020.

Effective July 1, 2018, the Organization entered into a lease agreement for certain parking lot spaces on Front Street. The term of the lease was from July 1, 2018 through June 30, 2022; however, the lease was terminated by both parties on September 30, 2019.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 5 – Operating Leases and Subleases (continued)

In addition to the above leases, the Organization had several leases which expired on or before June 30, 2019. Finally, the Organization leases certain office equipment. Total operating lease expense for the years ended June 30, 2019 and 2018 was \$417,964 and \$445,502, respectively.

Future minimum lease payments for buildings, office space, and office equipment as of June 30, 2019 are as follows:

For the year ending June 30,	
2020	\$ 197,954
2021	66,647
2022	68,420
2023	68,239
2024	<u>14,658</u>
	<u>\$ 415,918</u>

Subleases

ResCare has a separate contract with the State’s Department of Human Services to administer its JOBS programs. The Organization provides space for ResCare’s JOBS employees in its N.E. F Street location. The sublease agreement is considered a month to month contract.

On 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 was from July 1, 2010 to June 30, 2015. Since the expiration of the contract on June 30, 2015 the sublease agreement is considered a month to month contract.

On November 1, 2017, the Organization entered into a second sublease agreement with the Oregon Employment Department for certain space in the N.E. F Street location. The term of the sublease was from July 1, 2017 to June 30, 2019. The sublease was subsequently extended to July 31, 2019 and then terminated by both parties.

On June 24, 2019, the Organization entered into a sublease agreement with the Oregon Employment Department for certain space in the Oakdale Avenue location. The term of the sublease is from January 1, 2019 to June 30, 2020.

On October 15, 2018, 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 N. Central Ave. location. The term of the sublease is from October 1, 2018 through September 30, 2023.

On August 13, 2019, the Organization entered into a sublease agreement with Vocational Rehabilitation for certain space in the N.E. F Street location. The term of the sublease is from July 1, 2015 through June 30, 2020.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 5 – Operating Leases and Subleases (continued)

Subleases (continued)

In addition to the above subleases, the Organization had several subleases which expired on or before June 30, 2019. Sublease income for the years end June 30, 2019 and 2018 was \$322,440 and \$378,270, respectively.

Subleases extended or entered into subsequent to June 30, 2019 are not reflected in the following table as the condition (formal extension) did not exist as of June 30, 2019. Future sublease income for buildings, office space, and office equipment as of June 30, 2019 are as follows:

For the year ending June 30,

2020	\$ 44,172
2021	25,101
2022	20,391
2023	20,925
2024	5,265
	<hr/>
	\$ 115,854
	<hr/>

Note 6 – Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. There are three levels of inputs that may be used to measure fair value:

Level 1 – Inputs to the valuation methodology are adjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the assets or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 6 – Fair Value of Financial Instruments (continued)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the determination of which category within the fair value hierarchy is appropriate for any given investment is based on the lowest level of input that is significant to the fair value measurement. The Organization’s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgement and considers factors specific to the investment.

The following table presents the fair value hierarchy for those assets measured at fair value on a recurring basis as of June 30, 2019:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments:				
Cash and cash equivalents	\$ 148,469	\$ -	\$ -	\$ 148,469
Mutual funds				
Equities	97,155	-	-	97,155
Equity ETFs	158,143	-	-	158,143
Fixed Income ETFs	<u>43,251</u>	<u>-</u>	<u>-</u>	<u>43,251</u>
Total investments	<u>\$ 447,018</u>	<u>\$ -</u>	<u>\$ -</u>	<u>447,018</u>

Note 7 - 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.

Note 8 - 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, 2017 and 2018, respectively, of up to 4% of wages for qualified employees. Retirement contribution expense associated with the plan for the years ended June 30, 2019 and 2018 was \$30,602 and \$35,441, respectively. There were five employees participating in the plan as of June 30, 2019.

Note 9 – 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 74% and 77% of total revenue for the years ended June 30, 2019 and 2018, respectively.

ROGUE WORKFORCE PARTNERSHIP
Notes to the Basic Financial Statements
June 30, 2019 and 2018

Note 10 - Subsequent Events

Management of the Organization has evaluated events and transactions occurring after June 30, 2019 through January 29, 2020, 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, 2019, the Organization entered into a new sublease agreement with the Oregon Employment Department for certain space on North Central Avenue. The term of the lease is from July 1, 2019 through June 30, 2021.

On June 28, 2019, the Organization entered into a new sublease agreement with Easter Seal Oregon for certain space on NE F Street. The term of the lease is from July 1, 2019 through June 30, 2020.

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 (the Organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 29, 2020.

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 Organization'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 Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Mark E. Damon, CPA, Partner
KDP Certified Public Accountants, LLP
Medford, Oregon
January 29, 2020



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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 (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, 2019. 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 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 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, 2019.

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 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
January 29, 2020

ROGUE WORKFORCE PARTNERSHIP
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<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	\$ 423,754	\$ 609,243
Workforce Investment Act - Youth	17.259	J01007	725,195	1,027,615
Workforce Investment Act - Dislocated Worker	17.278	J01007	736,124	1,151,089
Additional Assistance Project (Pacific Crest Transformers)	17.278	J01007	-	2,340
WIOA Cluster Total			<u>1,885,073</u>	<u>2,790,287</u>
Total Expenditures of Federal Awards			<u>\$ 1,885,073</u>	<u>\$ 2,790,287</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, 2019. 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, 2019**

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 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 qualified 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