

***WILLAMETTE WORKFORCE
PARTNERSHIP
FINANCIAL STATEMENTS
Years Ended June 30, 2018 and 2017***

WILLAMETTE WORKFORCE PARTNERSHIP
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GROVE, MUELLER & SWANK, P.C.

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Willamette Workforce Partnership
626 High Street NE, Suite 305
Salem, Oregon 97301

Report on the Financial Statements

We have audited the accompanying financial statements of Willamette Workforce Partnership (the Organization) (a nonprofit organization), which comprise the statements of financial position as of June 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Willamette Workforce Partnership as of June 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (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 January 3, 2019, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS
January 3, 2019

FINANCIAL STATEMENTS

WILLAMETTE WORKFORCE PARTNERSHIP
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
<i>Current Assets</i>		
Cash	\$ 110,911	\$ 3,098
Grants and contracts receivable	449,847	1,028,452
Prepaid expenses	38,392	45,947
	<u>599,150</u>	<u>1,077,497</u>
<i>Other Assets</i>		
Component fund of Oregon Community Foundation	378,908	362,096
	<u>378,908</u>	<u>362,096</u>
<i>Total Assets</i>	<u>\$ 978,058</u>	<u>\$ 1,439,593</u>
 LIABILITIES AND NET ASSETS		
<i>Current Liabilities</i>		
Accounts payable	\$ 492,528	\$ 999,693
Accrued payroll and related expenses	47,120	12,263
Unearned revenue	23,435	32,000
	<u>563,083</u>	<u>1,043,956</u>
<i>Net Assets</i>		
Unrestricted		
Undesignated	164,975	145,637
Board designated	250,000	250,000
	<u>414,975</u>	<u>395,637</u>
<i>Total Net Assets</i>	<u>414,975</u>	<u>395,637</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 978,058</u>	<u>\$ 1,439,593</u>

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

WILLAMETTE WORKFORCE PARTNERSHIP
STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
SUPPORT AND REVENUE		
Grants and contracts	\$ 5,891,791	\$ 6,732,827
Contributions	985	-
Miscellaneous income	15,143	11,900
Gain on investments	33,149	41,442
	<hr/>	<hr/>
<i>Total Support and Revenue</i>	5,941,068	6,786,169
EXPENSES		
<i>Program Services</i>		
WIOA programs	4,567,704	4,051,786
DOL programs	758,492	864,082
Other programs	50,470	1,017,540
<i>Support Services</i>		
Administration	545,064	776,778
	<hr/>	<hr/>
<i>Total Expenses</i>	5,921,730	6,710,186
	<hr/>	<hr/>
CHANGE IN NET ASSETS	19,338	75,983
NET ASSETS, Beginning of year	395,637	319,654
	<hr/>	<hr/>
NET ASSETS, End of year	\$ 414,975	\$ 395,637
	<hr/> <hr/>	<hr/> <hr/>

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

WILLAMETTE WORKFORCE PARTNERSHIP
STATEMENTS OF FUNCTIONAL EXPENSES
YEARS ENDED JUNE 30, 2018 AND 2017

	2018					
	WIOA	DOL	Other	Total		
	Programs	Program	Programs	Program	Administration	Total
	Services					
Salaries and wages	\$ 166,125	\$ 67,045	\$ 22,234	\$ 255,404	\$ 233,498	\$ 488,902
Payroll taxes	17,069	6,058	2,401	25,528	21,384	46,912
Employee benefits	64,886	17,914	4,358	87,158	69,924	157,082
Personnel other	-	3,802	-	3,802	-	3,802
Professional fees	-	-	798	798	47,096	47,894
Technology maintenance	11,173	-	712	11,885	20,786	32,671
Outreach and special events	1,343	4,682	20	6,045	5,854	11,899
Other contracted services	-	-	-	-	3,887	3,887
Office expenses	6,457	617	685	7,759	30,241	38,000
Dues and subscriptions	184	-	-	184	15,136	15,320
Facilities	45,165	-	3,283	48,448	48,149	96,597
Insurance	-	-	-	-	18,856	18,856
Travel and per diem	3,293	3,234	990	7,517	9,175	16,692
Meetings and conferences	54	2,033	43	2,130	12,850	14,980
Staff development	-	-	-	-	8,228	8,228
Contracted program delivery	3,112,390	633,395	6,971	3,752,756	-	3,752,756
Participant payments	1,072,347	19,712	7,975	1,100,034	-	1,100,034
Incumbent worker training	67,218	-	-	67,218	-	67,218
Total Expenses	\$ 4,567,704	\$ 758,492	\$ 50,470	\$ 5,376,666	\$ 545,064	\$ 5,921,730

2017

	Total					Total
	WIOA Programs	DOL Program	Other Programs	Program Services	Administration	
Salaries and wages	\$ 269,936	\$ 124,288	\$ 104,045	\$ 498,269	\$ 339,813	\$ 838,082
Payroll taxes	24,305	11,293	10,020	45,618	37,264	82,882
Employee benefits	76,092	32,422	33,771	142,285	93,265	235,550
Personnel other	2,037	-	1,687	3,724	2,262	5,986
Professional fees	229	500	29	758	122,066	122,824
Technology maintenance	16,364	955	5,742	23,061	19,315	42,376
Outreach and special events	373	2,028	8,290	10,691	6,111	16,802
Office expenses	14,806	3,539	18,443	36,788	39,841	76,629
Dues and subscriptions	-	-	-	-	14,842	14,842
Facilities	40,262	2,764	14,811	57,837	51,440	109,277
Insurance	-	-	-	-	14,879	14,879
Travel and per diem	1,992	12,185	4,430	18,607	9,790	28,397
Meetings and conferences	510	36	1,240	1,786	5,736	7,522
Staff development	124	595	795	1,514	20,154	21,668
Contracted program delivery	2,753,932	619,016	291,065	3,664,013	-	3,664,013
Participant payments	850,824	35,545	519,466	1,405,835	-	1,405,835
Incumbent worker training	-	18,916	3,706	22,622	-	22,622
Total Expenses	\$ 4,051,786	\$ 864,082	\$ 1,017,540	\$ 5,933,408	\$ 776,778	\$ 6,710,186

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

WILLAMETTE WORKFORCE PARTNERSHIP
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2018 AND 2017

	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 19,338	\$ 75,983
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in component fund of Oregon Community Foundation	(32,807)	(41,488)
(Increase) decrease in operating assets		
Grants and accounts receivable	578,605	(477,703)
Prepaid expenses	7,555	(37,111)
Increase (decrease) in liabilities:		
Accounts payable and accrued liabilities	(507,165)	375,436
Accrued payroll and related expenses	34,857	(32,082)
Unearned revenue	(8,565)	32,000
	<u>91,818</u>	<u>(104,965)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Distributions from Oregon Community Foundation	15,995	16,136
	<u>107,813</u>	<u>(88,829)</u>
NET INCREASE (DECREASE) IN CASH	107,813	(88,829)
CASH, Beginning of year	3,098	91,927
CASH, End of year	\$ 110,911	\$ 3,098

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

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO BASIC FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2018 AND 2017

NATURE OF THE ORGANIZATION

Willamette Workforce Partnership (the Organization) (a nonprofit organization) was first founded in April 2007 under the name Enterprise for Employment and Education, Inc. In June 2010 their name was changed to Job Growers, Incorporated and then in October 2014 they became Incite, Incorporated. In November 2017 their name was legally changed to Willamette Workforce Partnership. The Organization serves youth, adults, and dislocated workers through its partnerships with private industry and workforce development providers. The Organization serves as the administrative entity for workforce grant funds in Linn, Marion, Polk, and Yamhill Counties, Oregon. The programs include services to emerging, transitioning, and incumbent workers to decrease barriers to employment or advancement. The Organization also partners with employers to provide specific training programs to improve the existing workforce.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Presentation

The financial statements of the Organization have been prepared on the accrual basis. To enhance the usefulness of the financial statements to the reader, the significant accounting policies are described below.

Cash

Cash includes all cash accounts, which are not subject to withdrawal restrictions or penalties, and all highly liquid debt instruments purchased with original maturities of three months or less.

Equipment

Equipment with a cost of \$5,000 or more is capitalized at historical cost. Donated equipment is recorded at its fair value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which range from 3 to 10 years.

Unearned Revenue

Funds from some grants are received in advance of the services provided. These amounts are accounted for as unearned revenue and recognized as revenue when the services are provided.

Net Assets

Unrestricted net assets are available for the general obligations of the Organization. The board designated \$250,000 as a risk management reserve which is held in an investment account at Oregon Community Foundation.

Temporarily restricted net assets consist of contributions which are restricted by the donor for a specified purpose. When the restriction is met the contribution is released to unrestricted. The Organization currently has no temporarily restricted net assets.

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Support and Revenue

The primary source of support for the Organization is derived from federal Workforce Innovation and Opportunity Act (WIOA) grants and other federal funding that is primarily passed through the State of Oregon. Revenue and related receivables for these grants are accounted for under cost reimbursement principles and are recorded when the related program costs are incurred, subject to grant allocation limitations. Receivables are considered by management to be fully collectible and, accordingly, no allowance for doubtful accounts is considered necessary.

Income Taxes

The Organization is organized as a nonprofit corporation under IRS Code Section 501(c)(3) and is exempt from federal and state taxes on income.

The Organization follows the provisions Accounting Standards Codification (ASC) 740 “Accounting for Uncertainty in Income Taxes”. The Organization’s federal and state income tax returns are subject to possible examination by the taxing authorities until the expiration of the related statutes of limitations on those tax returns. In general, the federal and state income tax returns have a three-year statute of limitations. The Organization would recognize accrued interest and penalties associated with uncertain tax provisions, if any, as part of the income tax provision.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reporting amounts of certain assets, liabilities, revenues and expenses. Actual results may differ from such estimates. Financial statement items particularly sensitive to estimates are the allowance for doubtful accounts, and the useful lives of property and equipment.

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION

The Organization’s interest in funds held in trust was \$378,908 and \$362,096 at June 30, 2018 and 2017, respectively and consists of investments owned by the Oregon Community Foundation (“OCF”). These funds are not held in a depository account but rather are in an “endowment fund” that is legally owned by OCF. Under United States Treasury Regulations, all community foundation endowment fund agreements must include terms which grant the community foundation’s Board of Directors the authority to modify restrictions and conditions of the fund agreement under certain circumstances (often referred to as “variance power”). As a result, all component funds are considered to be part of a single public charity, in this case the OCF.

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (Continued)

The OCF variance power clause reads: “Whenever, in the sole judgment of the board of directors (without the necessity of the approval of any participating trustee, custodian or agent), any restriction or condition on the distribution of funds for any specified charitable, educational, or scientific purposes or to specified organizations or governmental units becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable, educational, and scientific needs of the state of Oregon, the board of directors may, by the affirmative vote of a majority of its members, order such modification of such restriction or condition and such application of the whole or any part of the principal or income of the funds as in its judgment is then necessary to serve more effectively the charitable, educational, and scientific purposes of the Corporation.”

The OCF accounts for these funds in accordance with FASB ASC 958, *Not-for-Profit Entities*, which states that if a community foundation accepts a contribution from an agency and agrees to transfer those assets and/or the investment return on those assets back to the agency, then those contributions are presented as both an asset and a liability on the financial statements of the community foundation (i.e., the OCF), and as an asset on the financial statements of the agency (i.e., The Organization). This treatment is for financial statement presentation purposes only as the legal ownership of these funds remains with the OCF. The OCF accounts for these funds in accordance with FASB ASC 958, *Not-for-Profit Entities*, which states that if a community foundation accepts a contribution from an agency and agrees to transfer those assets and/or the investment return on those assets back to the agency, then those contributions are presented as both an asset and a liability on the financial statements of the community foundation (i.e., the OCF), and as an asset on the financial statements of the agency (i.e., The Organization). This treatment is for financial statement presentation purposes only as the legal ownership of these funds remains with the OCF.

The Organization has designated its interest in funds held in trust at the OCF as follows at June 30:

	<u>2018</u>	<u>2017</u>
Undesignated	\$ 128,908	\$ 112,096
Board designated	250,000	250,000
	<u>378,908</u>	<u>362,096</u>
<i>Total Interest in Funds Held in Trust</i>	<u>\$ 378,908</u>	<u>\$ 362,096</u>

The activity for the Organization’s interest in funds held in trust at the OCF is summarized as follows for the years ended June 30:

	<u>2018</u>	<u>2017</u>
Balance, beginning of year	\$ 362,096	\$ 336,744
Unrealized gains	26,205	37,980
Realized gains	6,944	3,461
Interest and dividend income	3,026	3,052
Distributions	(15,995)	(16,136)
Administrative expenses	(3,368)	(3,005)
	<u>378,908</u>	<u>362,096</u>
Balance, end of year	<u>\$ 378,908</u>	<u>\$ 362,096</u>

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (Continued)

Uniform Prudent Management of Institutional Funds Act of 2006 (“UPMIFA”)

On June 22, 2007, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) was signed into law in the state of Oregon and was implemented by the Organization in 2008. This new law revises the Uniform Management of Institutional Funds Act (UMIFA) which has governed Oregon charitable institutions with respect to the management, investment and expenditure of endowment funds since 1972.

The Organization’s investments consist of a fund held at the OCF (described above) established for a variety of purposes. The fund includes funds designated by the Organization’s Board of Directors.

Interpretation of Relevant Law

The Organization has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, if any. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified in temporarily restricted net assets until those amounts are appropriated for expenditure by the Board of Directors in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor-restricted funds
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from the income and/or appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

Return Objectives and Risk Parameters

The investment objective of the fund is to retain (at a minimum) and, when possible, increase the purchasing power of the funds, while at the same time providing a reasonable return for distribution to meet current organization needs. The funds are managed and invested in good faith and with the care an ordinary prudent person in a like position would exercise under similar circumstances. The Organization expected the funds to provide an average rate of return of approximately 8% annually. Actual returns in any given year may vary from this amount, however.

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

INTEREST IN FUNDS HELD BY OREGON COMMUNITY FOUNDATION (Continued)

Strategies Employed for Achieving Objectives

The OCF follows a total-return strategy in which investment decisions are made with the intent of maximizing the long-term total return of the portfolio, combining market value changes (realized and unrealized) and current yield (interest and dividends). The OCF invests in a mixture of equities, fixed-income investments, and alternative investment classes such as hedge funds, distressed debt, private investments and cash. The OCF utilizes the services of investment managers with proven records of performance in domestic and international markets, equity management, fixed-income management, and/or mixed-asset management. OCF managers with responsibility for equity management have demonstrated skill managing assets within but not necessarily including all of the following styles: core (including index funds), growth, value, small capitalization and non-U.S. equities.

Spending Policy and How Investment Objectives Relate to the Spending Policy

Each year the OCF board sets an annual payout rate for the coming year based on their Investment Committee's 10-year projection of investment return. Currently, if the projected 10-year return is 9% or above, the payout will be 5%; if the projected return is below 9%, the payout will be 4.5%. The payout is calculated using a 13- quarter trailing average of fund market value. New permanent funds are invested for a minimum of six months before being included in the valuation for distribution.

Fair Value Measurements

Investments are reported at estimated fair value as determined by the Organization based upon a fair value hierarchy, adopted in July 2008, which prioritizes the input techniques used to measure fair value. The hierarchy gives the highest priority to level 1 measurements and the lowest priority to level 3 measurements:

Level 1 - Quoted prices are available in active markets for identical assets and liabilities.

Level 2 - Pricing inputs are observable for the assets and liabilities, either directly or indirectly, but are not the same as those used in Level I. Fair value is determined through the use of models or other valuation methodologies.

Level 3 - Pricing inputs are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the investment. The inputs into the determination of fair value require significant management judgment or estimation.

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques must maximize the use of observable inputs and minimize the use of unobservable inputs.

All of the funds held by OCF are considered level 2

RETIREMENT PLAN

The Organization makes employer matching contributions under an arrangement described in section 401 (k) of the Internal Revenue Code (IRC). Willamette Workforce Partnership contributes up to six percent of the employee's salary. Expenses contributed under this plan for the years ended June 30, 2018 and 2017, totaled \$12,853 and \$24,520, respectively.

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO BASIC FINANCIAL STATEMENTS (Continued)
YEARS ENDED JUNE 30, 2018 AND 2017

LEASE COMMITMENTS

The Organization has various lease agreements for office space and equipment with termination dates ranging through June 30, 2020. Total rent expense for the years ended June 30, 2018 and 2017, was \$218,925 and \$221,323, respectively.

Future minimum lease payments under these leases are as follows:

<i>Year Ending June 30,</i>	
2019	\$ 277,803
2020	282,207
2021	<u>72,540</u>
Total	<u>\$ 632,550</u>

RELATED PARTY

The Organization entered into various contracts to provide financial assistance for workforce trainings with organizations whose management includes members of the Organization's Board of Directors. Payables to these organizations totaled \$9,261 and \$2,512 at June 30, 2018 and 2017, respectively. Expenses of \$236,582 and \$169,019 were incurred under contracts with these organizations during the years ended June 30, 2018 and 2017, respectively.

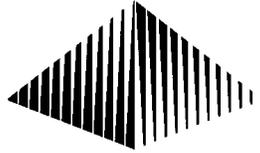
CONTINGENCIES

Reimbursement claims under federal and state program grants are subject to audit and adjustment by grantor agencies. Any disallowed claims might become a liability of Willamette Workforce Partnership.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 3, 2019, the date on which the financial statements were available to be issued. Management is not aware of any subsequent events that require recognition or disclosure in the financial statements.

FEDERAL COMPLIANCE SECTION



GROVE, MUELLER & SWANK, P.C.

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

Board of Directors
Willamette Workforce Partnership
Salem, Oregon

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller general of the United States, the financial statements of Willamette Workforce Partnership (the Organization) (a nonprofit organization), which comprise the statement of financial position as of June 30, 2018, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 3, 2019.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

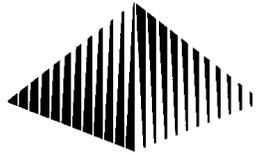
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance 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.


CERTIFIED PUBLIC ACCOUNTANTS
January 3, 2019



GROVE, MUELLER & SWANK, P.C.

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
475 Cottage Street NE, Suite 200, Salem, Oregon 97301
(503) 581-7788

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

Board of Directors
Willamette Workforce Partnership
Salem, Oregon

Report on Compliance for Each Major Federal Program

We have audited Willamette Workforce Partnership's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2018. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Willamette Workforce Partnership 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 the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that

could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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.

Purpose of this Report

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.


CERTIFIED PUBLIC ACCOUNTANTS
January 3, 2019

WILLAMETTE WORKFORCE PARTNERSHIP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

<i>Federal Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Grantor's Number</i>	<i>Expenditures</i>	<i>Passed Through to Subrecipients</i>
<u>U.S. Department of Labor</u>				
Direct Program:				
Workforce Innovation Fund - Program	17.283	IF-26342-14-60-A-41	\$ 758,489	\$ 489,956
Workforce Innovation Fund - Admin	17.283	IF-26342-14-60-A-41	45,110	-
			<u>803,599</u>	<u>489,956</u>
Passed Through State of Oregon				
<i>WIOA Cluster:</i>				
Adult Admin	17.258	#16-269	49,468	-
Adult Program	17.258	#16-269	1,281,863	1,070,507
Youth Admin	17.259	#16-269	159,063	-
Youth Program	17.259	#16-269	1,380,071	1,290,387
High Concentration Youth	17.259	#16-269	71,720	71,720
DW Admin	17.278	#16-269	175,165	-
DW Program	17.278	#16-269	1,649,530	1,303,048
			<u>4,766,880</u>	<u>3,735,662</u>
SP NEG - Program	17.277	GGA0023	184,521	170,301
SP NEG - Admin	17.277	GGA0023	9,199	-
			<u>193,720</u>	<u>170,301</u>
<i>Total U.S. Department of Labor</i>			<u>\$ 5,764,199</u>	<u>\$ 4,395,918</u>

See notes to schedule of expenditures of federal awards.

WILLAMETTE WORKFORCE PARTNERSHIP
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

PURPOSE OF THE SCHEDULE

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Willamette Workforce Partnership (the Organization) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

INDIRECT COST RATE

The Organization has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

WILLAMETTE WORKFORCE PARTNERSHIP
PRIOR YEAR SUMMARY OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's opinion issued:	Unmodified
Internal control reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)?	No

Identification of major programs:

CFDA Numbers

Name of Federal Program or Cluster

17.258, 17.259, 17.278

WIOA Cluster

Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

FINANCIAL STATEMENT FINDINGS

None.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.