

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Assets</u></b>		
Cash	\$ 481,345	\$ 418,366
Due from State Partners	136,295	117,557
Other Receivable	32,392	22,073
Grants Receivable	835,051	796,056
Industry Partnership Receivable	82,019	0
Prepaid Expenses	55,788	70,797
Cash - Restricted for Sustainability	<u>228,821</u>	<u>228,821</u>
<b>Total Assets</b>	<b>\$1,851,711</b>	<b>\$1,653,670</b>
 <b><u>Liabilities and Net Assets</u></b>		
<b><u>Liabilities</u></b>		
Accounts Payable	\$ 708,355	\$ 621,910
Accrued Expenses	20,547	20,251
Accrued Paid Time Off	39,879	38,062
Accrued Payroll Taxes and Benefits	5,314	4,350
Deferred Revenue	<u>617,027</u>	<u>602,717</u>
<b>Total Liabilities</b>	<b>\$1,391,121</b>	<b>\$1,287,290</b>
 <b><u>Net Assets</u></b>		
Unrestricted Net Assets	\$ 149,750	\$ 137,559
Temporarily Restricted Net Assets	<u>310,840</u>	<u>228,821</u>
<b>Total Net Assets</b>	<b>\$ 460,590</b>	<b>\$ 366,380</b>
 <b>Total Liabilities and Net Assets</b>	 <b>\$1,851,711</b>	 <b>\$1,653,670</b>

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Unrestricted Net Assets</u></b>		
<b><u>Support and Revenue</u></b>		
<b><u>Federal Sources</u></b>	\$ 6,683,551	\$ 6,648,484
<b><u>State and Local Sources</u></b>	<u>391,247</u>	<u>109,622</u>
Total Revenue	\$ 7,074,798	\$ 6,758,106
<b><u>Net Assets Released from Restriction</u></b>	<u>0</u>	<u>757</u>
Total Support and Revenue	<u>\$ 7,074,798</u>	<u>\$ 6,758,863</u>
<b><u>Expenses</u></b>		
Administration	\$ 272,289	\$ 340,587
Program Costs	<u>6,790,318</u>	<u>6,407,600</u>
Total Expenses	<u>\$ 7,062,607</u>	<u>\$ 6,748,187</u>
Change in Unrestricted Net Assets	\$ 12,191	\$ 10,676
<b><u>Unrestricted Net Assets</u> - Beginning</b>	<u>137,559</u>	<u>126,883</u>
<b><u>Unrestricted Net Assets</u> - Ending</b>	<u>\$ 149,750</u>	<u>\$ 137,559</u>
<b><u>Temporarily Restricted Net Assets</u></b>		
<b><u>Temporarily Restricted Net Assets</u> - Beginning</b>	\$ 228,821	\$ 229,578
Industry Partnership Match	82,019	0
Net Assets Released from Restriction	<u>0</u>	( <u>757</u> )
<b><u>Temporarily Restricted Net Assets</u> - Ending</b>	<u>\$ 310,840</u>	<u>\$ 228,821</u>

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2017**

	<u>Administration</u>	<u>Program</u>	<u>Total</u>
Salaries	\$163,276	\$ 355,616	\$ 518,892
Payroll Taxes	12,629	28,169	40,798
Employee Benefits	37,135	50,859	87,994
Staff Travel/Development	1,986	14,057	16,043
Board Expense	1,214	3,707	4,921
Insurance	519	628	1,147
Professional Services	4,834	6,038	10,872
Other Contracted Services	13,718	17,737	31,455
Property	422	515	937
Rent - Building	27,526	37,166	64,692
Rent - Equipment	691	901	1,592
Office Supplies	1,337	1,736	3,073
Outreach	413	1,152	1,565
Telephone	2,472	3,333	5,805
Subscriptions/Memberships	3,581	24,394	27,975
Vehicles	536	132,281	132,817
Resource Sharing Expenditures	<u>0</u>	<u>639,979</u>	<u>639,979</u>
Subtotal CPWDC Expenses	\$272,289	\$1,318,268	\$1,590,557
Contracted Training Services	0	645,629	645,629
Contracted Other Providers	0	1,736,233	1,736,233
Grants to Operators	<u>0</u>	<u>3,090,188</u>	<u>3,090,188</u>
Total Expenses	<u>\$272,289</u>	<u>\$6,790,318</u>	<u>\$7,062,607</u>

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Administration</u>	<u>Program</u>	<u>Total</u>
Salaries	\$198,054	\$ 300,206	\$ 498,260
Payroll Taxes	15,480	23,745	39,225
Employee Benefits	41,279	42,692	83,971
Staff Travel/Development	4,058	12,057	16,115
Board Expense	2,875	6,292	9,167
Insurance	951	827	1,778
Professional Services	6,012	7,176	13,188
Other Contracted Services	24,258	24,338	48,596
Property	1,377	2,463	3,840
Rent - Building	31,523	32,337	63,860
Rent - Equipment	2,752	2,811	5,563
Office Supplies	1,902	1,877	3,779
Outreach	1,148	924	2,072
Telephone	2,972	3,049	6,021
Subscriptions/Memberships	4,711	24,522	29,233
Vehicles	1,235	1,515	2,750
Resource Sharing Expenditures	0	665,733	665,733
Bad Debts	<u>0</u>	<u>300</u>	<u>300</u>
Subtotal CPWDC Expenses	\$340,587	\$1,152,864	\$1,493,451
Contracted Training Services	0	717,229	717,229
Contracted Other Providers	0	833,724	833,724
Grants to Operators	<u>0</u>	<u>3,703,783</u>	<u>3,703,783</u>
Total Expenses	\$340,587	\$6,407,600	\$6,748,187

**See Accompanying Notes and Independent Auditor's Report**

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows from Operating Activities</u></b>		
Change in Net Assets	\$ 94,210	\$ 9,919
Adjustments to Reconcile Change in Net Assets to Net Cash (Used) Provided by Operating Activities:		
(Increase) in Due from State Partners	( 18,738)	( 67,255)
(Increase) Decrease in Other Receivables	( 10,319)	11,841
(Increase) in Grants Receivable	( 38,995)	( 634,951)
(Increase) in Industry Partnership Receivable	( 82,019)	0
(Increase) Decrease in Prepaid Expenses	15,009	( 7,554)
(Decrease) Increase in Accounts Payable	86,445	( 365,721)
Increase in Accrued Expenses	296	7,763
Increase in Accrued Paid Time Off	1,816	5,571
Increase in Accrued Payroll Taxes and Benefits	964	112
(Decrease) Increase in Deferred Revenue	<u>14,310</u>	( <u>160,182</u> )
Net Cash Provided (Used) by Operating Activities	\$ 62,979	(\$1,200,457)
<b><u>Cash - Beginning</u></b>	<u>647,187</u>	<u>1,847,644</u>
<b><u>Cash - Ending</u></b>	\$ 710,166	\$ 647,187
Interest Paid	\$ 0	\$ 0
Income Tax Paid	\$ 0	\$ 0

See Accompanying Notes and Independent Auditor's Report

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**

**Note 1: Summary of Significant Accounting Policies**

The following summary describes the significant accounting policies followed by the Central Pennsylvania Workforce Development Corporation (the Organization) in the presentation of its financial statements.

**Organization and Nature of Activities**

The Organization's primary purpose is to ensure that workforce development services, operating within its nine county (Centre, Clinton, Columbia, Lycoming, Mifflin, Montour, Northumberland, Snyder, and Union Counties) regional workforce investment area, effectively and efficiently support the labor and job training demands of its area's industries, and help Pennsylvania's students, job seekers, incumbent and dislocated workers acquire world-class skills and attain rewarding and sustainable jobs. The Organization's mission is to be the leading vehicle for regional unification, coordination, integration, and alignment of workforce activities, resources, and initiatives to support economic sustainability, improve education systems, and develop and retain a quality labor force in central Pennsylvania. These activities, which are funded by the Commonwealth of Pennsylvania's Department of Labor and Industry and Department of Human Services, as well as the US Department of Labor, represent approximately 98% and 99%, respectively, of the Organization's total support and revenue for the years ended June 30, 2017 and 2016.

**Financial Statement Presentation**

In accordance with accounting principles regarding *Financial Statements of Not-for-Profit Organizations*, 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. In addition, the Organization is required to present a statement of cash flows.

**Basis of Accounting**

The Organization utilizes the accrual method of accounting. Under this basis, revenues are recorded when earned and expenses are recorded when incurred. Restricted grant income is deferred until expended for the purpose of the grant.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of management's estimates.

**Cash and Cash Equivalents**

The Organization considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

**Receivables**

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables. As of June 30, 2017 and 2016, the valuation

CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017 AND 2016  
(CONTINUED)

**Note 1: Summary of Significant Accounting Policies (Continued)**

**Receivables** (Continued)

allowance is \$0. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Changes in the valuation allowance have not been material to the financial statements. None of the receivables generate interest income.

**Federal Income Taxes**

The Organization, which is not a private foundation, is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

The Organization's federal "*Return of Organization Exempt from Income Tax*" Information Return (Form 990) for the years ending after June 30, 2013 are subject to examination by the Internal Revenue Service.

**Expense Allocation**

Various operating expenses are allocated to programs based upon the amount of time spent working within each program. Allocated expenses include office rental, insurance, salaries and wages, and fringe benefits.

**Risk Concentration**

The entity maintains cash balances with a high credit quality financial institution located in Pennsylvania. Amounts at this institution, up to \$250,000, are fully insured by the Federal Deposit Insurance Corporation. As of June 30, 2017 and 2016, excess deposits of \$528,760 and \$476,060, respectively, are uninsured at the financial institution.

**Note 2: Contributions Receivable**

As of June 30, 2017, the Organization's contributions receivable are all due within one year. Management has determined that all contributions receivable are collection and, as a result, no allowance was necessary.

**Note 3: Purchase of Equipment with Grantor Funds**

The Organization records the purchase of fixed assets with grantor funds as an expense in the current period. Title to these assets remains with the Grantor Agencies and, as a result, these assets are not included on the Organization's balance sheet. If these assets had been included, property, plant, and equipment would be increased by \$1,054,741 and \$909,241, respectively, for the years ended June 30, 2017 and 2016, which represent the undepreciated cost of these assets.

The Organization's Property Procedures Manual defines property as nonexpendable personal property with a unit acquisition cost of \$500 or more with a useful life of more than one year. In addition, all subrecipients' property purchases in excess of \$5,000 would be included as well.

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(CONTINUED)**

**Note 4: Contingencies**

Grantor agencies reserve the right to perform certain audits in addition to the work performed by the Corporation's independent auditors. Disallowed costs, if any, resulting from such additional audits would have to be absorbed by the Organization. Management does not believe that any significant costs will be incurred by the Organization if such additional audits should occur.

**Note 5: Commitments**

As of June 30, 2017, the Corporation had entered into various noncancellable operating lease agreements for the rental of office facilities expiring on September 30, 2020. Minimum rentals on an annual basis are as follows:

<u>Fiscal Year Ending June 30</u>	
2018	\$344,659
2019	45,900
2020	46,200
2021	11,550
2022	0
Thereafter	<u>0</u>
	<u>\$448,309</u>

The Corporation's partners pay for their respective space at the various PA CareerLinks®. As a result, total facility rent expense recognized as a corporation expense, for the years ended June 30, 2017 and 2016, were \$64,692 and \$63,860, respectively.

**Note 6: Retirement Plan**

As of January 1, 2000, the Corporation established the Central Pennsylvania Workforce Development Corporation 401(k) Retirement Plan and Trust, in which employees can contribute the annual maximum amount as determined by the IRS with a match from the Corporation of up to 4%. The Corporation, in its sole discretion, may also contribute an amount, which it designates as a qualified nonelective contribution. Employees become active participants when the employee has completed six months of eligible service (1,000 hours or more of service in a 12 consecutive month period) and is age 21 or older. Past Corporation employment is considered. Employees vest immediately. For the years ended June 30, 2017 and 2016, the Corporation's contributions to this Plan were \$19,507 and \$17,822, respectively.

**CENTRAL PENNSYLVANIA WORKFORCE DEVELOPMENT CORPORATION**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017 AND 2016**  
**(CONTINUED)**

**Note 7: Line of Credit**

On January 8, 2016, the Corporation established a Preferred Variable Rate Nondisclosable Revolving Line of Credit Loan for \$1,000,000, due on demand, from First National Bank of Pennsylvania to provide interim financing to cover operating needs. The collateral for this loan is all corporate assets. The interest rate is subject to change based on changes in the Tax Free Equivalent (67%) of the sum of the one-month LIBOR, plus 200 basis points. No amount has been drawn on this line of credit as of June 30, 2017.

**Note 8: Economic Dependency**

The Organization's revenues are derived almost entirely from the Commonwealth of Pennsylvania's Department of Labor and Industry and the Department of Public Welfare, whose dollars are passed-through.

**Note 9: Subsequent Events**

The date to which events occurring after June 30, 2017, the date of the most recent balance sheet, have been evaluated by management for possible adjustment to the financial statements or disclosure is January 24, 2018, which is the date on which the financial statements were available to be issued.

**Note 10: Temporarily Restricted Net Assets**

As of June 30, 2017 and 2016, the Organization's temporarily restricted net assets were comprised of sustainability amounts received as private sector match for training. All industry partnerships receiving PA Industry Partnership funding for training incumbent workers and new hires must provide private sector match for training, which can be used to support training new hires and incumbent worker training activities and the sustainability of the partnership's goals and objectives.

	<u>2017</u>	<u>2016</u>
Sustainability Amounts	\$310,840	\$228,821