

**WORKNET PINELLAS, INC.**

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

**June 30, 2018 and 2017  
(With Independent Auditor's Report Thereon)**

# WORKNET PINELLAS, INC.

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## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
WorkNet Pinellas, Inc.

### Report on the Financial Statements

We have audited the accompanying financial statements of WorkNet Pinellas, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2018, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 WorkNet Pinellas, Inc., as of June 30, 2018 and the respective changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Other information*

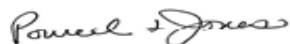
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of Expenditures of Federal Awards and State Financial Assistance, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, 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 a report dated August 21, 2018 on our consideration of the Organization's internal control over financial reporting and on our tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

### **Report on Summarized Comparative Information**

We have previously audited WorkNet Pinellas, Inc.'s 2017 financial statements, and our report dated November 22, 2017 expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**POWELL & JONES**  
**Certified Public Accountants**  
**August 21, 2018**

**WORKNET PINELLAS, INC.**

**Statements of Financial Position**

**June 30, 2018 and 2017**

Assets	2018	2017
Current assets:		
Cash and cash equivalents	\$ 728,107	\$ 722,326
Accounts receivable	42,143	30,639
Grants receivable	808,087	1,462,826
Inventory	2,925	1,643
Prepaid expenses	220,719	207,169
Total current assets	<u>1,801,981</u>	<u>2,424,603</u>
Noncurrent assets:		
Restricted cash	312,989	345,271
Loan costs, net	4,498	7,749
Endowment investments	10,062	9,691
Property and equipment, net	2,620,542	2,654,026
Total noncurrent assets	<u>2,948,091</u>	<u>3,016,737</u>
Total assets	<u>\$ 4,750,072</u>	<u>\$ 5,441,340</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	1,219,790	1,806,672
Deferred revenue	31,041	30,130
Deferred grant revenue	79,593	65,573
Debt	46,485	43,730
Total current liabilities	<u>1,376,909</u>	<u>1,946,105</u>
Noncurrent liabilities:		
Debt	625,072	671,557
Total noncurrent liabilities	<u>625,072</u>	<u>671,557</u>
Total liabilities	2,001,981	2,617,662
Net assets		
Unrestricted	2,361,781	2,391,960
Unrestricted - Board designated	312,989	345,271
Temporarily restricted	63,259	76,756
Permanently restricted	10,062	9,691
Total net assets	<u>2,748,091</u>	<u>2,823,678</u>
Total liabilities and net assets	<u>\$ 4,750,072</u>	<u>\$ 5,441,340</u>

**WORKNET PINELLAS, INC.**

**Statements of Activities**

**Year Ended June 30, 2018  
(With Comparative Totals for 2017)**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
				2018	2017
Revenues and support:					
Grants					
Federal	\$ 11,335,224	\$ -	\$ -	\$ 11,335,224	\$ 13,228,484
State	399,713	-	-	399,713	2,500,000
Local	117,741	-	-	117,741	164,368
Usage Fee	70,942	-	-	70,942	-
Contribution and sponsorship revenue	112,902	3,500	-	116,402	112,026
Educational program tuition and fees	234,813	-	-	234,813	242,946
Other revenue	838,474	-	371	838,845	204,871
Inkind revenue	-	-	-	-	31,400
Total revenues and support	<u>13,109,809</u>	<u>3,500</u>	<u>371</u>	<u>13,113,680</u>	<u>16,484,095</u>
Expenses:					
Program services					
Workforce development	12,348,182	-	-	12,348,182	15,428,152
Supporting services					
General and administrative	824,088	16,997	-	841,085	828,648
Total expenses	<u>13,172,270</u>	<u>16,997</u>	<u>-</u>	<u>13,189,267</u>	<u>16,256,800</u>
Change in net assets	(62,461)	(13,497)	371	(75,587)	227,295
Net assets at beginning of year	2,737,231	76,756	9,691	2,823,678	2,596,383
Net assets at end of year	<u>\$ 2,674,770</u>	<u>\$ 63,259</u>	<u>\$ 10,062</u>	<u>\$ 2,748,091</u>	<u>\$ 2,823,678</u>

**WORKNET PINELLAS, INC.****Statements of Functional Expenses****Year Ended June 30, 2018  
(With Comparative Totals for 2017)**

Expenses	Workforce development	General and administrative	Total	
			2018	2017
Salaries	\$ 5,077,656	\$ 315,243	\$ 5,392,899	\$ 6,406,602
Retirement	197,512	13,971	211,483	280,619
Payroll taxes and fringe	387,516	23,158	410,674	479,100
Staff training and education	11,254	863	12,117	16,173
Accounting and professional	76,123	206,078	282,201	175,112
Community outreach	188,617	8,590	197,207	222,451
License, dues, and other fees	36,106	1,733	37,839	39,408
Communications	121,196	9,313	130,509	165,835
Office expenses	275,325	10,783	286,108	500,207
Occupancy	389,250	31,096	420,346	492,292
Travel	49,340	2,211	51,551	83,545
Meetings and conferences	75,775	213	75,988	48,194
Other expense	5,562	11,528	17,090	10,066
Contract labor	355,283	22,163	377,446	327,874
Insurance	122,905	17,024	139,929	143,170
Service provider contracts	2,001,302	-	2,001,302	2,494,924
Customer training	2,906,518	-	2,906,518	4,202,453
Inkind expense	-	-	-	31,400
Interest expense	-	34,753	34,753	35,305
Usage fee	70,942	-	70,942	-
Loss on disposal	-	3,182	3,182	-
Depreciation and amortization	-	129,183	129,183	102,070
Total Expenses	\$ <u>12,348,182</u>	\$ <u>841,085</u>	\$ <u>13,189,267</u>	\$ <u>16,256,800</u>

**WORKNET PINELLAS, INC.**

**Statements of Cash Flows**

**Year Ended June 30, 2018 and 2017**

Cash flows from operating activities:	<u>2018</u>	<u>2017</u>
Change in net assets	\$ (75,587)	\$ 227,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	125,932	98,819
Loss on disposal	3,182	-
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(11,504)	112,528
(Increase) decrease in grants receivable	654,739	(94,173)
(Increase) decrease in inventory	(1,282)	2,275
(Increase) in prepaid expenses	(13,550)	33,048
Decrease in loan costs	3,251	3,251
Decrease (increase) in accounts payable and accrued liabilities	(586,882)	398,701
Decrease (increase) in deferred revenue	911	(13,187)
Increase in deferred grant revenue	14,020	63,637
Net cash provided by operating activities	<u>113,230</u>	<u>832,194</u>
Cash flows from investing activities:		
Purchase of investments	(371)	(618)
Acquisition of property and equipment	<u>(95,630)</u>	<u>(198,989)</u>
Net cash used in investing activities	<u>(96,001)</u>	<u>(199,607)</u>
Cash flows from financing activities:		
Payments on debt	<u>(43,730)</u>	<u>(41,149)</u>
Net cash used in financing activities	<u>(43,730)</u>	<u>(41,149)</u>
Net (decrease) increase in cash	(26,501)	591,438
Cash, beginning of year	<u>1,067,597</u>	<u>476,159</u>
Cash, end of year	\$ <u>1,041,096</u>	\$ <u>1,067,597</u>
Supplement disclosures:		
As shown on Statement of Financial Position:		
Cash and cash equivalents	\$ 728,107	\$ 722,636
Restricted cash	<u>312,989</u>	<u>345,271</u>
Cash, end of year	\$ <u>1,041,096</u>	\$ <u>1,067,907</u>
Interest paid	\$ <u>34,753</u>	\$ <u>35,305</u>

See accompanying independent auditor's report and notes to financial statements.



# WORKNET PINELLAS, INC.

## Notes to Financial Statements

Year Ended June 30, 2018 and 2017

### (1) Nature of Organization and Purpose

Effective February 10, 2014 and July 7, 2014, WorkNet Pinellas, Inc. (WORKNET) began doing business as CareerSource Pinellas and as Science Center, respectively. The CareerSource Pinellas rebranding was in coordination with Florida's Workforce System to have a unified brand state-wide. WORKNET began doing business as Science Center following its acquisition on May 16, 2014.

WorkNet Pinellas, Inc. is a not-for-profit corporation that was established on March 2, 2001 under the provisions of the Florida Corporations Not-For-Profit Law set forth in Chapter 617 of the Florida Statutes. WORKNET was created in accordance with the Florida Workforce Innovation Act of 2000 to serve as the administrative entity for programs of the Local Workforce Development Board in Pinellas County. This public-private partnership supports and promotes economic growth through workforce development. The Local Workforce Development Board (the Board) consists of representatives of education, labor, economic development, organizations identified as one stop partners, and other individuals as appointed by the Pinellas County Board of County Commissioners (the County). The Board is one of twenty-four Local Workforce Development Boards in the State of Florida providing for the development, planning, monitoring and administration of the following grants and programs:

- Temporary Assistance for Needy Families
- Wagner Peyser
- Disabled Veterans Outreach Program
- Local Veterans Employment Representative Program
- Workforce Innovation and Opportunity Act (WIOA) – Adult, Youth, and Dislocated Worker
- National Emergency Grants
- Reemployment Services and Eligibility Assessment
- Unemployment Insurance
- Trade Adjustment Assistance
- Youthbuild
- Supplemental Nutrition Assistance Programs
- AmeriCorps Member Support
- Mechatronics Program

Support and revenue are obtained primarily from federal and state grants. The Board is responsible for developing and implementing an area plan and subgranting funds to direct providers of services.

### (2) Summary of Significant Accounting Policies

#### (a) Basis of Accounting

The financial statements are prepared using the accrual basis of accounting, which recognizes revenue when earned and expenses as incurred.

#### (b) Basis of Presentation

WORKNET has adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 *Not-for-Profit Entities*. Under FASB ASC 958, WORKNET is required to report

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (b) Basis of Presentation - Continued

Information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

- Unrestricted net assets consist of unrestricted amounts that are available for use in carrying out the operations of WORKNET. These include those expendable resources, which have been board designated for capital improvements to buildings and accrued paid time off. For the years ended June 30, 2018 and 2017, the capital improvements to building were \$175,676 and \$36,346, respectively, and accrued paid time off were \$242,047 and \$308,925, respectively.
- Temporarily restricted net assets result from gifts from donors subject to restrictions that are limited to a specific period of time or purpose.
- Permanently restricted net assets result from gifts from donors who place restrictions on the use of funds or funds designated by WORKNET to function as an endowment, which mandate that the original principal be invested in perpetuity. Generally gains and related investment income on these gifts are available for unrestricted purposes, unless the donor designates restrictions on the use of earning for a specific purpose, in which the earning are then considered temporarily restricted.

##### (c) Contributions

WORKNET has adopted FASB ASC 958, whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a donor restriction is met through passage of time or fulfillment of a purpose restriction, temporary restricted net assets are reclassified to unrestricted net assets and are reported in the statements of activities as net assets released from restrictions. Temporary restricted contributions that are received and expended in the same period are reported and/or to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

##### (d) Fair Value Measurements

WORKNET applies the provisions of Financial Accounting Standards Boards (FASB) Accounting Standards Codification (“ASC”) 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and liabilities that are recognized at fair value in the financial statements on a recurring basis. Topic 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Topic 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumption about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity’s own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

**WORKNET PINELLAS, INC.**

**Notes to Financial Statements - Continued**

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

**(e) Liquidity**

Assets are presented in the accompanying Statements of Financial Position according to their nearness of conversion to cash, and liabilities according to the nearness of their maturity and resulting use of cash.

**(f) Cash and Cash Equivalents**

For purposes of reporting cash flows, all deposits with an original maturity of three months or less are considered to be cash equivalents.

Cash designated for capital improvements to buildings and to fund accrued paid time off is classified as restricted cash in the accompanying statements of financial position.

**(g) Accounts Receivable**

Accounts receivable represents amounts due from employer services agreement, service provider contract, insurance reimbursement, refunds and other miscellaneous customers. Based on historical collections, management believes all receivables are fully collectible.

**(h) Inventory**

Inventory is stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

**(i) Endowment Investments**

Endowment investments represent beneficial interest in assets held by others. In accordance with guidance related to accounting for contributions held by an organization for the benefit of another organization, which states that organization that transfer assets to other not-for-profit agencies who specify themselves as beneficiaries and has not granted variance power, are not considered expenses and recorded as an asset in the statements of financial position at fair value as endowment investments.

**(j) Property and Equipment**

Property and equipment are recorded at cost, if purchased, or at estimated fair value at date of receipt if acquired by gift. Depreciation is recognized over the estimated useful lives of the assets of 3 to 7 years for equipment and vehicles; 5 years for leasehold improvements, 7 to 15 years for educational program videos, 15 years for building improvements and 27.5 years for buildings using the straight-line method. All expenditures of property and equipment less than \$5,000 are expensed when purchased.

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (j) Property and Equipment - Continued

In the event of disposal of property and equipment acquired through expenditures of federal funds, WORKNET may be required to return the property and equipment to the funding source or obtain its approval prior to disposal of the property and equipment. Additionally, the proceeds from any disposal of property and equipment may be required to be refunded to the respective funding source.

##### (k) Capital Improvement to Buildings

WORKNET has established a capital improvement fund to pay for capital improvements to the Science Center building as they become necessary. Usage fee is charged to applicable grants for use of the Science Center building for the fiscal year ending June 30, 2018. For the fiscal year ending June 30, 2017, depreciation expense was charged to applicable funding sources for their fair share. Funds received for Usage fee and depreciation recovered from applicable funding sources were set aside for this purpose. Usage fee recovered from these sources was \$70,942 for the fiscal year ending June 30, 2018. Depreciation expense recovered from these sources was \$36,346 for the fiscal year ending June 30, 2017.

##### (l) Personal Time Off

WORKNET employees are entitled to personal time off (PTO) which combines time off for personal, vacation, and sick leave. PTO is based on length of employment and other factors. PTO is accrued when earned. PTO of \$242,047 and \$308,925 is included as a component of accounts payable and accrued expenses in the Statements of Financial Position at June 30, 2018 and 2017, respectively.

##### (m) Retirement Plan

The provision for pension costs is recorded on an annual basis. Pension costs are funded as they accrue.

##### (n) Income Taxes

WORKNET is a not-for-profit corporation under the laws of the State of Florida and is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Internal Revenue Code provides for taxation of unrelated business income under certain circumstances. WORKNET believes that it has no liability for taxes with respect to unrelated business income. However, such status is subject to final determination upon examination of the related income tax returns by the appropriate taxing authorities.

WORKNET follows Accounting Standards Codification Topic 740, *Income Taxes* ("ASC 740"). A component of this standard prescribes a recognition and measurement of tax positions taken or expected to be taken in a tax return. For those benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. WORKNET's policy is to recognize interest and penalties associated with tax positions under this standard as a component of tax expense, and none were recognized since there was no material impact of the application of this standard for the years ended June 30, 2018 and 2017. As required by Internal Revenue Service regulations, the Organization annually files a Form 990, "Return of Organization Exempt from Income Tax" with the Internal Revenue Service. The returns for 2017, 2016 and 2015 are subject to review and adjustment by the Internal Revenue Service.

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (2) Summary of Significant Accounting Policies - Continued

##### (o) Revenue Recognition

Revenues and the related expenses of cost-reimbursement grant programs are recognized as allowable costs are incurred. Federal grant advances are classified as deferred revenue until expended for the intended purpose. Grants receivable relates to support earned but not yet received from federal sources.

##### (p) Inkind

Inkind revenue and expense is comprised of contributed services. Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets at date or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donations. For the fiscal year ending June 30, 2018, the contributed services did not meet the criteria for financial statement recognition. For the fiscal year ending June 30, 2017, the contributed services of \$31,400 represent services for teaching, clerical and outreach.

##### (q) Use of Estimates

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

##### (r) Functional Allocation of Expenses

The cost of providing WORKNET's various programs and other supporting services have been summarized on a functional basis in the statements of activities. Direct expenses are charged directly to the related program. Certain costs which are directly shared have been allocated to programs based upon the relative benefits received. Expenses that are not directly identifiable with a specific program are allocated as indirect costs to benefiting programs based upon de minimis indirect rate of 10-percent of modified total direct costs. Supporting services in the statements of activities include expenses that have been allocated both directly and indirectly to the Organization's programs. Supporting services include planning, development, oversight and administrative functions of all programs, support services for the One Stop System including Information Technology, Management Information Systems, Facility Management, Community Outreach, and One Stop Staff training and development activities.

##### (s) Reclassifications

Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements.

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (3) Investments

WORKNET uses fair value measurements to record fair value adjustment to certain assets and liabilities and to determine fair value disclosures and follows the provisions of FASB ASC Topic 820, *Fair Value Measurements and Disclosures*, the authoritative guidance for fair value measurements of investments that are recognized at fair value in the financial statements. ASC Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques to measure fair value. The hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to measurements involving significant unobservable inputs (Level 3).

The three levels of fair value hierarchy are as follows:

- Level 1: Inputs to the valuation methodology are quoted prices available in active markets for identical assets as of the reporting date.
- Level 2: Inputs to the valuation methodology are other than quoted prices in active markets, which are either directly or indirectly observable as of the reporting date, and fair value can be determined through the use of models or other valuation methodologies; and
- Level 3: Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset and the reporting entity makes estimates an assumptions related to the pricing of the assets or liability including assumptions regarding risk.

#### *Fair Value of Financial Instruments*

At June 30, 2018 and 2017, the carrying value of all financial instruments approximates fair value. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

#### Beneficial Interest in Assets Held by Others

Carrying value is measured at fair value with a valuation technique utilizing market prices at the close of the last business day for the statement period, provided by the Community Foundation of Tampa Bay.

#### All Other

The following tables summarizes the fair value measurement by level at June 30, 2018 and 2017 for financial assets and liabilities measured at fair value on a recurring basis:

June 30, 2018	Fair Value Measurement at Reporting Date Using		
Beneficial Interest in Assets Held by Others	Level 1	Level 2	Level 3
\$	-	-	10,062

June 30, 2017	Fair Value Measurement at Reporting Date Using		
Beneficial Interest in Assets Held by Others	Level 1	Level 2	Level 3
\$	-	-	9,691

#### *Fair Value Measurements*

The table below sets for the summary of changes in the fair value of WORKNET's level 3 financial assets during the years ended June 30, 2018 and 2017:

	2018	2017
Balance, beginning of year	\$ 9,691	\$ 9,073
Receipts	371	618
Balance, end of year	\$ 10,062	\$ 9,691

**WORKNET PINELLAS, INC.**

**Notes to Financial Statements - Continued**

**(4) Grants Receivable**

Grants receivable is comprised of the following grant awards at June 30, 2018 and 2017:

Federal awards:	<u>2018</u>	<u>2017</u>
U.S. Department of Health and Human Services:		
Temporary Assistance for Needy Families	\$ 97,025	\$ 329,168
U.S. Department of Labor:		
Wagner Peyser	104,832	86,980
Disabled Veterans Outreach Program	18,309	5,193
Local Veterans Employment Representative Program	6,607	5,180
Worforce Innovation and Opportunity Act (WIOA) Cluster:		
WIOA Adult	36,052	475,034
WIOA Dislocated Worker	-	252,748
WIOA Youth	30,435	-
National Emergency Grant - Sector Partnership NEG	29,520	21,000
Job-Driven (JD) National Emergency Grant	-	42,600
Reemployment Services and Eligibility Assessment	12,702	7,025
Unemployment Insurance	1,623	8,636
Trade Adjustment Assistance	81,029	29,918
Youthbuild	31,187	49,284
U.S. Department of Agriculture:		
Supplemental Nutrition Assistance Program	4,363	15,103
Corporation for National & Community Service		
AmeriCorps State	11,143	158
U.S. Department of Commerce		
Manufacturing Extension Partnership Program	-	83,398
Total federal	<u>464,827</u>	<u>1,411,425</u>
State awards:		
Florida Department of Economic Opportunity		
Manufacturing Skills Development	-	10,000
Gulf Coast NCP	-	39,000
Mechatronics Grant	296,612	-
Total state	<u>296,612</u>	<u>49,000</u>
Local award:		
The Juvenile Welfare Board		
Youth Innovators of Pinellas - 2018	8,757	-
Youth Innovators of Pinellas - 2017	-	2,401
Capital Improvement	37,891	-
Total local	<u>46,648</u>	<u>2,401</u>
Total grants receivable	<u>\$ 808,087</u>	<u>\$ 1,462,826</u>

**WORKNET PINELLAS, INC.**

**Notes to Financial Statements - Continued**

**(5) Property and Equipment**

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Land	\$ 880,000	\$ 880,000
Equipment	302,598	515,668
Software	7,556	7,556
Buildings and Improvements	1,931,180	1,880,788
Educational Videos	24,600	24,600
Vehicles	70,244	67,513
Construction-In-Progress	-	10,000
Total cost	<u>3,216,178</u>	<u>3,386,125</u>
Accumulated depreciation	<u>(595,636)</u>	<u>(732,099)</u>
	<u>\$ 2,620,542</u>	<u>\$ 2,654,026</u>

Depreciation expense for the years ended June 30, 2018 and 2017 were \$125,932 and \$98,819, respectively.

**(6) Deferred Grant Revenue**

Deferred grant revenue is comprised of the following grant awards at June 30, 2018 and 2017:

	2018	2017
Federal awards:		
U.S. Department of Labor:		
Workforce Innovation and Opportunity Act		
Dislocated Worker	\$ 64,551	\$ -
Youth	-	43,505
Total federal	<u>64,551</u>	<u>43,505</u>
Local awards:		
The Juvenile Welfare Board		
Youth Innovators of Pinellas - 2016	-	1,723
The Able Trust		
Ability Initiative Training Program	15,042	20,345
Total local	<u>15,042</u>	<u>22,068</u>
Total deferred grant revenue	<u>\$ 79,593</u>	<u>\$ 65,573</u>

**(7) Debt**

Mortgage Payable

Effective December 12, 2014, WORKNET obtained a new business loan for the principal amount of \$700,000 with an interest at a rate of 4.650% per annum based on a year of 360 days. The proceeds of the loan were used to pay-off the remaining principal and interest of the mortgage payable existing at June 30, 2014. The payment terms require 59 regular payments of \$4,511 each and one irregular payment of \$585,710. The first payment is due January 10, 2015, and all subsequent payments are due on the same day of each month after that. The final payment will be due on December 10, 2019, and will be for all principal and all accrued interest not yet paid. As of June 30, 2018 and 2017, WORKNET is in compliance with all covenants and conditions of instruments governing the loan agreement. The loan is also secured by the real estate associated with the Science Center. In conjunction with this loan, WORKNET incurred loan issuance costs of \$16,032 to be amortized over five years.



## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (7) Debt - Continued

##### Mortgage Payable - Continued

Schedule maturities of the debt and loan issuance costs are as follows:

Year Ended June 30,	<u>Loan</u>	<u>Issuance Cost</u>
2019	\$ 25,458	\$ 3,251
2020	594,346	1,247
	<u>\$ 619,804</u>	<u>\$ 4,498</u>

Interest expense totaled \$29,848 and \$29,500 for the years ended June 30, 2018 and 2017, respectively.

##### Equipment Financing Agreement

WORKNET entered into an Equipment Finance Agreement (EFA) in September 2015 to finance the labor and materials associated with the purchase and installment of a 70 ton air cooled chiller and building HVAC controls at the Science Center building. The terms of the EFA require WORKNET to pay principal of \$100,400 over 60 monthly installments at an interest rate of 7.86% per annum. The first payment of principal and interest of \$2,029 was due in November 2015 and last payment in October 2020. Schedule maturities of the debt are as follows:

Year Ended June 30,	
2019	\$ 21,027
2020	22,741
2021	7,985
	<u>\$ 51,753</u>

Interest expense totaled \$4,905 and \$5,805 for the years ended June 30, 2018 and 2017, respectively.

#### (8) Beneficial Interest in Assets Held by Others – Endowment Funds

WORKNET established a fund, a board designated endowment, at the Community Foundation of Tampa Bay (the Foundation). The Foundation was granted no variance power to redirect the use of the funds to another beneficiary. On an annual basis, the Foundation distributes net income from these funds to WORKNET which is used by the WORKNET for operational needs.

*Spending Policy* – The Foundation shall each year make distributions from the endowed fund based on the asset value as of December 31 of the previous year.

*Investment Policy* – All of the board designated endowment funds are deposited with the Foundation. The Board of Directors has delegated the investment policy responsibility to the Foundation and, therefore, follows the investment policy as determined by the Foundation.

**WORKNET PINELLAS, INC.**

**Notes to Financial Statements - Continued**

**(9) Temporary and Permanent Restrictions on Net Assets**

Temporary restrictions on net assets as of June 30, 2018 and 2017 relate to the following:

<u>June 30, 2018</u>	<u>July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2018</u>
Duke Energy	\$ 50,000	-	-	\$ 50,000
Camp Scholarships	21,756	3,250	11,997	13,009
Iguana Sanctuary	5,000	-	5,000	-
Youthbuild Walmart Donation	-	250	-	250
	<u>\$ 76,756</u>	<u>3,500</u>	<u>16,997</u>	<u>\$ 63,259</u>

<u>June 30, 2017</u>	<u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Duke Energy	\$ 47,201	50,000	47,201	\$ 50,000
Camp Scholarships	7,241	21,810	7,295	21,756
Iguana Sanctuary	-	5,000	-	5,000
	<u>\$ 54,442</u>	<u>76,810</u>	<u>54,496</u>	<u>\$ 76,756</u>

Permanently restricted net asset as of June 30, 2018 and 2017 of \$10,062 and \$9,691, respectively, relates to investment in Community Foundation of Tampa Bay.

**(10) Lease Commitments**

WORKNET leases facilities (workforce program offices and administrative office) and equipment (copiers and other office equipment) under cancelable and non-cancelable lease agreements. Pursuant to the original lease documents, the terms of the cancelable lease shall remain ongoing until cancelled by either party. The lessor or lessee shall have the right to terminate for any reason, without penalty, with one hundred eighty (180) days written notice.

Facility lease payments were \$255,998 and \$301,850, net of sublease income of \$24,945 and \$26,440 for the years ending June 30, 2018 and 2017, respectively. It is comprised of cancelable payments of \$156,912 and \$204,259 for the years ending June 30, 2018 and 2017, respectively, and non-cancelable payments of \$124,031 for the years ending June 30, 2018 and 2017.

Equipment lease payments were \$42,158 and \$63,690 for the years ending June 30, 2018 and 2017, respectively. It is comprised of cancelable \$21,116 and \$8,991 for the years ending June 30, 2018 and 2017, respectively, and non-cancelable payments of \$21,042 and \$54,699 for the years ending June 30, 2018 and 2017, respectively. Minimum future lease payments under non-cancelable facility leases having remaining terms in excess of one year are as follows:

Year Ended June 30,	
2019	166,115
2020	166,115
2021	166,115
2022	166,115
Thereafter	138,059
	<u>\$ 664,460</u>

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (11) Employment Benefits

##### (a) Retirement Plan

WORKNET provides a 401(k) Plan (the Plan). The Plan may provide two types of employer contributions, a non-elective contribution (NEC) and a matching contribution to eligible participants. The NEC is provided to all eligible employees regardless if the employee contributes to the Plan and equals 5% of the employee's eligible earnings. The matching contribution is only provided to those employees who elect to contribute to the Plan. WORKNET elected to provide the NEC but not the matching contributions. Employer contributions totaled \$211,482 and \$280,619 for the years ended June 30, 2018 and 2017, respectively.

##### (b) Benefit Stipend

WORKNET provides a benefit stipend (stipend) to eligible employees. The stipend equals 28% of the employee's eligible earnings. It is included as part of the employee's gross pay and paid twice a month over 24 pay periods. The stipend totaled approximately \$865,000 and \$1,587,000 for the years ended June 30, 2018 and 2017, respectively.

#### (12) Reconciliation of Schedule of Expenditures of Federal Awards Programs and the Statements of Activities to OSMIS

As required, WORKNET regularly reconciles its financial records to the One Stop Management Information System (OSMIS) which is maintained by the Florida Department of Economic Opportunity. As of June 30, 2018, no discrepancies were noted. Amounts expended on the Schedule of Expenditures of Federal Awards and State Financial Assistance and revenues and expenses on the statements of activities were determined in accordance with the accrual basis of accounting.

	2018	2017
Total Federal and State Expenditures/Grant Revenue	\$ 11,734,937	\$ 15,728,484
Funds received directly from funding sources not reported in OSMIS	985,150	527,292
Reported in OSMIS	<u>\$ 10,749,787</u>	<u>\$ 15,201,192</u>

#### (13) Concentration of Credit Risk

WORKNET maintains its cash with four financial institutions. WORKNET's deposits are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At times, WORKNET has deposits which exceed the FDIC amount. Management does not anticipate nonperformance by any of the financial institutions.

#### (14) Grants

Costs charged to federal programs under cost-reimbursement grants are subject to government regulatory audits. Therefore, all such costs are subject to adjustment. Management believes that adjustments, if any, would not have a significant effect on the financial statements. WORKNET receives a substantial amount of its support from federal agencies through various grants. Any significant reduction in the level of this support could have an effect on WORKNET's programs.

## WORKNET PINELLAS, INC.

### Notes to Financial Statements - Continued

#### (15) Legal Matters

At year-end, WORKNET is being investigated by certain state and federal agencies regarding its operations and utilization of grant funds. As of the date of the financial statements, these state and federal investigations are ongoing and the final results have not been released. Management believes there are sufficient unrestricted resources to pay any potential claims resulting from these investigations.

WORKNET is also involved in various legal actions that, in the opinion of management, will not have a significant effect on the financial position or results of operations of WORKNET. Legal actions that pertain to employment matters are generally covered by WORKNET's liability insurance.

#### (16) Related Party Transactions

In accordance with applicable regulations, WORKNET's Board of Directors includes representatives of private and public sector industries. During the fiscal year ended June 30, 2018, WORKNET entered into contracts with certain private and public sector industries, with which board members are associated for the purpose of providing services to participants. Total payments for providing services to participants during the years ended June 30, 2018 and 2017 were approximately \$142,000 and \$1,918,000, respectively, and accounts payable at June 30, 2018 and 2017 were approximately \$29,000 and \$72,000 respectively.

#### (17) Comparative Data

The financial statements include certain prior year summarized information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with WORKNET's financial statements for the year ended June 30, 2017, from which the summarized data was derived.

#### (18) Subsequent Events

##### General

WORKNET has evaluated subsequent events from the statements of financial position date through August 21, 2018 the date the financial statements were available to be issued.

##### Shared Services Agreement

WORKNET and Tampa Bay Workforce Alliance, Inc., d/b/a CareerSource Tampa Bay entered into a shared services agreements in 2011 whereby the two separate and unrelated organizations shared the services of the Chief Executive Officer, other senior management, and certain other administrative services. Under this arrangement, WORKNET was the employer of record for all employees of both organizations, and all shared services costs were equitably allocated based upon services utilized. Effective September 1, 2018, subsequent to year end, these agreements were not renewed.

**SUPPLEMENTAL INFORMATION**

**WORKNET PINELLAS, INC.**

**Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Year Ended June 30, 2018**

<u>Federal/State Agency Pass-Through Entity/Program Title</u>	<u>CFDA/ CSFA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Pass Through</u>
<b>U.S. Department of Health and Human Services</b>				
Passed through the Department of Economic Opportunity:				
Temporary Assistance for Needy Families	93.558	WTS17, WTS18	\$ 3,761,932	\$ 1,522,163
Total U.S. Department of Health and Human Services			<u>3,761,932</u>	<u>1,522,163</u>
<b>U.S. Department of Labor</b>				
Passed through the Department of Economic Opportunity:				
Employment Service Cluster				
Wagner Peyser	17.207	WPA17, WPA18, WPB16, WPB18	636,142	-
Disabled Veterans Outreach Program	17.801	DVP17, DVP18	103,617	-
Local Veterans Employment Representative Program	17.801	LVR17, LVR18	38,976	-
Subtotal Employment Service Cluster			<u>778,735</u>	<u>-</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA - Adult	17.258	WIA17, WIA18, WIS16, WIS17	1,546,323	-
WIOA - Youth	17.259	WIY17, WIY18	1,159,697	479,139
WIOA - Dislocated Worker	17.278	WID17, WID18, WIS18, WRS16, WRS17	2,188,839	-
Subtotal WIA Cluster			<u>4,894,859</u>	<u>479,139</u>
National Emergency - Sector Partnership NEG	17.277	WNJD5	149,520	-
Reemployment Services and Eligibility Assessment	17.225	UCRE7, UCRE8	383,960	-
Unemployment Insurance	17.225	UCB17, UCB18	42,933	-
Subtotal Unemployment Insurance			<u>426,893</u>	<u>-</u>
Trade Adjustment Assistance	17.245	TAT15, TAT16, TAC15, TAC16, TAA15	238,828	-
Subtotal Department of Economic Opportunity			<u>6,488,835</u>	<u>479,139</u>
Youthbuild	17.274	YB-24706-13-60-A-12	412,159	-
Subtotal Direct U.S. Department of Labor			<u>412,159</u>	<u>-</u>
Total U.S. Department of Labor			<u>6,900,994</u>	<u>479,139</u>
<b>U.S. Department of Agriculture</b>				
Passed through the Department of Economic Opportunity:				
Supplemental Nutrition Assistance Program	10.561	FSH17, FSH18	486,959	-
Supplemental Nutrition Assistance Program Employment and Training 50%	10.561	FSF17	12,061	-
Total U.S. Department of Agriculture			<u>499,020</u>	<u>-</u>
<b>Department of Commerce</b>				
Passed through FloridaMakes. Inc.				
FloridaMakes Manufacturing Extension Partnership	11.611	#70NANB15H041	113,545	-
Total U.S. Department of Commerce			<u>113,545</u>	<u>-</u>
<b>Corporation for National &amp; Community Service</b>				
Passed through Florida Commission on Community Service dba Volunteer Florida				
AmeriCorps State	94.006	15AFHFL001	59,733	-
Total Expenditures of Federal Awards			\$ <u>11,335,224</u>	\$ <u>2,001,302</u>
<b>Florida Department of Economic Opportunity</b>				
Mechatronics	40.038	SL035	399,713	-
Total State Financial Assistance			\$ <u>399,713</u>	\$ <u>-</u>

**WORKNET PINELLAS, INC.**

**Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance**

**Year Ended June 30, 2018**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (Schedule) includes the federal grant activity of WORKNET under programs of the federal government passed through the Department of Economic Opportunity for the year ended June 30, 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)* and Chapter 10.650, *Rules of the Auditor General of Florida*. Because the schedule presents only a selected portion of the operations of WORKNET, it is not intended to and does not present the financial position, changes in net assets or cash flows of WORKNET.

**(2) Basis of Accounting**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**(3) Property and Equipment**

Property and equipment of approximately \$96,000 was purchased using federal grant awards during fiscal year ending June 30, 2018. These amounts are included in the Schedule but excluded from the statement of activities as the amount has been capitalized for financial statement purposes and recorded as property and equipment on the statement of position.

**(4) Indirect Cost Rate**

WORKNET elected to use the 10 percent de minimis indirect cost rate.

## **REGULATORY REPORTS**



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

The Board of Directors  
WorkNet Pinellas, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of WorkNet Pinellas, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2018, and the related statement 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 August 21, 2018.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

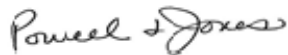
**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct

and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



**POWELL & JONES**  
**Certified Public Accountants**  
**August 21, 2018**

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

Board of Directors  
WorkNet Pinellas, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited WorkNet Pinellas, Inc.'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of WorkNet Pinellas, Inc.'s major federal programs for the fiscal year ended June 30, 2018. WorkNet Pinellas, Inc.'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of WorkNet Pinellas, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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) and the Florida Department of Economic Opportunity's (DEO) Audit and Audit Resolution Responsibilities (AWI FG 05-019) issued August 12, 2005. Those standards, the Uniform Guidance, and DEO 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 WorkNet Pinellas, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, WorkNet Pinellas, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Other Matters

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

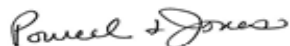
## Report on Internal Control Over Compliance

Management of WorkNet Pinellas, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered WorkNet Pinellas, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 WorkNet Pinellas, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



**POWELL & JONES**  
**Certified Public Accountants**  
**August 21, 2018**

**WORKNET PINELLAS, INC.**  
 SCHEDULE OF FEDERAL AWARDS PROGRAMS AND STATE FINANCIAL ASSISTANCE  
 FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2018

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**Section I - Summary of Auditor's Results**

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**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

Noncompliance material to the financial statements noted? No

**Federal Awards Section**

Internal control over major programs:

- Material weakness(es) identified? No
- Significant deficiency(ies) identified? No

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

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

Identification of major programs/projects:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<b><u>U.S. Department of Labor</u></b>
	Employment Service Cluster:
	Wagner-Peyser
	Disabled Veterans Outreach Program
	Local Veterans Employment Representative Program
	National Emergency - Sector Partnership NEG
	Trade Adjustment Assistance
	Youthbuild
	<b><u>U.S. Department of Health and Human Services</u></b>
	Temporary Assistance for Needy Families

Dollar threshold to distinguish between type A and type B Federal Programs \$750,000

Auditee qualified as low-risk auditee? Yes

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**Section II - Financial Statement Findings**

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None

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**Section III - Federal Award Findings and Questioned Costs**

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None

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**Section IV - Summary Schedule of Prior Audit Findings**

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None

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**Section V - Other**

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None