

JOBTRAIN, INC.
MENLO PARK, CALIFORNIA

**FINANCIAL STATEMENTS
AND
SINGLE AUDIT REPORT**

JUNE 30, 2017

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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, 2017, 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, 2017, 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 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 21, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, 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 16 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 14, 2017 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 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 14, 2017

JobTrain, Inc.
STATEMENTS OF FINANCIAL POSITION
June 30, 2017
(With Comparative Totals for June 30, 2016)

	<u>2017</u>	<u>2016</u>
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 2,719,857	\$ 2,111,762
Investments	1,251,287	1,236,398
Grants receivable	329,461	282,477
Pledges receivable	5,000	8,355
Prepaid expenses and other current assets	7,594	10,460
Total current assets	<u>4,313,199</u>	<u>3,649,452</u>
Non-current assets:		
Fixed assets, net of accumulated depreciation	<u>2,318,492</u>	<u>2,383,187</u>
Total non-current assets	<u>2,318,492</u>	<u>2,383,187</u>
Total assets	<u>\$ 6,631,691</u>	<u>\$ 6,032,639</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities:		
Accounts payable	\$ 173,027	\$ 189,313
Accrued payroll and benefits	309,432	311,710
Deferred revenue	1,062,939	395,871
Capital lease obligation, current portion	<u>30,408</u>	<u>36,648</u>
Total current liabilities	<u>1,575,806</u>	<u>933,542</u>
Long-term liabilities:		
Capital lease obligation, net of current portion	115,571	45,622
Notes payable	<u>300,000</u>	<u>300,000</u>
Total long-term liabilities	<u>415,571</u>	<u>345,622</u>
Total liabilities	<u>1,991,377</u>	<u>1,279,164</u>
Net assets:		
Unrestricted:		
Board designated	244,188	257,077
Other unrestricted	2,621,200	2,756,848
Temporarily restricted	<u>1,774,926</u>	<u>1,739,550</u>
Total net assets	<u>4,640,314</u>	<u>4,753,475</u>
Total liabilities and net assets	<u>\$ 6,631,691</u>	<u>\$ 6,032,639</u>

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

JobTrain, Inc.
STATEMENTS OF ACTIVITIES
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	Unrestricted	Temporarily Restricted	Total 2017	Total 2016
Revenues:				
Government grants	\$ 2,105,434	\$ -	\$ 2,105,434	\$ 2,279,186
Foundation grants	955,996	551,884	1,507,880	1,217,000
Individual contributions	781,544	404,859	1,186,403	1,249,565
Corporate contributions	327,577	127,177	454,754	85,500
Special events	632,710	-	632,710	774,550
Earned revenue	11,815	-	11,815	16,113
In-kind contributions	126,450	-	126,450	170,866
Investment income, net	1,487	143,255	144,742	11,485
Other revenue	189,201	-	189,201	170,392
Net assets released from restrictions	1,191,799	(1,191,799)	-	-
Total revenues	<u>6,324,013</u>	<u>35,376</u>	<u>6,359,389</u>	<u>5,974,657</u>
Expenses:				
Program services:				
Educational and related services	4,573,848	-	4,573,848	4,636,104
Child development center	569,180	-	569,180	497,137
Supportive services:				
Administration	392,835	-	392,835	365,031
Fundraising	936,687	-	936,687	781,777
Total expenses	<u>6,472,550</u>	<u>-</u>	<u>6,472,550</u>	<u>6,280,049</u>
Change in net assets	(148,537)	35,376	(113,161)	(305,392)
Net assets, beginning of period	<u>3,013,925</u>	<u>1,739,550</u>	<u>4,753,475</u>	<u>5,058,867</u>
Net assets, end of period	<u>\$ 2,865,388</u>	<u>\$ 1,774,926</u>	<u>\$ 4,640,314</u>	<u>\$ 4,753,475</u>

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

JobTrain, Inc.
STATEMENTS OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>Program Services</u>		<u>Supportive Services</u>			
	Educational and Related Services	Child Development Center	Admin-- istration	Fundraising	Total 2017	Total 2016
Expenses:						
Payroll	\$ 2,300,726	\$ 327,350	\$ 67,568	\$ 511,294	\$ 3,206,938	\$ 3,197,608
Payroll costs	642,760	105,167	41,915	130,422	920,264	932,143
Client support	49,567	13,002	37	-	62,606	53,332
Training and educational	494,916	13,014	95	7,021	515,046	514,935
Employee training and travel	22,740	1,210	7,670	1,553	33,173	41,713
Taxes, insurance and fees	34,496	6,520	98,084	8,022	147,122	138,680
Repairs and maintenance	53,720	7,068	2,385	2,977	66,150	89,690
Lease charges	30,203	4,958	3,021	4,652	42,834	23,519
Supplies and services	472,146	31,120	111,339	21,921	636,526	580,472
Utilities	123,010	21,749	12,718	22,410	179,887	190,551
Fundraising	757	145	74	175,811	176,787	143,158
Depreciation	198,765	35,289	20,582	35,654	290,290	291,153
Other expenses	<u>150,042</u>	<u>2,588</u>	<u>27,347</u>	<u>14,950</u>	<u>194,927</u>	<u>83,095</u>
Total expenses	<u>\$ 4,573,848</u>	<u>\$ 569,180</u>	<u>\$ 392,835</u>	<u>\$ 936,687</u>	<u>\$ 6,472,550</u>	<u>\$ 6,280,049</u>

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

JobTrain, Inc.
STATEMENTS OF CASH FLOWS
For the Year Ended June 30, 2017
(With Comparative Totals for the Year Ended June 30, 2016)

	<u>2017</u>	<u>2016</u>
Cash flows from operating activities:		
Change in net assets from operations	\$ (113,161)	\$ (305,392)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	290,290	291,153
Net realized/unrealized (gains) and losses on investments	(93,481)	55,032
Loss on disposal of fixed assets	1,184	-
Changes in certain assets and liabilities:		
Grants receivable	(46,984)	39,705
Pledges receivable	3,355	68,784
Prepaid expenses and other current assets	2,866	20,243
Accounts payable	(16,286)	(30,349)
Accrued payroll and benefits	(2,278)	41,683
Deferred revenue	667,068	114,171
Other current liabilities	-	(353,837)
Net cash provided by operating activities	<u>692,573</u>	<u>(58,807)</u>
Cash flows from investing activities:		
Purchase of investments	(44,067)	(62,059)
Sale of investments	122,659	34,957
Acquisition of fixed assets	<u>(137,325)</u>	<u>(153,724)</u>
Net cash used by investing activities	<u>(58,733)</u>	<u>(180,826)</u>
Cash flows from financing activities:		
Payments on capital lease obligation	<u>(25,745)</u>	<u>(34,519)</u>
Net cash used by financing activities	<u>(25,745)</u>	<u>(34,519)</u>
Net increase in cash during the year	608,095	(274,152)
Cash balance, beginning of period	<u>2,111,762</u>	<u>2,385,914</u>
Cash balance, end of period	<u>\$ 2,719,857</u>	<u>\$ 2,111,762</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 6,276</u>	<u>\$ 6,068</u>
Noncash activities:		
Disposition of fixed assets	<u>\$ 39,587</u>	<u>\$ -</u>
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, 2017

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, 2017

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, 2017

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, 2017

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, 2017

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (concluded)

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 14, 2017, the date the financial statements were available to be issued.

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.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 - INCOME TAXES (concluded)

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, 2017. The Organization is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 4 - CASH

Cash balances at June 30 are as follows:

	2017	2016
Wells Fargo Bank	\$ 1,996,945	\$ 1,416,496
Vanguard	10,335	10,286
Charles Schwab	712,077	684,480
Petty cash	500	500
Total	<u>\$ 2,719,857</u>	<u>\$ 2,111,762</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, 2017 is as follows:

	Charles Schwab Facilities Reserve	Charles Schwab 21 st Century Campaign	Investment in Joint Venture	Total
Account balances as of 6/30/16	\$ 116,525	\$ 1,119,373	\$ 500	\$ 1,236,398
Net realized and unrealized gains and (losses)	76	93,405	-	93,481
Dividends and interest	992	43,075	-	44,067
Transfers out/withdrawals	(77,704)	(44,955)	-	(122,659)
Account balances as of 6/30/17	<u>\$ 39,889</u>	<u>\$ 1,210,898</u>	<u>\$ 500</u>	<u>\$ 1,251,287</u>
Bond Funds	\$ 39,889	\$ 330,986	\$ -	\$ 370,875
Equity Funds	-	870,349	-	870,349
Other Assets	-	9,563	500	10,063
Total	<u>\$ 39,889</u>	<u>\$ 1,210,898</u>	<u>\$ 500</u>	<u>\$ 1,251,287</u>

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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.

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, 2017:

Level 1: Quoted prices	\$ 1,250,787
Level 2: Other significant observable inputs	500
Level 3: Significant unobservable inputs	<u>-</u>
Total	<u>\$ 1,251,287</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, 2017 are further classified in accordance with FSP FAS 157-4 as follows:

	Total Investment	Level 1	Level 2	Level 3
Bond Funds	\$ 370,875	\$ 370,875	\$ -	\$ -
Equity Funds	870,349	870,349	-	-
Other Assets	<u>10,063</u>	<u>9,563</u>	<u>500</u>	<u>-</u>
Total	<u>\$ 1,251,287</u>	<u>\$ 1,250,787</u>	<u>\$ 500</u>	<u>\$ -</u>

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 7 - FIXED ASSETS

Fixed assets as of June 30 are as follows:

	Years	2017	2016
Land	N/A	\$ 993,669	\$ 993,669
Buildings	25	2,050,236	2,050,236
Building improvements	25	2,381,912	2,291,393
Leasehold improvements	25	60,000	60,000
Furniture, equipment & vehicles	5	1,437,499	1,439,965
Total		6,923,316	6,835,263
Less accumulated depreciation		(4,604,824)	(4,452,076)
Fixed assets, net		<u>\$ 2,318,492</u>	<u>\$ 2,383,187</u>

Depreciation expense was \$290,290 and \$291,153 for the years ended June 30, 2017 and June 30, 2016, respectively.

NOTE 8 - ACCRUED VACATION

Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. The amount of accumulated vacation was \$165,907 and \$165,041 as of June 30, 2017 and June 30, 2016, 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, 2017, the office equipment has a cost of \$165,263 and related accumulated amortization of \$22,035. The lease requires monthly payments of \$3,195, and bears interest at approximately 6% per annum.

At June 30, 2017, 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>
2018 (current portion)	\$ 30,408	\$ 7,932
2019	32,284	6,056
2020	34,275	4,065
2021	36,389	1,951
2022	12,623	157
Total	<u>\$ 145,979</u>	<u>\$ 20,161</u>

Total interest paid on the capital lease obligation was \$6,276 and \$6,068 for the years ended June 30, 2017 and June 30, 2016, respectively.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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. Based upon management's estimate of current fair market value, this participation amount is not considered to be material.

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, 2017, 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:

	2017	2016
Facility Fund	<u>\$ 244,188</u>	<u>\$ 257,077</u>

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

	2017	2016
Cash and cash equivalents - Charles Schwab	\$ 204,299	\$ 140,552
Investments - Charles Schwab	<u>39,889</u>	<u>116,525</u>
Total	<u>\$ 244,188</u>	<u>\$ 257,077</u>

NOTE 13 - TEMPORARILY RESTRICTED NET ASSETS

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

	2017	2016
Program services	\$ 56,250	\$ 76,250
21 st Century Campaign - Sustainability Fund	1,491,375	1,417,174
21 st Century Campaign - Special Initiatives	<u>227,301</u>	<u>246,126</u>
Total	<u>\$ 1,774,926</u>	<u>\$ 1,739,550</u>

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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:

	<u>2017</u>	<u>2016</u>
Program services:		
Cash and cash equivalents - Wells Fargo Bank	\$ 56,250	\$ 76,250
21 st Century Campaign - Sustainability Fund:		
Cash and cash equivalents - Charles Schwab	280,477	297,801
Investments - Charles Schwab	<u>1,210,898</u>	<u>1,119,373</u>
Subtotal	<u>1,491,375</u>	<u>1,417,174</u>
21 st Century Campaign - Special Initiatives:		
Cash and cash equivalents - Charles Schwab	<u>227,301</u>	<u>246,126</u>
Total	<u>\$ 1,774,926</u>	<u>\$ 1,739,550</u>

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 \$63,600 and \$50,799 for the years ended June 30, 2017 and June 30, 2016, 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 \$523,610 and \$561,992 for the years ended June 30, 2017 and June 30, 2016, respectively.

JobTrain, Inc.
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

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:

	2017	2016
Revenue received from WISE	\$ <u>-</u>	\$ <u>43,750</u>
Expenses incurred to WISE	\$ <u>(35,000)</u>	\$ <u>(38,000)</u>
Transfer of fixed assets to WISE	\$ <u>(1,184)</u>	\$ <u>-</u>

NOTE 16 - CHANGE IN NET ASSETS BEFORE DEPRECIATION

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

	2017	2016
Total revenues	\$ 6,359,389	\$ 5,974,657
Total expenses, excluding depreciation*	<u>(6,182,260)</u>	<u>(5,988,896)</u>
Change in net assets before depreciation	\$ <u>177,129</u>	\$ <u>(14,239)</u>

*Depreciation expense of \$290,290 and \$291,153 for the years ended June 30, 2017 and June 30, 2016, respectively, was excluded from total expenses.

NOTE 17 - RECLASSIFICATIONS

Certain amounts in the June 30, 2016 financial statements have been reclassified to conform with the June 30, 2017 presentation, specifically the revenue categories in the statement of activities. These reclassifications have no effect on the change in net assets as previously reported.

JobTrain, Inc.
CHILD DEVELOPMENT PROGRAMS - GENERAL INFORMATION
June 30, 2017

Schedule 1

Organization name:	JobTrain, Inc.
Program name and contract number:	
41-1663-3A	Child and Adult Care Food Program
CSPP-6504	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, 2016 through June 30, 2017
Days of operation:	245 days
Hours of operation:	6:30 AM - 5:00 PM
Total hours of operation:	10.5

JobTrain, Inc.
COMBINING SCHEDULE OF ACTIVITIES
 Child Development Centers
 For the Year Ended June 30, 2017

Schedule 2

	<u>CSPP-6504</u>		
	California		
	State	Non-CDE	
	Preschool	Programs	Total
Revenues:			
Government contracts:			
Other government contracts	\$ -	\$ 1,852,156	\$ 1,852,156
Child care and development programs	231,434	-	231,434
Child care food program	21,844	-	21,844
Subtotal government contracts	253,278	1,852,156	2,105,434
In-kind contributions income	-	126,450	126,450
Unrestricted contributions and other income	110,094	3,998,471	4,108,565
Family fees - certified children	11,815	-	11,815
Interest income	15	7,110	7,125
Total revenues	375,202	5,984,187	6,359,389
Expenses:			
Salaries	307,152	2,300,726	2,607,878
Employee benefits	98,778	642,760	741,538
Books and supplies	30,330	345,696	376,026
Rents and leases	4,958	30,203	35,161
Other operating expenses	53,173	875,528	928,701
Building repairs and maintenance	7,068	53,720	60,788
Depreciation	35,289	198,765	234,054
In-kind contributions expense	-	126,450	126,450
General, administrative, and indirect	32,432	1,329,522	1,361,954
Total expenses	569,180	5,903,370	6,472,550
Change in net assets	\$ (193,978)	\$ 80,817	\$ (113,161)

SCHEDULE OF EXPENSES BY STATE CATEGORIES

Child Development Centers
For the Year Ended June 30, 2017

	<u>CSPP-6504</u>
	California
	State
	<u>Preschool</u>
Expenses:	
Direct payments to providers	\$ -
1000 Certificated salaries	327,350
2000 Classified salaries	-
3000 Employee benefits	105,167
4000 Books and supplies	31,120
5000 Services and other operating expenses	70,254
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Depreciation on assets not purchased with public funds	35,289
Start-up expenses - service level exemption	-
Budget impasse credit expenses - service level exemption	-
Indirect costs	-
Total expenses claimed for reimbursement	569,180
Total supplemental expenses	-
Total expenses	<u>\$ 569,180</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.

JobTrain, Inc.
RECONCILIATION OF CDE AND GAAP EXPENSE REPORTING
Child Development Centers
For the Year Ended June 30, 2017

Schedule 4

	<u>CSPP-6504</u>
	California
	State
	<u>Preschool</u>
Expenses:	
Schedule of Expenses by State Categories (CDE)	\$ 569,180
Adjustments to reconcile differences in reporting:	
None	<u>-</u>
Combining Statement of Activities (GAAP)	<u>\$ 569,180</u>

JobTrain, Inc.
SCHEDULE OF REIMBURSABLE EQUIPMENT EXPENDITURES
Child Development Centers
For the Year Ended June 30, 2017

Schedule 5

	<u>CSPP-6504</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	<u>-</u>
Subtotal	<u>-</u>
<u>Unit Cost Over \$7,500 Per Purchase Without Prior Approval:</u>	
None	<u>-</u>
Subtotal	<u>-</u>
Total	<u><u>\$ -</u></u>

SCHEDULE OF REIMBURSABLE EXPENDITURES
FOR RENOVATIONS AND REPAIRS
 Child Development Centers
 For the Year Ended June 30, 2017

	<u>CSPP-6504</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, 2017

	<u>CSPP-6504</u>
	California
	State
	<u>Preschool</u>
Reimbursable administrative costs:	
Salaries	\$ 20,198
Employee benefits	6,389
Books and supplies	790
Services and other operating expenses	5,055
Depreciation on non-CDE-funded assets used in program	-
Indirect costs	<u>-</u>
 Total reimbursable administrative costs	 <u><u>\$ 32,432</u></u>

SCHEDULE OF REIMBURSABLE BUDGET IMPASSE CREDIT EXPENSES

Child Development Centers
For the Year Ended June 30, 2017

	<u>CSPP-6504</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	-
6100/6200 Other approved capital outlay	-
6400 New equipment	-
6500 Replacement equipment	-
Total reimbursable budget impasse credit expenses	<u>\$ -</u>

AUDITED ATTENDANCE AND FISCAL REPORT**for California State Preschool Programs**Agency Name: JobTrain, Inc. Vendor No. M322Fiscal Year Ended: June 30, 2017 Contract No. CSPP-6504Independent Auditor's Name: R.J. Ricciardi, Inc.

SECTION I - CERTIFIED CHILDREN DAYS OF ENROLLMENT	COLUMN A	COLUMN B	COLUMN C	COLUMN D	COLUMN E
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENTS	CUMULATIVE FISCAL YEAR PER AUDIT	ADJUSTMENT FACTOR	ADJUSTED DAYS OF ENROLLMENT PER AUDIT
<i>Three and Four Year Olds</i>					
Full-time-plus			-	1.1800	-
Full-time	1,033		1,033	1.0000	1,033.000
Three-quarters-time			-	0.7500	-
One-half-time			-	0.6196	-
<i>Exceptional Needs</i>					
Full-time-plus			-	1.4160	-
Full-time	143		143	1.2000	171.600
Three-quarters-time			-	0.9000	-
One-half-time			-	0.6196	-
<i>Limited and Non-English Proficient</i>					
Full-time-plus			-	1.2980	-
Full-time	3,969		3,969	1.1000	4,365.900
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>At Risk of Abuse or Neglect</i>					
Full-time-plus			-	1.2980	-
Full-time			-	1.1000	-
Three-quarters-time			-	0.8250	-
One-half-time			-	0.6196	-
<i>Severely Disabled</i>					
Full-time-plus			-	1.7700	-
Full-time			-	1.5000	-
Three-quarters-time			-	1.1250	-
One-half-time			-	0.6196	-
TOTAL DAYS OF ENROLLMENT	5,145	-	5,145		5,570.500
DAYS OF OPERATION	245		245		
DAYS OF ATTENDANCE	5,067		5,067		

☒ NO NONCERTIFIED CHILDREN - Check box, omit page 2 & continue to Section III if no noncertified children were enrolled in the program.

Comments - If necessary, attach additional sheets to explain adjustments:

AUDITED ATTENDANCE AND FISCAL REPORT for California State Preschool Programs

Agency Name: JobTrain, Inc. Vendor No. M322

Fiscal Year End: June 30, 2017 Contract No. CSPP-6504

	COLUMN A	COLUMN B	COLUMN C
	CUMULATIVE FISCAL YEAR PER FORM CDFS 8501	AUDIT ADJUSTMENT INCREASE OR (DECREASE)	CUMULATIVE FISCAL YEAR PER AUDIT
SECTION III - REVENUE			
RESTRICTED INCOME			
Child Nutrition Programs	\$22,072	(\$228)	\$21,844
County Maintenance of Effort (EC § 8279)			0
Uncashed Checks to Providers			0
Other (Specify): fundraising revenue		145	145
Other (Specify):			0
Subtotal	\$22,072	(\$83)	\$21,989
Transfer from Reserve - General			0
Transfer from Reserve - Professional Development			0
Subtotal	\$0	\$0	\$0
Family Fees for Certified Children	11,815		11,815
Interest Earned on Apportionments	15		15
UNRESTRICTED INCOME			
Family Fees for Noncertified Children			0
Head Start Program (EC § 8235(b))			0
Other (Specify): unrestricted contributions		109,949	109,949
Other (Specify):			0
TOTAL REVENUE	\$33,902	\$109,866	\$143,768

SECTION IV - REIMBURSABLE EXPENSES

<i>Direct Payments to Providers (FCCH Only)</i>			\$0
1000 Certificated Salaries	326,630	720	327,350
2000 Classified Salaries			0
3000 Employee Benefits	105,460	(293)	105,167
4000 Books and Supplies	11,450	19,670	31,120
5000 Services and Other Operating Expenses	99,187	(28,933)	70,254
6100/6200 Other Approved Capital Outlay			0
6400 New Equipment (<i>program-related</i>)			0
6500 Replacement Equipment (<i>program-related</i>)			0
Depreciation or Use Allowance		35,289	35,289
Start-Up Expenses (service level exemption)			0
Budget Impasse Credit			0
Indirect Costs Rate: 0.00% (Rate is Self-Calculating)			0
TOTAL EXPENSES CLAIMED FOR REIMBURSEMENT	\$542,727	\$26,453	\$569,180
TOTAL ADMINISTRATIVE COSTS (included in section IV above)	\$0	\$32,432	\$32,432

FOR CDE-A&I USE ONLY:

Independent Auditor's Assurances on Agency's compliance with Contract Funding Terms and Conditions and Program Requirements of the California Department of Education, Early Education and Support Division:

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

☒ YES

☐ NO - Explain any discrepancies.

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

☒ YES

☐ NO - Explain any discrepancies.

COMMENTS - If necessary, attach additional sheets to explain adjustments:

☒ NO SUPPLEMENTAL REVENUES OR EXPENSES - Check box and omit page 4 if there are no supplemental revenues or expenses to report.

JobTrain, Inc.
Child Development Centers
SUMMARY OF CLAIM
Agreement No: 41-1663-3A
For the Period July 1, 2016 to June 30, 2017

Schedule 11

Federal Fund Reimbursement Variance (Overpaid):

Federal Fund Payments to Date	\$	20,859	
Less: Amount Reimbursable from Federal Fund		<u>20,859</u>	
	\$		-

Cash-In-Lieu Reimbursement:

Allowed		984	
Less: Paid		<u>984</u>	
			-

Total Program Reimbursement Refund (Overpayment)	\$	<u>-</u>
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JobTrain, Inc.
Child Development Centers
STATEMENT OF CLAIM
Agreement No: 41-1663-3A
For the Period July 1, 2016 to June 30, 2017

Schedule 12

Reimbursement per Examination (Supported by Schedules 13-16)	\$ 21,844
Less: Program Reimbursements Claimed and Received	<u>21,844</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, 2016 to June 30, 2017

FIXED PERCENTAGE METHOD

Federal Meal Compensation	MEALS			Food Service Rates	Revenue Recognized	Audit Adjustments*	Earned Reimbursement
	Reported	Adjusted*	Allowed				
<u>Breakfast</u>							
Free	2,760	-	2,760	\$ 1.7100	\$ 4,720	\$ -	\$ 4,720
Reduced	624	-	624	1.4100	880	-	880
Base	148	-	148	0.2900	43	-	43
Total	<u>3,532</u>	<u>-</u>	<u>3,532</u>		<u>5,642</u>	<u>-</u>	<u>5,642</u>
<u>Lunch</u>							
Free	3,339	-	3,339	\$ 3.1600	10,551	-	10,551
Reduced	764	-	764	2.7600	2,109	-	2,109
Base	177	-	177	0.3000	53	-	53
Total	<u>4,280</u>	<u>-</u>	<u>4,280</u>		<u>12,713</u>	<u>-</u>	<u>12,713</u>
<u>Supplements</u>							
Free	2,602	-	2,602	\$ 0.8600	2,238	-	2,238
Reduced	597	-	597	0.4300	257	-	257
Base	136	-	136	0.0700	10	-	10
Total	<u>3,335</u>	<u>-</u>	<u>3,335</u>		<u>2,504</u>	<u>-</u>	<u>2,504</u>
Total Federal Meal Reimbursement					20,859	-	20,859
Cash-In-Lieu	<u>4,280</u>	<u>-</u>	<u>4,280</u>	\$ 0.2300	984	-	984
Total Federal Reimbursement					<u>\$ 21,844</u>	<u>-</u>	<u>\$ 21,844</u>
Total Program Reimbursement Overpaid - Refund due to the State						<u>\$ -</u>	

JobTrain, Inc.
Child Development Centers
SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED MEALS
Agreement No: 41-1663-3A
For the Period July 1, 2016 to December 31, 2016

Schedule 14

FIXED PERCENTAGE METHOD

	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	July 2016			August 2016			September 2016		
<u>Breakfast</u>									
Free	239	-	239	257	-	257	212	-	212
Reduced	56	-	56	54	-	54	45	-	45
Base	14	-	14	14	-	14	15	-	15
Total	309	-	309	325	-	325	272	-	272
<u>Lunch</u>									
Free	292	-	292	319	-	319	250	-	250
Reduced	69	-	69	67	-	67	54	-	54
Base	17	-	17	17	-	17	18	-	18
Total	378	-	378	403	-	403	322	-	322
<u>Supplements</u>									
Free	259	-	259	245	-	245	194	-	194
Reduced	61	-	61	52	-	52	42	-	42
Base	15	-	15	12	-	12	14	-	14
Total	335	-	335	309	-	309	250	-	250
	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	October 2016			November 2016			December 2016		
<u>Breakfast</u>									
Free	253	-	253	237	-	237	167	-	167
Reduced	30	-	30	44	-	44	31	-	31
Base	-	-	-	15	-	15	11	-	11
Total	283	-	283	296	-	296	209	-	209
<u>Lunch</u>									
Free	284	-	284	272	-	272	206	-	206
Reduced	33	-	33	51	-	51	39	-	39
Base	-	-	-	17	-	17	12	-	12
Total	317	-	317	340	-	340	257	-	257
<u>Supplements</u>									
Free	226	-	226	216	-	216	149	-	149
Reduced	27	-	27	41	-	41	28	-	28
Base	-	-	-	13	-	13	9	-	9
Total	253	-	253	270	-	270	186	-	186

JobTrain, Inc.
Child Development Centers
SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED MEALS
Agreement No: 41-1663-3A
For the Period January 1, 2017 through June 30, 2017

Schedule 15

FIXED PERCENTAGE METHOD

	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	January 2017			February 2017			March 2017		
<u>Breakfast</u>									
Free	219	-	219	214	-	214	250	-	250
Reduced	51	-	51	47	-	47	69	-	69
Base	13	-	13	12	-	12	14	-	14
Total	283	-	283	273	-	273	333	-	333
<u>Lunch</u>									
Free	275	-	275	247	-	247	307	-	307
Reduced	65	-	65	55	-	55	85	-	85
Base	16	-	16	14	-	14	17	-	17
Total	356	-	356	316	-	316	409	-	409
<u>Supplements</u>									
Free	204	-	204	175	-	175	245	-	245
Reduced	48	-	48	39	-	39	68	-	68
Base	12	-	12	9	-	9	14	-	14
Total	264	-	264	223	-	223	327	-	327
	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed	Reported	Adjusted	Allowed
	April 2017			May 2017			June 2017		
<u>Breakfast</u>									
Free	221	-	221	252	-	252	239	-	239
Reduced	61	-	61	70	-	70	66	-	66
Base	13	-	13	14	-	14	13	-	13
Total	295	-	295	336	-	336	318	-	318
<u>Lunch</u>									
Free	274	-	274	322	-	322	291	-	291
Reduced	76	-	76	89	-	89	81	-	81
Base	15	-	15	18	-	18	16	-	16
Total	365	-	365	429	-	429	388	-	388
<u>Supplements</u>									
Free	215	-	215	260	-	260	214	-	214
Reduced	60	-	60	72	-	72	59	-	59
Base	12	-	12	14	-	14	12	-	12
Total	287	-	287	346	-	346	285	-	285

JobTrain, Inc.
Child Development Centers
SCHEDULE OF REPORTED, ADJUSTED AND
ALLOWED ELIGIBILITY
Agreement No: 41-1663-3A
For the Period July 1, 2016 to June 30, 2017

Schedule 16

FIXED PERCENTAGE METHOD

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June
<u>Eligibility</u>												
<u>Total</u>												
Reported	23	24	23	19	19	21	24	24	24	24	24	24
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	23	24	23	19	19	21	24	24	24	24	24	24
<u>Free</u>												
Reported	19	19	19	11	13	17	19	19	19	19	19	19
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	19	19	19	11	13	17	19	19	19	19	19	19
<u>Reduced</u>												
Reported	2	4	2	6	5	3	4	4	4	4	4	4
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	2	4	2	6	5	3	4	4	4	4	4	4
<u>Base</u>												
Reported	2	1	2	2	1	1	1	1	1	1	1	1
Adjusted	-	-	-	-	-	-	-	-	-	-	-	-
Allowed	2	1	2	2	1	1	1	1	1	1	1	1

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, 2017, 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 14, 2017.

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 14, 2017

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, 2017. 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, 2017.

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 14, 2017

JobTrain, Inc.
Child Development Centers
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

<u>Grantor</u>	Federal CFDA Number	Grantor's Number	Award Amount			Expenditures	
			Federal	State	Total	Federal	State
<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	\$ 21,844	\$ -	\$ 21,844	\$ 21,844	\$ -
Total U.S. Department of Agriculture			21,844	-	21,844	21,844	-
<u>U.S. Department of Labor:</u>							
Workforce Innovation and Opportunity Act (WIOA) Cluster:							
Pass through the County of San Mateo:							
Peninsula Works - OneStop (Adult and Dislocated Worker)	17.258	068762	315,000	-	315,000	315,000	-
Youth - In and Out-of-School	17.259	068732	500,000	-	500,000	493,817	-
Community Correction Partnership	17.278	19000-14-D001	160,000	-	160,000	160,000	-
Total pass through the County of San Mateo (WIOA Cluster)			975,000	-	975,000	968,817	-
Pass through Goodwill of Silicon Valley:							
Tri-County Career Pathways Collaborative	17.270	N/A	1,029,219	-	1,029,219	429,332	-
Total pass through Goodwill of Silicon Valley			1,029,219	-	1,029,219	429,332	-
Total U.S. Department of Labor			2,004,219	-	2,004,219	1,398,149	-

JobTrain, Inc.
Child Development Centers
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

<u>Grantor</u>	Federal CFDA Number	Grantor's Number	Award Amount			Expenditures	
			Federal	State	Total	Federal	State
<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	\$ 167,978	\$ -
Total pass through the Center to Protect Workers Rights			171,890	-	171,890	167,978	-
Childcare Cluster:							
Pass through the California State Department of Education:							
California State Preschool	93.575	CSPP-6504	19,162	-	19,162	19,162	-
California State Preschool	93.596	CSPP-6504	41,716	198,347	240,063	41,716	170,556
Total pass through the California State Department of Education (Child Care Cluster)			60,878	198,347	259,225	60,878	170,556
Total U.S. Department of Health and Human Services			232,768	198,347	431,115	228,856	170,556
Total federal and state awards			\$ 2,258,831	\$ 198,347	\$ 2,457,178	\$ 1,648,849	\$ 170,556

JobTrain, Inc.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
For the Year Ended June 30, 2017

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, 2017

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>
17.270	Tri-County Career Pathways Collaborative	\$ 429,332
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, 2017

Recommendation

Status/Explanation

There were no prior year findings or recommendations.