

JOBTRAIN, INC.
MENLO PARK, CALIFORNIA

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT**

JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
JobTrain, Inc.
Menlo Park, California

Report on the Financial Statements

We have audited the accompanying financial statements of JobTrain, Inc. (a nonprofit 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 opinions 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 organization'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 organization'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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of JobTrain, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited JobTrain, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 14, 2017. 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.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary data in schedules 1 through 19 is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal and state 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 our report dated November 16, 2018 on our consideration of JobTrain, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the effectiveness of JobTrain, Inc.'s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering JobTrain, Inc.'s internal control over financial reporting and compliance.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 16, 2018

JobTrain, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2018
(With Comparative Totals for June 30, 2017)

	2018	2017
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 1,302,011	\$ 2,719,857
Investments	1,828,366	1,251,287
Grants receivable	225,294	329,461
Pledges receivable	270,375	5,000
Prepaid expenses and other current assets	22,583	7,594
Total current assets	3,648,629	4,313,199
Non-current assets:		
Fixed assets, net of accumulated depreciation	2,023,708	2,318,492
Total non-current assets	2,023,708	2,318,492
Total assets	\$ 5,672,337	\$ 6,631,691
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 153,417	\$ 173,027
Accrued payroll and benefits	289,983	309,432
Deferred revenue	119,143	1,062,939
Capital lease obligation, current portion	32,284	30,408
Total current liabilities	594,827	1,575,806
Long-term liabilities:		
Capital lease obligation, net of current portion	83,286	115,571
Notes payable	300,000	300,000
Total long-term liabilities	383,286	415,571
Total liabilities	978,113	1,991,377
Net assets:		
Unrestricted:		
Board designated	295,427	244,188
Other unrestricted	2,586,131	2,621,200
Temporarily restricted	1,812,666	1,774,926
Total net assets	4,694,224	4,640,314
Total liabilities and net assets	\$ 5,672,337	\$ 6,631,691

The accompanying notes are an integral part of these financial statements.

JobTrain, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2018</u>	<u>Total 2017</u>
Revenues:				
Government grants	\$ 1,572,885	\$ -	\$ 1,572,885	\$ 2,105,434
Foundation grants	1,020,468	307,624	1,328,092	1,507,880
Individual contributions	768,995	485,616	1,254,611	1,186,403
Corporate contributions	407,000	634,323	1,041,323	454,754
Special events	797,342	-	797,342	632,710
Earned revenue	12,451	-	12,451	11,815
In-kind contributions	173,779	-	173,779	126,450
Investment income, net	1,545	88,613	90,158	144,742
Other revenue	114,537	-	114,537	189,201
Net assets released from restrictions	<u>1,478,436</u>	<u>(1,478,436)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>6,347,438</u>	<u>37,740</u>	<u>6,385,178</u>	<u>6,359,389</u>
Expenses:				
Program services:				
Educational and related services	4,536,148	-	4,536,148	4,573,848
Child development center	700,365	-	700,365	569,180
Supportive services:				
Administration	337,827	-	337,827	392,835
Fundraising	<u>756,928</u>	<u>-</u>	<u>756,928</u>	<u>936,687</u>
Total expenses	<u>6,331,268</u>	<u>-</u>	<u>6,331,268</u>	<u>6,472,550</u>
Change in net assets	16,170	37,740	53,910	(113,161)
Net assets, beginning of period	<u>2,865,388</u>	<u>1,774,926</u>	<u>4,640,314</u>	<u>4,753,475</u>
Net assets, end of period	<u>\$ 2,881,558</u>	<u>\$ 1,812,666</u>	<u>\$ 4,694,224</u>	<u>\$ 4,640,314</u>

The accompanying notes are an integral part of these financial statements.

JobTrain, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	Program Services		Supportive Services		Total 2018	Total 2017
	Educational and Related Services	Child Development Center	Admin-- istration	Fundraising		
Expenses:						
Payroll	\$ 2,178,227	\$ 396,169	\$ 69,125	\$ 391,468	\$ 3,034,989	\$ 3,206,938
Payroll costs	626,291	135,198	37,916	82,587	881,992	920,264
Client support	42,184	14,700	-	-	56,884	62,606
Training and educational	386,350	14,821	-	-	401,171	515,046
Employee training and travel	25,161	993	4,738	2,677	33,569	33,173
Taxes, insurance and fees	27,228	6,945	93,056	5,732	132,961	147,122
Repairs and maintenance	90,106	4,388	4,642	2,626	101,762	66,150
Lease charges	20,081	4,471	919	3,779	29,250	42,834
Supplies and services	507,137	45,105	55,666	23,861	631,769	636,526
Utilities	121,539	27,910	11,440	19,198	180,087	179,887
Fundraising	-	-	-	180,556	180,556	176,787
Depreciation	197,332	47,075	20,376	30,001	294,784	290,290
Other expenses	314,512	2,590	39,949	14,443	371,494	194,927
	<u>\$ 4,536,148</u>	<u>\$ 700,365</u>	<u>\$ 337,827</u>	<u>\$ 756,928</u>	<u>\$ 6,331,268</u>	<u>\$ 6,472,550</u>
Total expenses						

The accompanying notes are an integral part of these financial statements.

JobTrain, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018	2017
Cash flows from operating activities:		
Change in net assets from operations	\$ 53,910	\$ (113,161)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	294,784	290,290
Net realized/unrealized (gains) and losses on investment	(25,421)	(93,481)
Loss on disposal of fixed assets	-	1,184
Changes in certain assets and liabilities:		
Grants receivable	104,167	(46,984)
Pledges receivable	(265,375)	3,355
Prepaid expenses and other current assets	(14,989)	2,866
Accounts payable	(19,610)	(16,286)
Accrued payroll and benefits	(19,449)	(2,278)
Deferred revenue	(943,796)	667,068
Net cash provided by operating activities	(835,779)	692,573
Cash flows from investing activities:		
Purchase of investments	(654,490)	(44,067)
Sale of investments	102,832	122,659
Acquisition of fixed assets	-	(137,325)
Net cash used by investing activities	(551,658)	(58,733)
Cash flows from financing activities:		
Payments on capital lease obligation	(30,409)	(25,745)
Net cash used by financing activities	(30,409)	(25,745)
Net increase in cash during the year	(1,417,846)	608,095
Cash balance, beginning of period	2,719,857	2,111,762
Cash balance, end of period	\$ 1,302,011	\$ 2,719,857
Supplemental disclosures of cash flow information:		
Interest paid	\$ 7,932	\$ 6,276
Noncash activities:		
Disposition of fixed assets	\$ 330,667	\$ 39,587
Noncash investing and financing activities:		
Disposition of lease of equipment:		
Equipment, net of accumulated depreciation	\$ -	\$ (75,809)
Capital lease obligation	\$ -	\$ 82,270
Lease of equipment:		
Equipment	\$ -	\$ 165,263
Capital lease obligation	\$ -	\$ (165,263)

The accompanying notes are an integral part of these financial statements.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 - GENERAL

A. Organization

JobTrain, Inc. (the Organization) provides job-training services primarily in San Mateo and Santa Clara Counties for adults and educational programs for the care of children outside of their homes. The Organization is both publicly and privately funded; having programs and contracts with Federal and state agencies and also receiving funds from private donations and nonsubsidized fees. The purpose of the Organization is to provide economic opportunity to under-privileged persons through both life skills and vocational training.

The Organization is an educational resource established to conduct job training and placement for the purpose of assisting people to attain skills and techniques which will enable them to improve their economic conditions.

The Organization has been classified as a publicly supported, tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code, and is exempt from California franchise taxes under Revenue and Taxation Code Section 23701(d).

B. Program Services

Educational and Related Services - These programs are for job training and placement services for adults and youth. These programs offer everything from full-time vocational training to after-school classes, summer internships, General Education Development (GED) preparation, English as a Second Language (ESL), and lifetime job placement for trainees.

Child Development Centers - This program offers care and education for preschoolers at the Organization's state licensed Child Development Centers. The Organization's highly experienced staff uses High/Scope and Montessori techniques to nurture and stimulate the children's development.

C. Administration Services

Administration services represent management and general expenses, indirect costs, and the administrative costs portion of program services.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The financial statements and records of the Organization are prepared on the accrual basis of accounting in conformity with generally accepted accounting principles and, therefore, include all support and revenues when earned and all expenses when incurred, regardless of whether the support and revenues or expenses were received or paid as of the end of a period. Grants are recognized as revenue when earned in accordance with the terms of each grant or agreement.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation

The statements are presented in accordance with the provisions of Financial Accounting Standards Board Accounting Standards Codification (FASB ASC 958-205), *Financial Statements of Not-for-Profit Organizations*. Under FASB ASC 958-205, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Unrestricted Net Assets

Unrestricted net assets generally result from revenues obtained by providing services, receiving unrestricted contributions, and receiving interest and dividends from income-producing assets. The only limits on the use of unrestricted net assets are the broad limits resulting from the nature of the Organization and the purposes specified in its Articles of Incorporation or Bylaws and limits resulting from contractual agreements entered into by the Organization in the course of its operations.

D. Temporarily Restricted Net Assets

The Organization reports donations and other assets as restricted if they are received with donor stipulations that limit the use of donated assets. When a donor restriction expires or the purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

E. Cash and Cash Equivalents

For purposes of reporting the statement of cash flows, cash and cash equivalents include cash on deposit with financial institutions and short-term marketable securities with a maturity of three months or less.

F. Investments

The Organization invests in marketable securities, money market funds, and certificates of deposit. All debt securities and equity securities are carried at quoted market prices as of the last trading date of the Organization's fiscal year. Contributions of public stock are recorded at quoted market prices at the date of donation. The Organization sells donated securities received as soon as reasonably possible. Gains and losses that result from market fluctuations are recognized in the period such fluctuations occur. Realized gains or losses resulting from sales or maturities are calculated on an adjusted cost basis. Adjusted cost is the estimated fair value of the security at the beginning of the year, or the cost if purchased during the year. Dividend and interest income are accrued when earned. Certificates of deposit have a maturity term of 180 days and are carried at the face value of the deposited amount. Interest accrued on the deposits through the date of the financial statements is included in the financial statements.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Investment in Joint Venture

In April 2015, the Organization entered into a joint venture agreement named WISE SV Fund, LLC (WISE) with Calso Community, Inc., a non-profit organization under Section 501(c)(3) of the Internal Revenue Code. The purpose of the joint venture will be to form and manage a series of social ventures which will (i) provide paid work experience in a supportive environment to further the career opportunities of people who have barriers to employment and (ii) enhance economic opportunities in communities in California that benefit low income people with fewer career options.

The Organization owns 50% of the outstanding capital stock of WISE. The investment in joint venture will be accounted for by the equity method. Under the equity method, the difference, if any, between the amount at which the investment is carried and the amount of the underlying equity in net assets is recognized as investment in joint venture.

H. Grants Receivable

The Organization receives awards from the federal government for specific programs. Substantially all of the Organization's Federal award revenue is derived from cost reimbursement grants, which are billed to the grantor after costs have been incurred. Federal award revenue and unbilled Federal awards are recognized to the extent the related costs are incurred.

The Organization has not accrued a loss for allowances for uncollectible receivables since it is the opinion of management that it is highly probable that all receivables will be collected.

I. Pledges Receivable

The Organization accounts for pledges receivable in accordance with the recommendations of FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*. Under FASB ASC 958, pledges receivable are either unconditional or conditional. Unconditional pledges are pledges that depend only on the passage of time or the demand by the pledge for performance. A conditional pledge is a pledge that depends on the occurrence of a specified future and uncertain event to bind the promisor. Unconditional pledges represent the remaining pledges due from the donors who have pledged funds to the Organization for use in its programs.

The Organization did not provide a reserve against pledges receivable and believes the amounts to be fully collectible. The Organization has not recorded the discount to net present value because the amount was considered immaterial.

J. Fixed Assets

Purchased property and equipment are stated at cost. Acquisitions of property and equipment in excess of \$5,000 are capitalized. Significant donated property and equipment is recorded at estimated fair value at the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from five to twenty-five years. Leasehold improvements are amortized using the straight-line method over the lesser of the assets' estimated useful lives or the term of the applicable lease.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

K. Functional Expense Allocations

The costs of providing the various program and supporting services have been summarized on a functional basis in the statement of activities and changes in net assets. Accordingly, certain costs have been allocated, principally on a direct cost basis, among the classifications.

L. Cost Allocation Policy

Allocable costs are allocated to departments by full time employee (FTE) count ratio for each department. The allocation is updated every quarter, based on the ratio for that quarter. Allocable costs are generally overhead expenses: utilities, insurance, some office supplies, space related costs, communications costs, equipment rentals, etc. that are common to all programs. Costs that benefit various programs/grants in a department are further allocated to the various programs/grants using the direct salary costs for and/or client enrollment for the program/grant.

Charging of costs will be determined on the basis of whether that expense is a direct cost or indirect (allocable) cost. Direct cost expenses will be charged directly to the grant or project and specific cost category. Once that determination is made the expense will be coded and recorded in the accounting system. Charging of allocable costs must be determined on whether the expense benefits multiple grants or projects. Once the determination is made on which program(s) received the benefit, then the expense will be coded accordingly and recorded in the accounting system.

M. Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash and cash equivalents, investments, and pledges receivable.

The Organization maintains cash and cash equivalents with commercial banks and other major financial institutions. Cash equivalents include overnight investments, and money market funds. At times, such amounts might exceed Federal Deposit Insurance Corporation (FDIC) limits. The Organization's investments have been placed with high quality financial institutions. The Organization monitors these investments and has not experienced credit losses.

The credit risk in pledges receivable is mitigated by the fact that generally the pledges are made by local donors and are evaluated by the Organization based on the knowledge of the donors. Additionally, any pledges receivable that are expected to be collected after one year have been discounted and are reflected in the financial statements at its net present value. It is the Organization's opinion that it is not exposed to any significant credit risks.

N. Use of Estimates

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Organization carries commercial insurance.

P. Contingencies

The Organization participates in federal grants, the principal of which is the U.S. Department of Labor. Disbursement of funds received under this grantor agency requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed costs resulting from such an audit could become a liability of the general fund or other applicable funds.

Q. Donated Services

Donated services are recognized as contributions in accordance with FASB ASC 958, *Accounting for Contributions and Presentation of Financial Statements*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Volunteers also provided services throughout the year that are not recognized as contributions in the financial statements since the recognition criteria under FASB ASC 958 were not met.

R. Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through November 16, 2018, the date the financial statements were available to be issued.

S. Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. Generally Accepted Accounting Principles (GAAP) when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. In August 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 one year making it effective for annual reporting periods beginning after December 15, 2018. The Organization has not yet selected a transition method and is currently evaluating the effect that the standard will have on the financial statements.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

S. Accounting Pronouncements (concluded)

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958: Presentation of Financial Statements of Not-for-Profit Entities*, which simplifies and improves how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. Among other changes, the ASU replaces the three current classes of net assets with two new classes, “net assets with donor restrictions” and “net assets without donor restrictions”, and expands disclosures about the nature and amount of any donor restrictions. ASU 2016-14 is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Organization is currently evaluating the impact the adoption of this guidance will have on its financial statements.

T. Comparative Financial Information

The financial statements include certain prior-year summarized comparative 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 JobTrain, Inc.’s financial statements for the year ended June 30, 2017, from which the summarized information was derived.

NOTE 3 - INCOME TAXES

The Organization is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Organization is also exempt from California franchise taxes under Section 23701(d) of the Revenue and Taxation Code and, therefore, has made no provision for Federal or California income taxes. Contributors, donors and grantors may obtain tax benefits. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Code.

The Organization adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Organization has analyzed tax positions taken for filing with the Internal Revenue Service and all state jurisdictions where it operates. The Organization believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse affect on the Organization’s financial condition, results of operations or cash flows. Accordingly, the Organization has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at June 30, 2018. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 4 - CASH

Cash balances at June 30 are as follows:

	2018	2017
Wells Fargo Bank	\$ 1,109,152	\$ 1,996,945
Vanguard	10,465	10,335
Charles Schwab	181,894	712,077
Petty cash	500	500
Total	<u>\$ 1,302,011</u>	<u>\$ 2,719,857</u>

The bank balances were insured under the \$250,000 blanket umbrella by the FDIC. The remaining balances were uninsured and held by the financial institutions in the Organization's name. It is the opinion of management that the solvency of the financial institutions is not of particular concern at this time.

NOTE 5 - INVESTMENTS

Activity for the year ended June 30, 2018 is as follows:

	Charles Schwab Facilities Reserve	Charles Schwab 21 st Century Campaign	Investment in Joint Venture	Total
Account balances as of 6/30/17	\$ 39,889	\$ 1,210,898	\$ 500	\$ 1,251,287
Net realized and unrealized gains and (losses)	(1,400)	26,821	-	25,421
Dividends and interest	888	56,451	-	57,339
Transfers in/deposits	203,052	394,099	-	597,151
Transfers out/withdrawals	<u>(3,038)</u>	<u>(99,794)</u>	<u>-</u>	<u>(102,832)</u>
Account balances as of 6/30/18	<u>\$ 239,391</u>	<u>\$ 1,588,475</u>	<u>\$ 500</u>	<u>\$ 1,828,366</u>
Fixed Income Funds	\$ 199,625	\$ 378,313	\$ -	\$ 577,938
Bond Funds	39,766	334,478	-	374,244
Equity Funds	-	865,860	-	865,860
Other Assets	<u>-</u>	<u>9,824</u>	<u>500</u>	<u>10,324</u>
Total	<u>\$ 239,391</u>	<u>\$ 1,588,475</u>	<u>\$ 500</u>	<u>\$ 1,828,366</u>

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE

FASB ASC 820-10 and subsections, *Fair Value Measurements and Disclosures* clarifies the definition of fair value for financial reporting, establishes a framework for measuring fair value, and requires additional disclosure about the use of fair value measurements in an effort to make the measurement of fair value more consistent and comparable. The Organization has adopted FASB ASC 820-10 for its financial assets and liabilities measured on a recurring and nonrecurring basis.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 6 - SUMMARY OF FAIR VALUE EXPOSURE (concluded)

FASB ASC 820-10 defines fair value as the amount that would be received from the sale of an asset or paid for the transfer of a liability in an orderly transaction between market participants, i.e. an exit price. To estimate an exit price, a three-tier hierarchy is used to prioritize the inputs:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment spreads, credit risk, etc.)

Level 3: Significant unobservable inputs (including the Organization's own assumptions in determining the fair value of investments).

The inputs and methodology used for valuing the Organization's financial assets and liabilities are not indicators of the risks associated with those investments.

The following table provides fair value measurement information for financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2018:

Level 1: Quoted prices	\$ 1,827,866
Level 2: Other significant observable inputs	500
Level 3: Significant unobservable inputs	<u>-</u>
Total	<u>\$ 1,828,366</u>

FSP FAS 157-4 which supersedes FSP FAS 157-3 provides further clarification on SFAS 157 in determining an inactive market and a non-distressed transaction. The above investments for June 30, 2018 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Fixed Income Funds	\$ 577,938	\$ 577,938	\$ -	\$ -
Bond Funds	374,244	374,244	-	-
Equity Funds	865,860	865,860	-	-
Other Assets	<u>10,324</u>	<u>9,824</u>	<u>500</u>	<u>-</u>
Total	<u>\$ 1,828,366</u>	<u>\$ 1,827,866</u>	<u>\$ 500</u>	<u>\$ -</u>

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7 - FIXED ASSETS

Fixed assets as of June 30 are as follows:

	Years	2018	2017
Land	N/A	\$ 993,669	\$ 993,669
Buildings	25	2,050,236	2,050,236
Building improvements	25	2,381,912	2,381,912
Leasehold improvements	25	60,000	60,000
Furniture, equipment & vehicles	5	<u>1,106,832</u>	<u>1,437,499</u>
Total		6,592,649	6,923,316
Less accumulated depreciation		<u>(4,568,941)</u>	<u>(4,604,824)</u>
Fixed assets, net		<u>\$ 2,023,708</u>	<u>\$ 2,318,492</u>

Depreciation expense was \$294,784 and \$290,290 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 8 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$152,181 and \$165,907 as of June 30, 2018 and June 30, 2017, respectively.

NOTE 9 - CAPITAL LEASE OBLIGATION

The Organization had a capital lease agreement with PNC Equipment Finance for office equipment that was set to expire in September 2018. However in September 2016, the Organization and PNC Equipment Finance agreed to terminate the lease early and entered into another capital lease agreement which expires in October 2021. As of June 30, 2018, the office equipment has a cost of \$165,263 and related accumulated amortization of \$55,088. The lease requires monthly payments of \$3,195, and bears interest at approximately 6% per annum.

At June 30, 2018, the present value of the future minimum annual obligations under the agreement is as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>
2019 (current portion)	\$ 32,284	\$ 6,056
2020	34,275	4,065
2021	36,389	1,951
2022	<u>12,622</u>	<u>157</u>
Total	<u>\$ 115,570</u>	<u>\$ 12,229</u>

Total interest paid on the capital lease obligation was \$7,932 and \$6,276 for the years ended June 30, 2018 and June 30, 2017, respectively.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 10 - NOTES PAYABLE

In December 1993, the Organization obtained a secured note payable with San Mateo County in the amount of \$300,000 with no interest, payable in full (plus 10% of the realized appreciation of property) in February 2024 or upon sale of the property. The note is collateralized by the building located at 1200 O'Brien Drive, Menlo Park. A condition of the loan is that the Organization must provide space in their facility to a specified third party, free of rent. In lieu of interest, the Organization will pay to San Mateo County 10% of the realized appreciation of the property upon disposition.

On September 1, 2015, the note was amended to state that upon maturity of the note, the entirety of the loan shall be forgiven provided that the Organization has continuously met all conditions of the said Agreement.

NOTE 11 - LINE OF CREDIT

In April 2017, the Organization obtained a line of credit with Wells Fargo Bank in the amount of \$300,000 with an expiration date of May 15, 2020. The interest on the used portion of this line is 1.00% over the bank's index rate. As of June 30, 2018, there was no balance on the line of credit.

NOTE 12 - UNRESTRICTED NET ASSETS - BOARD DESIGNATED

Unrestricted net assets as of June 30 were designated by the Board for the following purposes:

	2018	2017
Facility Fund	\$ 295,427	\$ 244,188

The assets related to the Facility Fund as shown on the statement of financial position are as follows:

	2018	2017
Cash and cash equivalents - Charles Schwab	\$ 56,036	\$ 204,299
Investments - Charles Schwab	239,391	39,889
Total	\$ 295,427	\$ 244,188

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets as of June 30 were available for the following purposes:

	2018	2017
Program services	\$ 98,333	\$ 56,250
21 st Century Campaign - Sustainability Fund	1,525,407	1,491,375
21 st Century Campaign - Special Initiatives	188,926	227,301
Total	\$ 1,812,666	\$ 1,774,926

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS (concluded)

The assets related to the temporarily restricted net assets as shown on the statement of financial position are as follows:

	2018	2017
Program services:		
Cash and cash equivalents - Wells Fargo Bank	\$ 98,333	\$ 56,250
21 st Century Campaign - Sustainability Fund:		
Cash and cash equivalents - Charles Schwab	116,079	280,477
Investments - Charles Schwab	1,409,328	1,210,898
Subtotal	1,525,407	1,491,375
21 st Century Campaign - Special Initiatives:		
Cash and cash equivalents - Charles Schwab	9,779	277,301
Investments - Charles Schwab	179,147	-
Subtotal	188,926	227,301
Total	\$ 1,812,666	\$ 1,774,926

The 21st Century Campaign Sustainability Fund is a long-term restricted fund for the Organization, which will provide a strong capital base, annual interest income to the operating budget, and a vehicle to consolidate estate gifts for the future of the Organization. The Organization has been transforming lives in the community for 50 years, and has earned its position in the community as a trusted educator and resource to help those most in need succeed.

The 21st Century Campaign Special Initiatives Fund is a reserve set up to allow the Organization to respond quickly to emerging industries and changes in the workforce through program development and expansion. By remaining ahead of industry trends and providing relevant vocational training, the Organization will continue to be highly effective in reducing unemployment and building community.

NOTE 14 - PENSION PLAN

The Organization has a defined contribution plan under Section 403(b) of the Internal Revenue Code, (the Plan) for all employees with 1,000 hours of service during a full year. The Organization contributes up to 4% of gross salaries for all eligible employees, as defined, on a monthly basis. Pension expense related to the Plan was \$58,928 and \$63,600 for the years ended June 30, 2018 and June 30, 2017, respectively.

NOTE 15 - RELATED PARTY TRANSACTIONS

The Organization's volunteer members of the Board of Directors are active in oversight of fundraising events, activities and in making private contributions. Contributions received from the Board of Directors were \$305,241 and \$523,610 for the years ended June 30, 2018 and June 30, 2017, respectively.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
 June 30, 2018

NOTE 15 - RELATED PARTY TRANSACTIONS (concluded)

The Organization had the following activities with WISE (see Note 2G for joint venture agreement description) during the year ended June 30:

	2018	2017
Revenue received from WISE	\$ -	\$ -
Expenses incurred to WISE	\$ (91,891)	\$ (35,000)
Transfer of fixed assets to WISE	\$ -	\$ (1,184)

NOTE 16 - CHANGE IN NET ASSETS BEFORE DEPRECIATION

The following schedule represents the change in net assets before depreciation as of June 30:

	2018	2017
Total revenues	\$ 6,385,178	\$ 6,359,389
Total expenses, excluding depreciation*	(6,036,484)	(6,182,260)
Change in net assets before depreciation	\$ 348,694	\$ 177,129

*Depreciation expense of \$294,784 and \$290,290 for the years ended June 30, 2018 and June 30, 2017, respectively, was excluded from total expenses.

JobTrain, Inc.
CHILD DEVELOPMENT PROGRAMS - GENERAL INFORMATION
June 30, 2018

Schedule 1

Organization name:	JobTrain, Inc.
Program name and contract number:	
41-1663-3A CSPP-6504	Child and Adult Care Food Program California State Preschool
Type of Organization:	Nonprofit Public Benefit Corporation
Address of Organization:	1200 O'Brien Drive, Menlo Park, CA 94025
President and CEO:	Barrie Hathaway
Chief Operating Officer:	Steven Schmidbauer
Program Director:	Hayam Demian
Finance Director:	Christal Lee
Telephone number:	(650) 330-6429
Report covered:	July 01, 2017 through June 30, 2018
Days of operation:	242 days
Hours of operation:	6:30 AM - 5:00 PM
Total hours of operation:	10.5

COMBINING SCHEDULE OF ACTIVITIES

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>		
	California		
	State	Non-CDE	
	<u>Preschool</u>	<u>Programs</u>	<u>Total</u>
Revenues:			
Government contracts:			
Other government contracts	\$ 12,800	\$ 1,269,339	\$ 1,282,139
Child care and development programs	270,326	-	270,326
Child care food program	20,420	-	20,420
Subtotal government contracts	303,546	1,269,339	1,572,885
In-kind contributions income	-	173,779	173,779
Unrestricted contributions and other income	100,300	4,520,106	4,620,406
Family fees - certified children	12,451	-	12,451
Interest income	-	5,657	5,657
Total revenues	<u>416,297</u>	<u>5,968,881</u>	<u>6,385,178</u>
Expenses:			
Salaries	374,879	2,161,657	2,536,536
Employee benefits	127,984	626,291	754,275
Books and supplies	44,314	349,928	394,242
Rents and leases	4,471	20,081	24,552
Other operating expenses	62,396	916,974	979,370
Building repairs and maintenance	4,388	90,106	94,494
Depreciation	47,075	197,332	244,407
In-kind contributions expense	-	173,779	173,779
General, administrative, and indirect	34,858	1,094,755	1,129,613
Total expenses	<u>700,365</u>	<u>5,630,903</u>	<u>6,331,268</u>
Change in net assets	<u>\$ (284,068)</u>	<u>\$ 337,978</u>	<u>\$ 53,910</u>

SCHEDULE OF EXPENSES BY STATE CATEGORIES

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
Expenses:	
Direct payments to providers	\$ -
1000 Certificated salaries	396,169
2000 Classified salaries	-
3000 Employee benefits	135,198
4000 Books and supplies	45,105
5000 Services and other operating expenses	76,818
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Depreciation on assets not purchased with public funds	47,075
Start-up expenses - service level exemption	-
Budget impasse credit expenses - service level exemption	-
Indirect costs	-
Total expenses claimed for reimbursement	<u>700,365</u>
Total supplemental expenses	-
Total expenses	<u><u>\$ 700,365</u></u>

We have examined the claims filed for reimbursement and the original records supporting the transactions recorded under the contracts listed above to an extent considered necessary to assure ourselves that the amounts claimed by the contractor were eligible for reimbursement, reasonable, necessary, and adequately supported, according to governing laws, regulations, and contract provisions.

RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
Expenses:	
Schedule of Expenses by State Categories (CDE)	\$ 700,365
Adjustments to reconcile differences in reporting:	
None	-
Combining Statement of Activities (GAAP)	<u>\$ 700,365</u>

SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
<u>Unit Cost Under \$7,500 Per Purchase:</u>	
None	\$ -
Subtotal	<u>-</u>
<u>Unit Cost Over \$7,500 Per Purchase With Prior Written Approval:</u>	
None	-
Subtotal	<u>-</u>
<u>Unit Cost Over \$7,500 Per Purchase Without Prior Approval:</u>	
None	-
Subtotal	<u>-</u>
Total	<u>\$ -</u>

SCHEDULE OF REIMBURSABLE EXPENDITURES
FOR RENOVATIONS AND REPAIRS

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
<u>Unit Cost Under \$10,000 Per Item:</u>	
None	\$ -
Subtotal	<u>-</u>
 <u>Unit Cost \$10,000 or More Per Item With Prior Written Approval:</u>	
None	<u>-</u>
Subtotal	<u>-</u>
 <u>Unit Cost \$10,000 or More Per Item Without Prior Written Approval:</u>	
None	<u>-</u>
Subtotal	<u>-</u>
 Total	<u><u>\$ -</u></u>

SCHEDULE OF REIMBURSABLE ADMINISTRATIVE COSTS

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
Reimbursable administrative costs:	
Salaries	\$ 21,290
Employee benefits	7,214
Books and supplies	791
Services and other operating expenses	5,563
Depreciation on non-CDE-funded assets used in program	-
Indirect costs	<u>-</u>
 Total reimbursable administrative costs	 <u>\$ 34,858</u>

SCHEDULE OF REIMBURSABLE BUDGET IMPASSE CREDIT EXPENSES

Child Development Centers
For the Year Ended June 30, 2018

	<u>CSPP-7528</u>
	California
	State
	<u>Preschool</u>
Reimbursable budget impasse credit expenses:	
1000 Certificated salaries	\$ -
2000 Classified salaries	-
3000 Employee benefits	-
4000 Books and supplies	-
5000 Services and other operating expenses	-
Subtotal	<u>-</u>
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Total reimbursable budget impasse credit expenses	<u><u>\$ -</u></u>

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
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Fiscal Year Ending

June 30, 2018

Contract Number

CSPP-7528

Vendor Code

M322

Full Name of Contractor JobTrain, Inc.

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
Three and Four Year Olds Full-time-plus				1.1800	0
Three and Four Year Olds Full-time	638		638	1.0000	638
Three and Four Year Olds Three-quarters-time				0.7500	0
Three and Four Year Olds One-half-time				0.6193	0
Exceptional Needs Full-time-plus				1.4160	0
Exceptional Needs Full-time				1.2000	0
Exceptional Needs Three-quarters-time				0.9000	0
Exceptional Needs One-half-time				0.6193	0
Limited and Non-English Proficient Full-time-plus				1.2980	0
Limited and Non-English Proficient Full-time	4,627		4,627	1.1000	5,089.7
Limited and Non-English Proficient Three-quarters-time				0.8250	0
Limited and Non-English Proficient One-half-time				0.6193	0

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
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Fiscal Year Ending

June 30, 2018

Contract Number

CSPP-7528

Vendor Code

M322

Full Name of Contractor JobTrain, Inc.

Section 1 - Days of Enrollment Certified Children	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit	Column D Adjustment Factor	Column E Adjusted Days Per Audit
At Risk of Abuse or Neglect Full-time-plus				1.2980	0
At Risk of Abuse or Neglect Full-time				1.1000	0
At Risk of Abuse or Neglect Three-quarters-time				0.8250	0
At Risk of Abuse or Neglect One-half-time				0.6193	0
Severely Disabled Full-time-plus				1.7700	0
Severely Disabled Full-time				1.5000	0
Severely Disabled Three-quarters-time				1.1250	0
Severely Disabled One-half-time				0.6193	0
TOTAL DAYS OF ENROLLMENT	5,265		5,265	N/A	5,727.7
DAYS OF OPERATION	242		242	N/A	N/A
DAYS OF ATTENDANCE	5,234		5,234	N/A	N/A

NO NON-CERTIFIED CHILDREN Check this box (omit pages 3-5) and continue to Revenue Section on page 6.

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
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Fiscal Year Ending June 30, 2018

Contract Number CSPP-7528

Vendor Code M322

Full Name of Contractor JobTrain, Inc.

Section 3 - Revenue	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Restricted Income - Child Nutrition Programs	23,974	-3,554	20,420
Restricted Income - County Maintenance of Effort (EC Section 8279)			
Restricted Income - Other: QRIS Block Grants		12,800	12,800
Restricted Income - Subtotal	23,974	9,246	33,220
Transfer from Reserve - General			
Transfer from Reserve - Professional Development			
Transfer from Reserve Total			
Family Fees for Certified Children	12,451		12,451
Interest Earned on Child Development Apportionment Payments			
Unrestricted Income: Fees for Non-Certified Children			
Unrestricted Income: Head Start			
Unrestricted Income - Other: unrestricted contributions		100,300	100,300
Total Revenue	36,425	109,546	145,971

CALIFORNIA DEPARTMENT OF EDUCATION
 AUDITED ATTENDANCE AND FISCAL REPORT FOR
 CALIFORNIA STATE PRESCHOOL PROGRAMS
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Fiscal Year Ending June 30, 2018

Contract Number CSPP-7528

Vendor Code M322

Full Name of Contractor JobTrain, Inc.

Section 4 - Reimbursable Expenses	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Direct Payments to Providers (FCCH only)			
1000 Certificated Salaries	391,619	4,550	396,169
2000 Classified Salaries			
3000 Employee Benefits	130,337	4,861	135,198
4000 Books and Supplies	14,186	30,919	45,105
5000 Services and Other Operating Expenses	116,884	-40,066	76,818
6100/6200 Other Approved Capital Outlay			
6400 New Equipment (program-related)			
6500 Equipment Replacement (program-related)			
Depreciation or Use Allowance		47,075	47,075
Start-up Expenses (service level exemption)			
Budget Impasse Credit			
Indirect Costs (Include in Administrative Cost)			
Non-Reimbursable (State Use Only)			
Total Reimbursable Expenses	653,026	47,339	700,365
Total Administrative Cost (included in section 4 above)		34,858	34,858

Approved Indirect Cost Rate: Comments: No Supplemental Revenue check this box and omit Page 8.

CALIFORNIA DEPARTMENT OF EDUCATION AUDITED ATTENDANCE AND
FISCAL REPORT FOR CALIFORNIA STATE PRESCHOOL PROGRAMS

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Full Name of Contractor

Fiscal Year Ending

Contract Number

Vendor Code

Section 7 - Summary	Column A Cumulative CDNFS 8501	Column B Audit Adjustments	Column C Cumulative Per Audit
Total Certified Days of Enrollment	5,265		5,265
Days of Operation	242		242
Days of Attendance	5,234		5,234
Total Non-Certified Days of Enrollment			
Restricted Program Income	23,974	9,246	33,220
Transfer from Reserve			
Family Fees for Certified Children	12,451		12,451
Interest Earned on Apportionment Payments			
Direct Payments to Providers			
Start-up Expenses (service level exemption)			
Total Reimbursable Expenses	653,026	47,339	700,365
Total Administrative Cost		34,858	34,858

Total Certified Adjusted
Days of Enrollment

Total Non-Certified
Adjusted
Days of Enrollment

Independent Auditor's Assurances on Agency's Compliance with the Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Learning and Care Division (formerly Early Education and Support Division):

Eligibility, enrollment and attendance records are being maintained as required (check YES or NO):

Yes

No

Reimbursable expenses claimed above are eligible for reimbursement, reasonable, necessary, and adequately supported (check YES or NO):

Yes

No

Include any comments in the Comments box on page 7. If necessary, attach additional sheets to explain adjustments.

JobTrain, Inc.
Child Development Centers
SUMMARY OF CLAIM
Agreement No: 41-1663-3A
For the Period July 1, 2017 to June 30, 2018

Federal Fund Reimbursement Variance (Overpaid):	
Federal Fund Payments to Date	\$ 19,413
Less: Amount Reimbursable from Federal Fund	<u>19,413</u>
	\$ -
Cash-In-Lieu Reimbursement:	
Allowed	1,007
Less: Paid	<u>1,007</u>
	<u>-</u>
Total Program Reimbursement Refund (Overpayment)	<u><u>\$ -</u></u>

JobTrain, Inc.
Child Development Centers
STATEMENT OF CLAIM
Agreement No: 41-1663-3A
For the Period July 1, 2017 to June 30, 2018

Schedule 15

Reimbursement per Examination (Supported by Schedules 13-16)	\$ 20,420
Less: Program Reimbursements Claimed and Received	<u>20,420</u>
Amount Due From Agency	<u>\$ -</u>

Child Development Centers

SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED MEALS AND EARNED REIMBURSEMENT

Agreement No: 41-1663-3A

For the Period July 1, 2017 to June 30, 2018

FIXED PERCENTAGE METHOD

Federal Meal Compensation	MEALS			Food Service Rates	Revenue Recognized	Audit Adjustments	Earned Reimbursement
	Reported	Adjusted	Allowed				
<u>Breakfast</u>							
Free	2,239	-	2,239	\$ 1.7500	\$ 3,918	\$ -	\$ 3,918
Reduced	617	-	617	1.4500	895	-	895
Base	364	-	364	0.3000	109	-	109
Total	<u>3,220</u>	<u>-</u>	<u>3,220</u>		<u>4,922</u>	<u>-</u>	<u>4,922</u>
<u>Lunch</u>							
Free	3,011	-	3,011	\$ 3.2300	9,726	-	9,726
Reduced	828	-	828	2.8300	2,343	-	2,343
Base	494	-	494	0.3100	153	-	153
Total	<u>4,333</u>	<u>-</u>	<u>4,333</u>		<u>12,222</u>	<u>-</u>	<u>12,222</u>
<u>Supplements</u>							
Free	2,237	-	2,237	\$ 0.8800	1,969	-	1,969
Reduced	616	-	616	0.4400	271	-	271
Base	364	-	364	0.0800	29	-	29
Total	<u>3,217</u>	<u>-</u>	<u>3,217</u>		<u>2,269</u>	<u>-</u>	<u>2,269</u>
Total Federal Meal Reimbursement					19,413	-	19,413
Cash-In-Lieu	<u>4,333</u>	<u>-</u>	<u>4,333</u>	\$ 0.2325	1,007	-	1,007
Total Federal Reimbursement					<u>\$ 20,420</u>	<u>-</u>	<u>\$ 20,420</u>
Total Program Reimbursement Overpaid - Refund due to the State						<u>\$ -</u>	

Child Development Centers

SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED MEALS

Agreement No: 41-1663-3A

For the Period July 1, 2017 to December 31, 2017

FIXED PERCENTAGE METHOD

	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	July 2017			August 2017			September 2017		
<u>Breakfast</u>									
Free	183	-	183	220	-	220	203	-	203
Reduced	51	-	51	61	-	61	56	-	56
Base	10	-	10	12	-	12	12	-	12
Total	244	-	244	293	-	293	271	-	271
<u>Lunch</u>									
Free	225	-	225	261	-	261	255	-	255
Reduced	62	-	62	72	-	72	71	-	71
Base	13	-	13	15	-	15	14	-	14
Total	300	-	300	348	-	348	340	-	340
<u>Supplements</u>									
Free	182	-	182	209	-	209	206	-	206
Reduced	50	-	50	58	-	58	57	-	57
Base	10	-	10	12	-	12	12	-	12
Total	242	-	242	279	-	279	275	-	275
	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	October 2017			November 2017			December 2017		
<u>Breakfast</u>									
Free	204	-	204	185	-	185	140	-	140
Reduced	68	-	68	49	-	49	37	-	37
Base	41	-	41	38	-	38	28	-	28
Total	313	-	313	272	-	272	205	-	205
<u>Lunch</u>									
Free	271	-	271	247	-	247	198	-	198
Reduced	90	-	90	66	-	66	53	-	53
Base	54	-	54	49	-	49	39	-	39
Total	415	-	415	362	-	362	290	-	290
<u>Supplements</u>									
Free	205	-	205	191	-	191	138	-	138
Reduced	68	-	68	51	-	51	37	-	37
Base	42	-	42	38	-	38	27	-	27
Total	315	-	315	280	-	280	202	-	202

Child Development Centers

SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED MEALS

Agreement No: 41-1663-3A

For the Period January 1, 2018 through June 30, 2018

FIXED PERCENTAGE METHOD

	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	January 2018			February 2018			March 2018		
<u>Breakfast</u>									
Free	157	-	157	175	-	175	186	-	186
Reduced	42	-	42	47	-	47	50	-	50
Base	32	-	32	35	-	35	37	-	37
Total	231	-	231	257	-	257	273	-	273
<u>Lunch</u>									
Free	245	-	245	239	-	239	258	-	258
Reduced	65	-	65	64	-	64	69	-	69
Base	49	-	49	47	-	47	51	-	51
Total	359	-	359	350	-	350	378	-	378
<u>Supplements</u>									
Free	168	-	168	243	-	243	161	-	161
Reduced	45	-	45	65	-	65	43	-	43
Base	34	-	34	49	-	49	32	-	32
Total	247	-	247	357	-	357	236	-	236
	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	April 2018			May 2018			June 2018		
<u>Breakfast</u>									
Free	196	-	196	192	-	192	198	-	198
Reduced	52	-	52	51	-	51	53	-	53
Base	40	-	40	39	-	39	40	-	40
Total	288	-	288	282	-	282	291	-	291
<u>Lunch</u>									
Free	259	-	259	282	-	282	271	-	271
Reduced	69	-	69	75	-	75	72	-	72
Base	52	-	52	57	-	57	54	-	54
Total	380	-	380	414	-	414	397	-	397
<u>Supplements</u>									
Free	181	-	181	183	-	183	170	-	170
Reduced	48	-	48	49	-	49	45	-	45
Base	36	-	36	37	-	37	35	-	35
Total	265	-	265	269	-	269	250	-	250

Child Development Centers
SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED ELIGIBILITY

Agreement No: 41-1663-3A

For the Period July 1, 2017 to June 30, 2018

FIXED PERCENTAGE METHOD

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<u>Eligibility</u>												
<u>Total</u>												
Reported	24	24	24	23	22	22	22	22	22	22	22	22
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	24	24	24	23	22	22	22	22	22	22	22	22
<u>Free</u>												
Reported	18	18	18	15	15	15	15	15	15	15	15	15
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	18	18	18	15	15	15	15	15	15	15	15	15
<u>Reduced</u>												
Reported	5	5	5	5	4	4	4	4	4	4	4	4
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	5	5	5	5	4	4	4	4	4	4	4	4
<u>Base</u>												
Reported	1	1	1	3	3	3	3	3	3	3	3	3
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	1	1	1	3	3	3	3	3	3	3	3	3

INDEPENDENT AUDITORS' 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

Board of Directors
JobTrain, Inc.
Menlo Park, California

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 JobTrain, Inc., 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, and have issued our report thereon dated November 16, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered JobTrain, Inc.'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 JobTrain, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of JobTrain, Inc.'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the organization'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 JobTrain, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 16, 2018

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

Board of Directors
JobTrain, Inc.
Menlo Park, California

Report on Compliance for Each Major Federal Program

We have audited JobTrain, 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 JobTrain, Inc.'s major federal programs for the year ended June 30, 2018. JobTrain, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of JobTrain, 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about JobTrain, 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 JobTrain, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, JobTrain, 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.

Report on Internal Control Over Compliance

Management of JobTrain, 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 JobTrain, Inc.'s internal control over compliance with the type 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 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 JobTrain, 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.

R.J. Ricciardi, Inc.

R.J. Ricciardi, Inc.
Certified Public Accountants

San Rafael, California
November 16, 2018

JobTrain, Inc.
Child Development Centers
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

<u>Grantor</u>	Federal	Grantor's	Award Amount			Expenditures	
	CFDA		Number	Federal	State	Total	Federal
	Number						
<u>U.S. Department of Agriculture:</u>							
Pass through the California State Department of Education:							
Child and Adult Care Food Program	10.558	41-1663-3A	\$ 20,420	\$ -	\$ 20,420	\$ 20,420	\$ -
Total U.S. Department of Agriculture			20,420	-	20,420	20,420	-
<u>U.S. Department of Labor:</u>							
Workforce Innovation and Opportunity Act (WIOA) Cluster:							
Pass through the County of San Mateo:							
Youth - In and Out-of-School	17.259	001-301-18	525,000	-	525,000	525,000	-
Community Correction Partnership	17.278	19000-14-D001	250,000	-	250,000	170,000	-
Total pass through the County of San Mateo (WIOA Cluster)			775,000	-	775,000	695,000	-
Pass through Goodwill of Silicon Valley:							
Tri-County Career Pathways Collaborative	17.270	N/A	1,029,219	-	1,029,219	101,895	-
Total pass through Goodwill of Silicon Valley			1,029,219	-	1,029,219	101,895	-
Total U.S. Department of Labor			1,804,219	-	1,804,219	796,895	-

JobTrain, Inc.
Child Development Centers
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

<u>Grantor</u>	Federal	Grantor's	Award Amount			Expenditures	
	CFDA		Number	Federal	State	Total	Federal
<u>U.S. Department of Health and Human Services:</u>							
Pass through the Center to Protect Workers Rights:							
Hazardous Waste Worker Training	93.142	2110-39	\$ 171,890	\$ -	\$ 171,890	\$ 3,912	\$ -
Hazardous Waste Worker Training	93.142	2110-46	171,890	-	171,890	167,237	-
Total pass through the Center to Protect Workers Rights			343,780	-	343,780	171,149	-
Childcare Cluster:							
Pass through the California State Department of Education:							
California State Preschool	93.575	CSPP-7528	17,944	-	17,944	16,569	-
California State Preschool	93.596	CSPP-7528	39,069	236,047	275,116	36,075	217,682
Total pass through the California State Department of Education (Child Care Cluster)			57,013	236,047	293,060	52,644	217,682
Total U.S. Department of Health and Human Services			400,793	236,047	636,840	223,793	217,682
Total federal and state awards			\$ 2,225,432	\$ 236,047	\$ 2,461,479	\$ 1,041,108	\$ 217,682

JobTrain, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2018

NOTE 1 - BASIS OF PRESENTATION

The Schedule of Expenditures of Federal and State Awards includes the federal grant activity of JobTrain, Inc. and is presented on the accrual basis. 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). The amounts reported in the accompanying Schedule of Expenditures of Federal and State Awards agree, in all material respects, to amounts reported within JobTrain, Inc.'s financial statements.

NOTE 2 - CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA) NUMBERS

The CFDA number included in the accompanying Schedule of Expenditures of Federal and State Awards was determined based on the program name, review of the award contract, and the Office of Management and Budget's Catalog of Federal Domestic Assistance.

NOTE 3 - INDIRECT COSTS

JobTrain, Inc. elected not to use the 10% de minimis cost rate as covered in the Uniform Guidance Part 200.414 Indirect (F&A) Costs.

JobTrain, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I – Summary of Auditors’ Results

1. Type of auditors’ report issued: unmodified
2. Internal control over financial reporting:
 - A. Material weakness(es) identified? no
 - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
 - C. Noncompliance material to financial statements noted? no
3. Internal control over major programs:
 - A. Material weakness(es) identified? no
 - B. Significant deficiencies identified that were not considered to be material weakness(es)? none reported
 - C. Type of auditors’ report issued on compliance for major programs: unmodified
 - D. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? no
4. Audited as Major Programs:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Expenditures</u>
17.259 & 17.278	Workforce Innovation and Opportunity Act (WIOA) Cluster	\$ 695,000
5. Dollar threshold used to distinguish between type A and type B programs: \$750,000
6. Auditee qualified as a low-risk auditee? yes

Section II – Financial Statement Findings

There were no financial statement findings.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs.

JobTrain, Inc.
STATUS OF PRIOR YEAR FINDINGS AND RECOMMENDATIONS
For the Year Ended June 30, 2018

Recommendation

Status/Explanation

There were no prior year findings or recommendations.