

**WORKNET PINELLAS, INC.**

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

**June 30, 2020**

**(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, 2020, 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, 2020 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.

## **Uncertainties Regarding the Financial Outcome of Regulatory Matters**

As discussed in Note 14 to the financial statements, the Organization is a party to pending regulatory actions that could result in its liability for repayment of grant funds. The Organization's management believes that the eventual settlement of these actions will not have a material effect on the Organization's financial position. Nevertheless, it is at least possible that such an effect will occur, although the amount cannot be estimated. Settlement of these regulatory actions is expected within the next year. Our opinion is not modified with respect to this matter.

## **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, 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 February 17, 2021 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 2019 financial statements, and our report dated October 31, 2019 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, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.



**POWELL & JONES**  
**Certified Public Accountants**  
**Lake City, Florida**  
**February 17, 2021**

**WORKNET PINELLAS, INC.****Statement of Financial Position****June 30, 2020****(With Comparative Information for June 30, 2019)**

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,390,051	\$ 969,353
Accounts receivable	46,463	82,814
Grants receivable	406,854	196,562
Prepaid expenses	145,195	70,390
Total current assets	<u>3,988,563</u>	<u>1,319,119</u>
Noncurrent assets:		
Restricted cash	248,260	440,721
Endowment investments	-	9,382
Property and equipment, net	57,300	2,497,926
Total noncurrent assets	<u>305,560</u>	<u>2,948,029</u>
Total assets	<u>\$ 4,294,123</u>	<u>\$ 4,267,148</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities	1,132,470	900,986
Deferred grant revenue	69,437	235,195
Debt	-	617,772
Total current liabilities	<u>1,201,907</u>	<u>1,753,953</u>
Noncurrent liabilities:		
Debt	-	625,757
Less unamortized loan costs	-	(1,247)
	<u>-</u>	<u>624,510</u>
Less current portion	-	(617,772)
Total noncurrent liabilities	<u>-</u>	<u>6,738</u>
Total liabilities	<u>1,201,907</u>	<u>1,760,691</u>
Net assets without donor restrictions	<u>3,092,216</u>	<u>2,506,457</u>
Total liabilities and net assets	<u>\$ 4,294,123</u>	<u>\$ 4,267,148</u>

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

**WORKNET PINELLAS, INC.**

**Statement of Activities**

**Year Ended June 30, 2020**

**(With Comparative Information for Year Ended June 30, 2019)**

	Total	
	2020	2019
Revenues and support:		
Grants		
Federal	\$ 9,441,414	\$ 9,163,824
Local	-	28,430
Contribution and sponsorship revenue	4,466	23,915
Educational program tuition and fees	-	62,982
Other revenue	134,784	99,733
Gain on Sale/Disposal	638,094	-
Total revenues and support	10,218,758	9,378,884
Expenses:		
Program services		
Workforce Innovation and Opportunity Act	4,620,165	4,008,166
Employment Services Programs	1,015,350	937,401
Supplemental Nutrition and Assistance	303,838	418,837
Trade Adjustment Assistance	126,935	337,487
Welfare Transition	2,021,478	2,109,377
Youthbuild	340,885	291,685
Other	121,647	284,755
Supporting services		
General and administrative	1,082,701	1,232,810
Total expenses	9,632,999	9,620,518
Change in net assets	585,759	(241,634)
Net assets at beginning of year	2,506,457	2,748,091
Net assets at end of year	\$ 3,092,216	\$ 2,506,457

**WORKNET PINELLAS, INC.**

**Statement of Functional Expenses**

**Year Ended June 30, 2020  
(With Comparative Information for Year Ended June 30, 2019)**

Expenses	Programs	General and administrative	Total	
			2020	2019
Salaries	\$ 2,608,259	\$ 585,811	\$ 3,194,070	\$ 4,534,002
Retirement	148,868	28,671	177,539	206,632
Payroll taxes and fringe	952,079	165,924	1,118,003	311,943
Staff training and education	299	1,099	1,398	2,576
Accounting and professional	56,558	169,025	225,583	305,199
Community outreach	24,706	-	24,706	45,349
License, dues, and other fees	23,266	2,225	25,491	27,940
Communications	104,290	8,416	112,706	122,490
Office expenses	204,700	17,679	222,379	218,324
Occupancy	350,389	15,188	365,577	413,564
Travel	13,586	6,234	19,820	62,142
Meetings and conferences	5,765	4,846	10,611	7,799
Other expense	40,367	42,302	82,669	15,124
Contract labor	361,282	2,851	364,133	447,475
Insurance	83,948	10,425	94,373	139,079
Service provider contracts	538,397	-	538,397	538,151
Customer training	3,008,353	-	3,008,353	2,065,438
Interest expense	16,015	-	16,015	32,683
Depreciation and amortization	9,171	22,005	31,176	124,608
<b>Total Expenses</b>	<b>\$ 8,550,298</b>	<b>\$ 1,082,701</b>	<b>\$ 9,632,999</b>	<b>\$ 9,620,518</b>

**WORKNET PINELLAS, INC.**

**Statement of Cash Flows**

**Year Ended June 30, 2020**

**(With Comparative Information for Year Ended June 30, 2019)**

	2020	2019
Cash flows from operating activities:		
Change in net assets	\$ 585,759	\$ (241,634)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	29,929	121,357
Loss (Gain) on disposal	(638,094)	1,259
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	36,351	(40,671)
(Increase) decrease in grants receivable	(210,292)	611,525
(Increase) decrease in inventory	-	2,925
(Increase) in prepaid expenses	(74,805)	150,329
Decrease in loan costs (amortization)	1,247	3,251
(Decrease) increase in accounts payable and accrued liabilities	231,482	(318,804)
(Decrease) increase in deferred revenue	-	(31,041)
(Decrease) increase in deferred grant revenue	(165,758)	155,602
Net cash provided by operating activities	(204,181)	414,098
Cash flows from investing activities:		
Change in investments	9,382	680
Acquisition of property and equipment	(22,462)	-
Sale of property and equipment	3,071,255	-
Net cash used in investing activities	3,058,175	680
Cash flows from financing activities:		
Payments on debt	(625,757)	(45,800)
Net cash used in financing activities	(625,757)	(45,800)
Net (decrease) increase in cash	2,228,237	368,978
Cash, beginning of year	1,410,074	1,041,096
Cash, end of year	\$ 3,638,311	\$ 1,410,074
Supplement disclosures:		
As shown on Statement of Financial Position:		
Cash and cash equivalents	\$ 3,390,051	\$ 969,353
Restricted cash	248,260	440,721
Cash, end of year	\$ 3,638,311	\$ 1,410,074
Interest paid	\$ 16,015	\$ 32,683

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

# WORKNET PINELLAS, INC.

## Notes to Financial Statements

Year Ended June 30, 2020

### (1) Nature of Organization and Purpose

Effective February 10, 2014 and July 7, 2014, WorkNet Pinellas, Inc. (WORKNET) began doing business as CareerSource Pinellas. 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

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.

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

(b) **Basis of Presentation**

Financial Statements

The financial statements and notes are representations of the Organization's management who is responsible for their integrity and objectivity. The accounting policies conform to accounting principles generally accepted in the United States of America and have been consistently applied in the preparation of the financial statements.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958 dated August 2016, and the provisions of the American Institute of Certified Public Accountants (AICPA) "Audit and Accounting Guide for Not-for-Profit Organizations" (the Guide). (ASC) 958-205 was effective January 1, 2018.

Under the provisions of the Guide, net assets and revenues, and gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified as follows:

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. The Organization's board may designate assets without restrictions for specific operational purposes from time to time.

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 the by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. The Organization held no assets with donor imposed restrictions at year end.

(c) **Contributions and Restricted Net Assets**

Unconditional contributions are recognized when received and recorded as net assets without donor restrictions or with donor restrictions, depending on the existence and/or nature of the donor-imposed restrictions. Conditional promises to give are recognized when the conditions on which they depend are substantially met. Gifts of cash and other assets are reported with donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as net assets without donor restriction support. Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Contributions restricted for the acquisition of land, buildings, and equipment are reported as assets without donor restriction upon acquisition of the assets and the assets are placed in service.

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

The Organization historically does not receive contributions from donors. Primarily all of its funding is through grants, which must be expended on specified programs or activities. Cost reimbursement grants are recorded as revenue when the related expenses have been incurred. Other grants are recorded as support and revenue when earned. As of June 30, 2020, all net assets of the Organization were without donor imposed restrictions.

**(d) Donated Services**

The Organization records donated services as revenues if either; (a) they create or enhance nonfinancial assets; or (b) they require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. There were no donated services recorded during the year ended June 30, 2020.

**(e) 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.

At June 30, 2020, the Organization had no assets or liabilities subject to disclosure of fair value measurements as to valuation levels hierarchy per Financial Accounting Standards Board Statement No. 157.

**(f) Liquidity**

Assets are presented in the accompanying Statement 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.

Financial assets available within one year of the statement of financial position date of June 30, 2020 for general expenditures are as follows:

Cash and cash equivalents	\$3,390,051
Accounts receivable	46,463
Grants receivable	406,854
Total financial assets available	<u>\$3,843,368</u>

The Organization manages its liquid assets in accordance with regular budgeting processes developed through the coordinated efforts of management and the Board of Directors. Reporting by management to those charged with governance ensures the results from operating activities are monitored closely.

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

(g) **Measure of Operations:**

The statements of activities reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating activities consist of those items attributable to the Organization's ongoing activities. Non-operating activities are limited to resources that generate return from investments, endowment contributions, financing costs, and other activities considered to be of a more unusual or nonrecurring nature. There were no non-operating activities for the year ended June 30, 2020.

(h) **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 statement of financial position.

(i) **Accounts Receivable**

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

(j) **Inventory**

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

(k) **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, and 15 years for building improvements using the straight-line method. All expenditures of property and equipment less than \$5,000 are expensed when purchased.

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.

(l) **Endowment Fund Investments**

Endowment investments represent beneficial interest in assets held by others. This investment was recorded at fair value in accordance with guidance related to accounting for contributions held by an organization which have the transferred assets without variance power. In the 2020 fiscal year this investment was returned to the donor when the Science Center was sold, because the use for which it was intended was no longer applicable. Please see Note 3 regarding the sale of the Science Center.

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

(m) **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 \$248,154 is included as a component of accounts payable and accrued expenses in the Statement of Financial Position at June 30, 2020.

(o) **Retirement Plan**

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

(p) **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 year ended June 30, 2020. 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 2019, 2018 and 2017 are subject to review and adjustment by the Internal Revenue Service.

(q) **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.

(r) **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.

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

(s) **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 statement 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 the rate approved by the U.S. Department of Labor. When it is impractical to directly allocate expenses, costs may be charged to a cost pool and then are distributed to the ultimate benefitting cost center through the application of an appropriate allocation method. Employees document their work activities through personnel activity reports. The data is compiled each pay period and is used in allocating costs by full-time employees. This data is also used in allocating costs for all cost pools as follows:

<b>Cost Pool</b>	<b>Method of Allocation</b>
<i>Board Staff Cost Pool:</i> Salaries, travel, supplies, equipment, communications, facilities	Based on costs recorded in all programs
<i>Business Services Cost Pool:</i> Salaries, fringe benefits, travel, supplies, communication and other	Based on relative total costs recorded in all programs
<i>Case Management Cost Pool:</i> Salaries, fringe benefits, travel, supplies, communication and other	Based salaries allocated according to the number of participants in specific activities
<i>MIS/Technology Cost Pool:</i> Furniture, computers, office equipment, network equipment, software licenses, equipment maintenance	Based on total salary costs
<i>Community Outreach Cost Pool:</i> Ads, printed materials, job fairs, employer seminars, focus groups, and community events	Based on total salary costs
<i>Staff Training Cost Pool:</i> Travel, professional services, memberships supplies	Based on total salary costs
One-Stop Facilities Rent, utilities, communications, supplies	Based on total salary costs

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

Supporting services in the statement 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.

(3) **Sale of Science Center**

On November 20, 2019 WORKNET sold its Science Center property which had been used to operate science related programs for area youth and also a branch “One Stop” employment assistance center. The sales price of the assets was \$3,150,000. The book value of the assets sold was \$2,433,161 and after costs of \$79,045 the gain on the sale was \$637,794. Proceeds of the sale were used to pay off the existing mortgage and other Science Center related debt, with the balance retained as unrestricted net assets.

While operating, the Science Center did not provide material revenues or increases in net assets to WORKNET. This disposal was effected in order to eliminate operations that no longer aligned with WORKNET’s core mission and to generate liquid cash reserves.

(4) **Grants Receivable**

Grants receivable is comprised of the following grant awards at June 30, 2020:

Federal Awards	
U.S. Department of Health and Human Services	
Temporary Assistance to Needy Families	\$ 19,012
U.S. Department of Agriculture	
Supplemental Nutrition Assistance Program	17,370
U.S. Department of Labor	
Wagner Peyser	32,691
Disabled Veterans Outreach Program	6,311
Local Veterans Employment Representative Program	1,668
Workforce Innovation and Opportunity Act (WIOA)	
WIOA COVID PPE	2,958
WIOA Youth	199,304
WIOA Dislocated Worker	82,338
Trade Adjustment Assistance	12,206
Reemployment Services and Eligibility Assessment	17,609
Youthbuild	15,387
Total grants receivable	<u>\$ 406,854</u>

5) **Property and Equipment**

Property and equipment consists of the following at June 30, 2020:

Equipment	\$	211,909
Leasehold Improvements		67,859
Vehicles		47,403
		<hr/>
Total cost		327,171
Accumulated depreciation		(269,871)
	\$	<hr/> <hr/> 57,300

Depreciation expense for the year ended June 30, 2020 was \$29,929.

(6) **Deferred Grant Revenue**

Deferred grant revenue is comprised of the following grant awards at June 30, 2020:

Federal Awards		
U.S. Department of Labor		
WIOA Dislocated Worker	\$	68,167
WIOA Apprenticeship Expansion		843
WIOA Soft Skills		427
		<hr/>
Total grants receivable	\$	<hr/> <hr/> 69,437

(7) **Debt**

**Mortgage Payable**

Effective December 12, 2014, WORKNET obtained a 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 required 59 regular payments of \$4,511 each and one irregular payment of \$585,710. The first payment was due January 10, 2015, and all subsequent payments were due on the same day of each month after that. The final payment was made in November, 2019. All principal and accrued interest at that date was paid with the proceeds of the sale of the Science Center property described in Note 3. Interest paid on the loan for the fiscal year ended June 30, 2020 was \$12,578.

**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 required 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. This loan was paid off in November, 2019. Interest expense totaled \$3,436 for the year ended June 30, 2020.

**(8) 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 totaled \$231,886 net of \$30,850 sublease income for the year ending June 30, 2020. Equipment lease payments totaled \$33,572 for the year ending June 30, 2020. Minimum future lease payments under non-cancelable facility and equipment leases having remaining terms in excess of one year are as follows:

Year Ended June 30,	
2021	\$ 310,037
2022	65,330
2023	<u>8,801</u>
	<u>\$ 384,168</u>

**(9) 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. During the current year, WORKNET elected to provide the NEC but not the matching contributions. Employer contributions totaled \$177,539 for the year ended June 30, 2020.

**(b) Benefit Stipend**

WORKNET provides a benefit stipend (stipend) to eligible employees. The stipend is a flat rate for all employees and is calculated to cover health insurance, life insurance, accidental death and disability and an amount to be allocated to the employees choice of cafeteria benefits. It is included as part of the employee's gross pay and paid twice a month over 24 pay periods. The stipend totaled approximately \$803,506 for the year ended June 30, 2020.

**(10) Reconciliation of Schedule of Expenditures of Federal Awards Programs and the Statement of Activities to SERA**

As required, WORKNET regularly reconciles its financial records to the Subrecipient Enterprise Resource Application (SERA) which is maintained by the Florida Department of Economic Opportunity. As of June 30, 2020, no discrepancies were noted. Amounts expended on the Schedule of Expenditures of Federal Awards and revenues and expenses on the statement of activities were determined in accordance with the accrual basis of accounting.

	<u>2020</u>	<u>2019</u>
Total Federal Expenditures/Grant Revenue	\$ 9,441,414	\$ 9,163,824
Funds received directly from funding sources not reported in SERA		
Youthbuild	(395,045)	(343,706)
Americorps	-	(7,324)
Reported in SERA	<u>\$ 9,046,369</u>	<u>\$ 8,812,794</u>

**(11) 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.

**(12) 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.

**(13) Contingent Liability**

On May 15, 2019, the federal Department of Labor, Employment and Training Administration (ETA) issued its report on the "Compliance Review of CareerSource Tampa Bay and CareerSource Pinellas". In this report the ETA documented seventeen findings regarding grant administration of Department of Labor Funds by the Florida Department of Economic Opportunity, CareerSource Tampa Bay and CareerSource Pinellas during the period July 1, 2013 through June 30, 2018. Included in these findings were questioned costs of \$9,753,924 in WIOA funded OJT payments, \$5,449,113 in supportive services cards issued to WIOA participants, \$2,031,866 in Business Service Staff incentives and \$408,487 in salary related payments. Of this total of \$17,643,410 approximately \$5,557,469 relates to funds administered by CareerSource Pinellas.

The Florida Department of Economic Opportunity, the direct recipient of the Department of Labor funds, in cooperation with the two CareerSource agencies formally responded to the findings on June 28, 2019 and subsequently requested technical assistance from ETA to fully address and resolve the findings. This process remains ongoing and CareerSource Pinellas intends to work diligently to implement corrective actions, provide additional information to fully correct the noted deficiencies and resolve the questioned costs. CareerSource Pinellas has identified approximately \$2.55 million in

unrestricted funds that could be utilized to repay any final disallowed costs. However it is not possible to estimate the amount, if any, of the questioned costs that will eventually be required to be repaid by CareerSource Pinellas.

**(14) 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, 2020, 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 year ended June 30, 2020 were approximately \$999,143 and accounts payable at June 30, 2020 were approximately \$15,691.

**(15) Subsequent Events**

WORKNET has evaluated subsequent events from the statements of financial position date through February 17, 2021 the date the financial statements were available to be issued.

Other

In March 2020, the World Health Organization made the assessment that the outbreak of a novel corona virus (COVID-19) was characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the Organization. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel and meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

**SUPPLEMENTAL INFORMATION**

**WORKNET PINELLAS, INC.**

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

<u>Federal/State Agency Pass-Through Entity/Program Title</u>	<u>CFDA/ 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	WTS19, WTS20	\$ <u>2,246,235</u>	\$ <u>9,501</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,246,235</u>	<u>9,501</u>
<b>U.S. Department of Labor</b>				
Passed through the Department of Economic Opportunity:				
Employment Service Cluster				
Wagner Peyser	17.207	WPA 19, WPA20	686,436	20,669
Disabled Veterans Outreach Program	17.801	DVP19, DVP20	121,865	4,696
Local Veterans Employment Representative Program	17.804	LVR19, LVR20	<u>23,209</u>	<u>455</u>
Subtotal Employment Service Cluster			<u>831,510</u>	<u>25,820</u>
Workforce Innovation and Opportunity Act (WIOA) Cluster				
WIOA - Adult	17.258	WIA 19, WIA20, WIS18, WIS19, WIS20	1,780,467	1,515
WIOA - Youth	17.259	WIY19, WIY20, WIS18, WIS19, WIS20	1,240,971	497,052
WIOA - Dislocated Worker	17.278	WID19, WID20, WIS18, WIS19, WIS20,	<u>2,138,066</u>	<u>1,312</u>
Subtotal WIA Cluster			<u>5,159,504</u>	<u>499,879</u>
National Emergency COVID 19	17.277	WNC20	<u>1,112</u>	<u>-</u>
Reemployment Services and Eligibility Assessment	17.225	UCR19	<u>335,095</u>	<u>751</u>
Trade Adjustment Assistance	17.245	TAT17, TAT18, TAC17, TAC18	<u>138,608</u>	<u>1,012</u>
Subtotal Department of Labor Passed through Department of Economic Opportunity			<u>6,465,829</u>	<u>527,462</u>
Youthbuild	17.274	YB-30072-17-60-A-12 YB-32978-18-60-A-12	<u>395,045</u>	<u>-</u>
Subtotal Direct U.S. Department of Labor			<u>395,045</u>	<u>-</u>
<b>Total U.S. Department of Labor</b>			<u>6,860,874</u>	<u>527,462</u>
<b>U.S. Department of Agriculture</b>				
Passed through the Department of Economic Opportunity:				
Supplemental Nutrition Assistance Program	10.561	FSH19, FSH20	<u>334,305</u>	<u>1,433</u>
<b>Total U.S. Department of Agriculture</b>			<u>334,305</u>	<u>1,433</u>
Total Expenditures of Federal Awards			\$ <u>9,441,414</u>	\$ <u>538,396</u>

**WORKNET PINELLAS, INC.**

**Notes to Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2020**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards 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, 2020. 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 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) Indirect Cost Rate**

WORKNET did not elect 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, 2020, 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 February 17, 2021.

**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.

A handwritten signature in cursive script that reads "Powell & Jones". The signature is contained within a rectangular box.

**POWELL & JONES**  
**Certified Public Accountants**  
**Lake City, FL.**  
**February 17, 2021**

**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, 2020. 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, 2020.

## 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**  
**Lake City, FL**  
**February 17, 2021**

**WORKNET PINELLAS, INC.**  
 SCHEDULE OF FEDERAL AWARDS PROGRAMS  
 FINDINGS AND QUESTIONED COSTS  
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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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:

**CFDA Number(s)**

**Name of Federal Program or Cluster**

**U.S. Department of Labor**

**Workforce Innovation and Opportunity Act (WIOA) Cluster:**

WIOA Adult

WIOA Youth

WIOA Dislocated Worker

**Employment Service Cluster**

Wagner Peyser

Disabled Veterans Outreach Program

Local Veterans Employment Representative Program

17.258

17.259

17.278

17.207

17.801

17.804

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

Auditee qualified as low-risk auditee? No

(Continued)

**WORKNET PINELLAS, INC.**  
SCHEDULE OF FEDERAL AWARDS PROGRAMS  
FINDINGS AND QUESTIONED COSTS (CONTINUED)  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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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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**2019-1 – SUBRECIPIENT MONITORING**

The Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) requires that subrecipients of federal funds be formally monitored by the pass-through entity in accordance with Section D of the Uniform Guidance.

From our audit procedures we could not find documentation where subrecipients were monitored by CareerSource Pinellas in compliance with the Uniform Guidance.

We recommended that CareerSource Pinellas implement procedures to assure that all subrecipients of its federal funds are fully monitored as required by Section D of the Uniform Guidance.

**This audit finding was fully corrected in the current year.**

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**Section V - Other**

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None

## MANAGEMENT LETTER

To the Board of Directors  
WorkNet Pinellas, Inc.  
Clearwater, Florida

We have audited the financial statements of WorkNet Pinellas, Inc. as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated February 17, 2021.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States and OMB Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. We have issued our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements in Accordance with Government Auditing Standards, Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. Disclosures in those reports and the schedule, which are dated February 17, 2021, should be considered in conjunction with this management letter.

### PRIOR YEAR FINDINGS

#### 2019-2 Indirect Cost Allocation

In the prior year we noted that the method of allocating indirect costs had not been completely documented at the time of our audit. Subsequently, the Organization received an approved provisional rate from the Department of Labor for the year ended June 30, 2019 and 2020. In the current year we found that the Organization had documented the method of the allocation of indirect costs.

### CURRENT YEAR FINDINGS

There were no additional findings in the current year.

### CONCLUSION

We wish to thank the Organization's employees for their courteous assistance during our audit of the Organization. This report is intended solely for the information and use of the Board of Directors, management, and others within the Organization.



POWELL & JONES  
Certified Public Accountants  
February 17, 2021