

**EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS**

**FINANCIAL STATEMENTS AND
SINGLE AUDIT INFORMATION**

For the Year Ended June 30, 2019



EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
FINANCIAL STATEMENTS AND SINGLE AUDIT INFORMATION
For the Year Ended June 30, 2019

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EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS

June 30, 2019

EXECUTIVE DIRECTOR

Heather Ficht

BOARD OF DIRECTORS

Wally Corwin	Chair
Mark Warne	Treasurer/Secretary
Michelle Alvarado	Board Member
David Burger	Board Member
Martin Campos-Davis	Board Member
Lisa Dobey	Board Member
Lisa Farquharson	Board Member
Amy Gibbs	Board Member
Roberto Gutierrez	Board Member
Nicole Hough	Board Member
Molly Joubert	Board Member
Julie Matthews	Board Member
Sam Meier	Board Member
Jennifer Newby	Board Member
Gary North	Board Member
Robbie Smith	Board Member
Heather Tramp	Board Member
Steve Kramer	Chief Local Elected Official - Chair
Wayne Fording	Local Elected Official - Co-Vice Chair
Derrick DeGroot	Local Elected Official - Co-Vice Chair

REGISTERED ADDRESS

404 SW Columbia St., Suite 200
Bend, OR 97702

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
East Cascades Workforce Investment Board
dba East Cascades Works
Bend, Oregon

Report on the Financial Statements

We have audited the accompanying financial statements of East Cascades Workforce Investment Board dba East Cascades Works (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of East Cascades Workforce Investment Board dba East Cascades Works as of June 30, 2019, and the changes in its net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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 14, 2020, on our consideration of East Cascades Workforce Investment Board dba East Cascades Works' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of East Cascades Workforce Investment Board dba East Cascades Works' 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 East Cascades Workforce Investment Board dba East Cascades Works' internal control over financial reporting and compliance.



Jones & Roth, P.C.
Eugene, Oregon
January 14, 2020

FINANCIAL STATEMENTS

EAST CASCADES WORKFORCE INVESTMENT BOARD
 dba EAST CASCADES WORKS
 STATEMENT OF FINANCIAL POSITION
 June 30, 2019

Assets

Current assets

Cash	\$ 358,332
Cash - restricted	49,238
Accounts receivable	871
Grants receivable	118,025
Prepaid expenses	<u>14,893</u>
Total current assets	541,359

Long term assets

Cash - restricted	60,000
Operating lease right-of-use assets	88,093
Deposits	<u>3,200</u>
Total long term assets	<u>151,293</u>

Total assets	<u><u>\$ 692,652</u></u>
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Liabilities and Net Assets

Current liabilities

Accounts payable	\$ 447,129
Accrued payroll and related benefits	19,524
Unearned revenue	39,287
Operating lease liabilities	<u>32,676</u>
Total current liabilities	538,616

Long term liabilities

Unearned revenue	60,000
Operating lease liabilities	<u>58,563</u>
Total long term liabilities	<u>118,563</u>

Total liabilities	657,179
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Net assets

Net assets without donor restrictions	<u>35,473</u>
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Total liabilities and net assets	<u><u>\$ 692,652</u></u>
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The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
 dba EAST CASCADES WORKS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2019

	<u>Net Assets Without Donor Restrictions</u>
Revenues	
Government grants	\$ 4,259,107
Local revenue	16,000
Program income	113,186
Special event revenue, net of expense	12,050
Miscellaneous revenue	4,896
In kind revenue	4,525
Interest income	<u>472</u>
Total revenues	<u>4,410,236</u>
Expenses	
Program activity:	
Employment and training	4,174,494
Supporting services:	
Management and general	<u>227,276</u>
Total expenses	<u>4,401,770</u>
Change in net assets	8,466
Net assets, beginning of year	30,544
Cumulative effect, change in accounting principle	<u>(3,537)</u>
Net assets, end of year	<u>\$ 35,473</u>

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
 dba EAST CASCADES WORKS
 STATEMENT OF CASH FLOWS
 For the Year Ended June 30, 2019

	<u>Net Assets Without Donor Restrictions</u>
Cash flows from operating activities	
Change in net assets	\$ 8,466
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
(Increase) decrease in operating assets:	
Accounts receivable	1,765
Grants receivable	179,514
Prepaid expenses	1,685
Operating lease right-of-use assets	30,895
Increase (decrease) in operating liabilities:	
Accounts payable	(111,867)
Accrued payroll and related benefits	4,239
Unearned revenue	78,048
Operating lease liabilities	<u>(31,285)</u>
Net cash provided by operating activities	<u>161,460</u>
Net increase in cash and restricted cash	161,460
Cash and restricted cash, beginning of year	<u>306,110</u>
Cash and restricted cash, end of year	<u><u>\$ 467,570</u></u>
 As presented in the Statement of Financial Position:	
Cash	\$ 358,332
Cash - restricted, short term	49,238
Cash - restricted, long term	<u>60,000</u>
	<u><u>\$ 467,570</u></u>

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2019

	Program Activity	Supporting Services	
	Employment and Training	Management and General	Total
Personnel costs	\$ 392,246	\$ 167,875	\$ 560,121
Legal	-	176	176
Professional services	8,218	17,975	26,193
Office expense	2,635	1,495	4,130
Occupancy	35,439	16,318	51,757
Travel	14,736	849	15,585
Conferences, conventions, and meetings	4,367	1,291	5,658
Insurance	-	5,065	5,065
Other expenses:			
Payments to grant subrecipient providers	2,733,464	-	2,733,464
WorkSource Oregon center expenses	79,896	-	79,896
One stop operator	27,508	2,751	30,259
Program projects:			
Rapid response - Composite Approach	60,748	-	60,748
Apprenticeship USA	316,862	-	316,862
Sectors projects	19,014	-	19,014
State of Oregon Innovation Fund projects	142,000	-	142,000
Warm Springs Future Ready	158,788	-	158,788
Industry Cohort Training	39,985	-	39,985
Incumbent Worker Training	19,149	-	19,149
Other	72,522	-	72,522
Fees/taxes	45	7,073	7,118
Memberships	8,095	4,484	12,579
Printing	1,708	705	2,413
Staff training	2,882	1,219	4,101
Itrac database	24,032	-	24,032
Program Outreach	4,265	-	4,265
Miscellaneous expense	1,365	-	1,365
In kind expense	4,525	-	4,525
	<u>4,174,494</u>	<u>227,276</u>	<u>4,401,770</u>
Total functional expenses	<u>\$ 4,174,494</u>	<u>\$ 227,276</u>	<u>\$ 4,401,770</u>

The accompanying notes are an integral part of these statements.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Reporting Entity

East Cascades Workforce Investment Board dba East Cascades Works (EC Works or the Organization) was formed on July 1, 2015, as a 501(c)(3) nonprofit corporation organized in the state of Oregon. The Organization services a ten county area in Oregon, including Crook, Deschutes, Gilliam, Hood River, Jefferson, Klamath, Lake, Sherman, Wasco, and Wheeler Counties.

EC Works is a workforce development organization dedicated to assisting employers in recruiting and retaining employees and helping individuals find employment and progress in their careers. Specifically, the Organization is charged with strategic planning, oversight, and administrative responsibility for the public workforce system including, but not limited to, those funded under the Workforce Innovation and Opportunity Act of 2014 (WIOA). The WIOA requires that each workforce area designated by the Governor form a Local Workforce Development Board. The Board of Directors of EC Works was designated to meet this requirement for the geographic area of the counties in Oregon noted above.

Budget Policy

The administrative and fiscal staff in consultation with the Treasurer prepare a draft budget for modification and approval by the Executive Committee. Once approved by the Executive Committee, it is then submitted to the Central Oregon Workforce Consortium (COWC) for adoption. The COWC consists of one County Commissioner or Judge from each county serviced by EC Works and is charged with annual budget adoption.

There is no legal requirement that expenditures do not exceed appropriations; however, it is Board practice to limit expenditures to the amount appropriated.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting wherein revenues are reported when earned and expenses are reported when incurred. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recorded as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Functional Allocation of Expenses

The costs of providing the program have been summarized on a functional basis in the accompanying statement of activities. Accordingly, certain costs have been allocated among program and supporting services benefited. EC Works' sole program is Employment and Training Services. This program is charged with planning, oversight, and administrative responsibility for local job training programs for at risk populations in the area.

EC Works allocates costs between program and support activities based on a cost allocation plan. Most of EC Works' operating expenses are allocated to program and support activities based on employee timecards unless the item of cost can be specifically traced to a program related activity. Subrecipient expenses are 100 percent program.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Accounting Standards Update

EC Works early adopted the requirements of Accounting Standards Update (ASU) 2016-14, *Not-for-Profit Entities, Presentation of Financial Statements of Not-for-Profit Entities*, during the year ended June 30, 2017. This update supersedes accounting standards that exist under current GAAP and makes improvements to address identified issues about current financial reporting for not-for-profit entities. Under the new standard, not-for-profits are required to present amounts for two classes of net assets rather than the currently required three classes. Among the added disclosures required under ASU 2016-14, not-for-profit entities are to disclose information about liquid resources, the availability of financial assets to meet cash needs, and expenses by both natural and functional classification.

EC Works early adopted the requirements of ASU 2016-18, *Statement of Cash Flows: Restricted Cash*, during the year ended June 30, 2019. This update supersedes accounting standards that exist under current GAAP and makes improvements to address identified issues about current financial reporting for not-for-profit entities. Under the new standard, not-for-profits are required to present on the Statement of Cash Flows the line item descriptions and amounts from the Statement of Financial Position that total the cash balance at the end of the fiscal year.

EC Works early adopted the requirements of ASU 2016-02, *Leases*, during the year ended June 30, 2019. This update supersedes accounting standards that exist under current GAAP and makes improvements to address identified issues about current financial reporting for not-for-profit entities. Under the new standard, lessees are required to report right-of-use assets and liabilities for operating and financing leases. Implementation of this accounting standard reduced beginning net assets without donor restrictions by \$3,537 as of July 1, 2018.

Assets, Liabilities, and Net Assets

Cash

Cash consists of cash on hand and demand deposits deposited in a U.S. Bank account.

Receivables

Receivables are recorded in accordance with the policies enumerated above. Management of EC Works considers all amounts included in accounts and grants receivable to be collectible; therefore, no provision for uncollectible accounts has been made.

EC Works receives federal funds from the U.S. Department of Labor passed through the state of Oregon, as well as several other nonfederal grants. The amount receivable represents contract billings and cash requests, relating to expenditures incurred through the end of the program year, which had not been received at June 30, 2019.

Capital assets

Capital assets are defined by EC Works as assets with an initial individual cost of \$5,000 or greater and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at their fair value at the date of donation.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Assets, Liabilities, and Net Assets, continued

Depreciation is provided using the straight-line method based on the estimated useful lives of the related assets.

State and federal grantor agencies retain a reversionary interest in all capital assets that are purchased with state and federal funding.

EC Works had no capital assets as of June 30, 2019.

Compensated absences payable

EC Works revised the time off policy during the year ended June 30, 2018, to include a provision for paid time off which does not vest or carry over to subsequent years. As such, no liability for unpaid time off has been accrued as of June 30, 2019.

Deferred Revenue

Deferred revenue totaling \$99,287 as of June 30, 2019 mostly consists of funds received for expenditure-driven grants restricted to use in future periods by either time or donor restrictions. \$90,000 of the balance relates to a grant received from Central Oregon Health Council (see Note 6 Restricted Cash), of which \$30,000 is expected to be earned in the year ending June 30, 2020 and is classified as current, with the remaining balance of \$60,000 expected to be earned subsequent to June 30, 2020 and is classified as long term.

Net assets

During the year ended June 30, 2017, EC Works implemented ASU 2016-14, *Not-for-Profit Entities and Health Care Entities, Presentation of Financial Statements of Not-for-Profit Entities*. EC Works reports net assets as changes in net assets with donor restrictions and net assets without donor restrictions.

- Net Assets with Donor Restrictions – The part of net assets of a not-for-profit entity that is subject to donor-imposed restrictions (donors include other types of contributors, including makers of certain grants).
- Net Assets without Donor Restrictions – The part of net assets of a not-for-profit entity that is not subject to donor-imposed restrictions, including Board-designated net assets (self-imposed limits by action of the governing board) that may be earmarked for future programs, investment, contingencies, purchase or construction of fixed assets, or other uses.

EC Works reduces net assets with donor restriction amounts, if any, first when expenditures are incurred for purposes for which restricted and unrestricted amounts are available.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies, continued

Income Taxes

EC Works is exempt from income tax under Internal Revenue Code (IRC) Section 501(c)(3) and is only subject to tax on income unrelated to its exempt purposes, unless that income is otherwise excluded by the IRC. The Organization's federal Return of Organization Exempt from Income Tax return (Form 990) and state of Oregon Form CT-12 for the year ended June 30, 2019, are subject to examination by the Internal Revenue Service and Oregon Department of Revenue, respectively, generally for three years after filed.

Management evaluated EC Works' tax positions, including unrelated business income, if any, and concluded that EC Works had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance.

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.

Concentration of Credit Risk

EC Works maintains its cash and bank deposit accounts in certain financial institutions. Interest and noninterest bearing accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000.

All deposits not covered by FDIC insurance are covered by the Public Funds Collateralization Program (PFCP) of the state of Oregon. Deposits in excess of FDIC coverage with institutions participating in the Oregon PFCP are collateralized with securities held by the Federal Home Loan Bank of Seattle in the name of the institution. The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100 percent protected.

EC Works has not experienced any loss in such accounts.

2. Commitments and Contingencies

EC Works leases an office suite under a non-cancelable operating lease that expires on May 31, 2021. Base rent payments were \$2,390 per month from July 1, 2018 through May 31, 2019, and \$2,461 per month beginning June 1, 2019. Total rent includes base rent plus a portion of maintenance, repair, and overhead on the building and common areas. Rent expense, including common area charges, totaled \$38,006 for the year ended June 30, 2019. The lease includes scheduled three percent annual rent escalation clauses.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

2. Commitments and Contingencies, continued

EC Works determined that this agreement does include a lease with a non-cancelable lease term in excess of one year, and as such this agreement has been included in the calculation of the operating lease right-of-use asset and operating lease liability. The discount rate used is the risk-free 5-year Treasury bill rate in effect at lease inception, 1.55%. Total base lease expense recognized as a result of the recognition of the right-of-use asset and lease liability totaled \$28,358 for the year ended June 30, 2019 and this amount has been included in expense.

EC Works subleases two office spaces within its office suite to the Oregon Employment Department. This operating lease expires on June 30, 2020, but may be canceled at any time with a 90-day written notice. For the year ended June 30, 2019, monthly payments were \$787 per month (\$9,439 per year), which has been included in income. The lease includes two 2-year renewal options. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

EC Works leases office spaces for the WorkSource Oregon center located in the Hood River, Oregon area. This operating lease expires on June 30, 2019. For the year ended June 30, 2019, monthly payments were \$384 per month, and \$4,608 has been included in expense for the year. Prior to year-end, EC Works executed a new lease for this space which expires on June 30, 2020 and includes one 1-year renewal option. The base rent is scheduled to increase three percent per year. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

EC Works leases office spaces for the WorkSource Oregon center located in The Dalles, Oregon area. This operating lease expires on June 30, 2020, and includes monthly payments totaling \$933 per month from July 2018 through January 2019 and \$954 per month from February through June 2019, and \$11,296 has been included in expense for the year. EC Works renewed the lease in June 2018. The lease includes an option to extend the agreement. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

Beginning September 1, 2017, EC Works leases office spaces for the WorkSource Oregon center located in Bend, Oregon area. This operating lease expires on June 30, 2020 and includes monthly payments totaling \$1,260 per month, and \$15,120 has been included in expense for the year. The lease includes an option to extend the agreement in accordance with the Oregon Employment Department's exercised Prime Lease extension options. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

Beginning November 1, 2017, EC Works leases office spaces for the WorkSource Oregon center located in Redmond, Oregon area. This operating lease expires on June 30, 2020 and includes monthly payments totaling \$135 per month, and \$1,618 has been included in expense for the year. The lease includes an option to extend the agreement in accordance with the Oregon Employment Department's exercised Prime Lease extension options.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

2. Commitments and Contingencies, continued

EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

Beginning July 1, 2017, EC Works entered into a Memorandum of Understanding with a subrecipient to reimburse lease payments for four Central Oregon WorkSource center locations in Bend, Redmond, Madras, and Prineville. EC Works will continue reimbursement payments until EC Works assumes the leases. As of June 30, 2019, EC Works has assumed the leases for the Bend, Redmond, and Prineville locations, and continues to reimburse the subrecipient for the Madras location. For the 2018-2019 fiscal year, EC Works reimbursed the subrecipient \$28,612 for the Madras location including common area charges, and this amount has been included in expense. EC Works terminated the Madras lease as of August 31, 2019, and as such, there is no further obligation under the MOU with Central Oregon Intergovernmental Council as of September 30, 2019.

Beginning July 1, 2018, EC Works leases office spaces for the WorkSource Oregon center located in Prineville, Oregon area. This operating lease expires on June 30, 2019 and includes monthly payments totaling \$400 per month, and \$4,800 has been included in expense for the year. EC Works terminated the Prineville lease as of June 30, 2019. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

Beginning October 1, 2017, EC Works leases office spaces for the WorkSource Oregon center located in Klamath Falls, Oregon area. This operating lease expires on June 30, 2019 and includes monthly payments totaling \$258 per month, and \$3,099 has been included in expense for the year. EC Works renewed the lease in June 2018. The expiration date for the renewal is June 30, 2020 and payments will be \$101 monthly for the 2019 – 2020 fiscal year. EC Works determined that this agreement does include a lease, however, the non-cancelable lease term is less than 12 months; therefore, this agreement has not been included in the calculation of the operating lease right-of-use asset and operating lease liability.

Beginning January 2, 2018, EC Works leases office spaces for the WorkSource Oregon center located in Lakeview, Oregon area. This operating lease expires on January 1, 2023 and includes monthly payments totaling \$375 per month, and \$4,500 has been included in expense for the year. The lease includes an option to extend the agreement for an additional five-year period. EC Works determined that this agreement does include a lease with a non-cancelable lease term in excess of one year, and as such this agreement has been included in the calculation of the operating lease right-of-use asset and operating lease liability including the option to extend. The discount rate used is the risk-free 10-Year Treasury bill rate in effect at lease inception, 2.46%.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

2. Commitments and Contingencies, continued

Future minimum lease payments for noncancelable leases are as follows:

<u>For the Year Ending June 30,</u>	
2020	\$ 34,111
2021	32,388
2022	4,500
2023	4,500
2024	4,500
Thereafter	<u>15,750</u>
	<u>\$ 95,749</u>

A reconciliation of future minimum lease payments for non-cancelable leases to operating lease liability as reported in the Statement of Financial Position for the year ended June 30, 2019 is as follows:

Future minimum lease payments	\$ 95,749
Discounted to present value	<u>(4,509)</u>
Operating lease liability	<u>\$ 91,240</u>

Summary of lease information is as follows:

Operating lease cost	\$ 32,858
Short-term lease cost	69,153
Sublease income	<u>(9,439)</u>
Total lease cost	<u>\$ 92,572</u>

Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating leases	<u>\$ 33,249</u>

Weighted-average remaining lease term – operating leases 55 months

Weighted average discount rate – operating leases 1.89%

3. Risk Management

EC Works is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. EC Works maintains coverage through commercial insurance companies for risk of loss. There were no insurance settlements exceeding insurance coverage during the year ended June 30, 2019.

EAST CASCADES WORKFORCE INVESTMENT BOARD
 dba EAST CASCADES WORKS
 NOTES TO FINANCIAL STATEMENTS

3. Risk Management, continued

EC Works contracted with several subrecipient organizations to provide training and employment services during the year ended June 30, 2019. While federal and state requirements and compliance for provisions of services are defined and rather strict, there are other local organizations capable of providing the necessary services in the event any of the three primary contracted service providers cease to perform or operate per the terms of their contracts. Combined, the three primary providers in EC Works' three regions (North, Central, and South) were paid \$2,733,464 during the year ended June 30, 2019.

4. Related Party Transactions

EC Works has entered into contracts with organizations whose Boards of Directors include members of the COWC, or whose employees included members of the EC Works Board of Directors. The conflicted party is precluded from voting on budget and contract approval where a conflict is present.

The following contracts were in effect during the year ended June 30, 2019:

Agency	Funding Title	Expense	Payable
Central Oregon Community College	WIOA Title 1B	\$ 109,144	\$ 3,000
Central Oregon Community College	State of Oregon Work Experience	86,433	-
Central Oregon Community College	State of Oregon Industry Engagement	32,056	-
Central Oregon Community College	DOL Apprenticeship USA	90,000	-
Central Oregon Community College	WIOA Title 1B Future Ready	3,000	-
Central Oregon Intergovernmental Council	WIOA Title 1B	1,441,327	81,903
Central Oregon Intergovernmental Council	WIOA Title 1B Future Ready	14,800	14,325
Central Oregon Intergovernmental Council	DHS 2018 and 2019 TANF Summer Youth Employment Program	34,867	15,678

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions, continued

<u>Agency</u>	<u>Funding Title</u>	<u>Expense</u>	<u>Payable</u>
Central Oregon Intergovernmental Council	GED Wraparound	120,622	16,402
Central Oregon Intergovernmental Council	DOL Apprenticeship USA	15,400	15,400
Central Oregon Intergovernmental Council	State of Oregon Work Experience	67,034	6,047
Central Oregon Intergovernmental Council	Central Oregon WorkSource Lease MOU – WIOA Title 1B	28,612	2,473
Klamath Community College	WIOA Title 1B	605,956	90,964
Klamath Community College	State of Oregon Work Experience	25,685	864
Klamath Community College	Lake County General Funds	20,707	-
Klamath Community College	State of Oregon Innovation Funds	30,000	-
Columbia Gorge Community College	WIOA Title 1B	390,838	69,200
Columbia Gorge Community College	DHS 2019 TANF Summer Youth Employment Program	6,140	6,140
Columbia Gorge Community College	State of Oregon Work Experience	9,618	2,660
Columbia Gorge Community College	Northern Oregon WorkSource lease WIOA Title 1B	4,608	-

EAST CASCADES WORKFORCE INVESTMENT BOARD
 dba EAST CASCADES WORKS
 NOTES TO FINANCIAL STATEMENTS

4. Related Party Transactions, continued

Composite Approach	Rapid Response	60,748	-
Oregon Employment Department	WorkSource leases – WIOA Title 1B	31,133	-
Technology Association of Oregon Fndn	WIOA Title 1B	5,000	5,000
Technology Association of Oregon Fndn	DOL Apprenticeship USA	11,100	-
The Dalles Area Chamber of Commerce	State of Oregon Innovation Funds	15,000	7,500

Additionally, EC Works paid Oregon Workforce Partnership (OWP) \$10,000 during the year ended June 30, 2019. An employee of EC Works is on the Board of Directors of OWP. The annual membership fee covers expenses for monthly meetings, as well as the costs for partnership development with other workforce boards in Oregon, the Oregon Employment Department and the Governor's office.

EC Works paid other nominal amounts for a total of \$2,121 to Central Oregon Community College, Central Oregon Intergovernmental Council, Klamath Community College and The Dalles Area Chamber of Commerce for classes, conferences, catering and dues.

5. Retirement Plan

EC Works maintains a 401k retirement program for eligible employees. The Organization matches employee contributions up to 100 percent of the first six percent of eligible earnings contributed by employees. All matching contributions vest immediately. The Organization's matching contributions to the 401(k) plan totaled \$21,721 during the year ended June 30, 2019.

6. Restricted Cash

Restricted cash totaled \$109,238 as of June 30, 2019.

Funds totaling \$19,238 relate to amounts collected as a beneficiary of a fundraising event that occurred in September 2018, and will occur again in September 2019. The amounts collected relating to the September 2019 event are included in current unearned revenue. In accordance with the fiscal service agreement, the amounts are required to be maintained in a separate account and are restricted by the hosting entity. EC Works will receive 10 percent of the net proceeds from the event once final amounts are determined to support EC Works' administrative expenses. Net proceeds, after administrative expenses, are to be invested in construction industry training.

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO FINANCIAL STATEMENTS

6. Restricted Cash, continued

Additionally, EC Works received a grant totaling \$90,000 from Central Oregon Health Council to fund half of the total cost of a part time Health Careers Outreach Coordinator position at Central Oregon Community College for 36 months beginning on or around August 1, 2019. As such, the amount is included in restricted cash, as well as current and long term unearned revenue.

7. Contributed Services

EC Works received a total of \$4,525 in contributed services during the year ended June 30, 2019. These services created high-quality program outreach materials for the Employment and Training program activity. This amount has been included in In Kind Revenues and In Kind Expenses in the financial statements.

8. Change in Accounting Principle, ASU 2016-02, *Leases*

EC Works elects not to recognize right-of-use assets and lease liabilities that arise from short term leases for any class of underlying assets. Short term leases are accounted for by recognizing the lease payments in the change in net assets on a straight-line basis over the term of the lease. The short-term lease cost and commitments for each short-term lease is disclosed in Note 2, Commitments and Contingencies.

EC Works elects to use the risk-free rate in the calculation of operating lease liabilities for all leases utilizing the Treasury rates in effect at lease inception with terms closely tied to the terms of the leases.

EC Works elects the practical expedient to not separate lease components from non-lease components for all underlying assets.

The balance for operating lease right-of-use assets as of July 1, 2018 totaled \$118,987 and for operating lease liabilities totaled \$122,524 resulting in a net decrease to beginning net assets of \$3,537.

9. Subsequent Events

Management has evaluated subsequent events through the date of the independent auditor's report, 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.

SINGLE AUDIT INFORMATION

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures	Amounts Paid to Subrecipients
U.S. Department of Labor				
Passed through State of Oregon, Department of Community Colleges and Workforce Development (CCWD):				
<i>Title 1B Workforce Investment Opportunity Act Cluster:</i>				
WIOA - Local Administration PY17	17.258	17-148	\$ 12,163	\$ -
WIOA - Local Administration FY18	17.258	17-148	83,235	65,820
WIOA - Adult Program Competitiveness Strategies	17.258	17-243	52,000	-
WIOA - Adult FY18	17.258	17-148	416,275	363,754
WIOA - Adult PY18	17.258	18-030	131,655	100,000
WIOA - Adult FY19	17.258	18-030	252,316	153,596
WIOA - Adult Program 10% Future Ready FY17	17.258	18-166-G	162,995	14,800
WIOA - Adult Program 10% Future Ready FY18	17.258	18-166-G	18,623	-
WIOA - Local Administration PY17	17.259	17-148	103,480	103,480
WIOA - Youth PY17	17.259	17-148	458,762	400,000
WIOA - Youth PY18	17.259	18-030	440,420	338,929
WIOA - Youth - 10% High Concentration of Eligible Youth PY17	17.259	17-148-001	38,294	38,294
WIOA - Local Administration FY17	17.278	16-304-002	19,873	-
WIOA - Local Administration PY17	17.278	17-148	15,043	5,356
WIOA - Local Administration FY18	17.278	17-148	80,151	80,151
WIOA - Dislocated Worker FY17	17.278	16-304-002	178,851	150,000
WIOA - Dislocated Worker FY18	17.278	17-148	602,228	513,754
WIOA - Dislocated Worker PY18	17.278	18-030	136,991	50,000
WIOA - DW Transfer to Adult FY18	17.278	NFA# PY17-4	50,000	50,000
WIOA - Dislocated Worker FY19	17.278	18-030	104,123	35,715
WIOA FY18 DW Admin 5% AAA Composite Approach	17.278	17-148-002	5,432	-
WIOA FY18 Rapid Response 25% Layoff Aversion Composite Approach	17.278	17-148-002	<u>60,748</u>	<u>-</u>
Total Title 1B Workforce Investment Opportunity Act Cluster			3,423,658	2,463,649
<i>Apprenticeship USA Grants</i>				
Apprenticeship USA - Program & Administration	17.285	18-107	<u>147,500</u>	<u>15,400</u>
Total Passed through State of Oregon, CCWD			<u>3,571,158</u>	<u>2,479,049</u>
Total expenditures of federal awards			<u>\$ 3,571,158</u>	<u>\$ 2,479,049</u>

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. Purpose of the Schedule

The accompanying schedule of expenditures of federal awards (the Schedule) is a supplementary schedule to East Cascades Workforce Investment Board dba East Cascades Works' (EC Works') financial statements and is presented for purposes of additional analysis. Because the Schedule presents only a selected portion of the activities of the Organization, it does not present the financial position, changes in financial position, or the revenues and expenditures of EC Works.

2. Significant Accounting Policies

Reporting Entity

The reporting entity is fully described in Note 1 to EC Works' financial statements. The Schedule includes all federal programs administered by EC Works for the fiscal year ended June 30, 2019.

Basis of Presentation

The information in the Schedule is presented in accordance with OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 2CFR200 (Uniform Guidance).

Federal Financial Assistance

Pursuant to the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, or direct appropriations. Accordingly, nonmonetary federal assistance, including federal surplus property, is included in federal financial assistance and is reported on the schedule (if applicable). Federal financial assistance does not include direct federal cash assistance to individuals. Solicited contracts between EC Works and the federal government for which the federal government procures tangible goods or services are not considered to be federal financial assistance.

Major Programs

The Uniform Guidance establishes criteria to be used in defining major programs. Major programs are those programs selected for testing using a risk-assessment model, as well as certain minimum expenditure requirements, as outlined in the Uniform Guidance Subpart F 200.518. Programs with similar requirements may be grouped into a cluster for testing purposes.

Basis of Accounting

Receipts and expenditures are accounted for using the accrual basis of accounting. Revenues are recorded when earned or, in the case of grants where expenditures are the prime factor for determining eligibility, when the expenditure is made. Expenditures are recorded when a liability is incurred.

3. Indirect Cost Rate

EC Works elected to use the ten percent (10%) de minimis indirect cost rate of modified total direct costs. A definition of modified total direct costs can be found in the Uniform Guidance Subpart A 200.68.

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

To the Board of Directors
East Cascades Workforce Investment Board
dba East Cascades Works
Bend, Oregon

We have audited, 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, the financial statements of East Cascades Workforce Investment Board dba East Cascades Works (a nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated January 14, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered East Cascades Workforce Investment Board dba East Cascades Works' 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 East Cascades Workforce Investment Board dba East Cascades Works' internal control. Accordingly, we do not express an opinion on the effectiveness of East Cascades Workforce Investment Board dba East Cascades Works' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

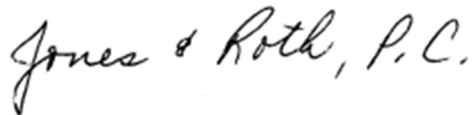
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether East Cascades Workforce Investment Board dba East Cascades Works' 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.

A handwritten signature in cursive script that reads "Jones & Roth, P.C.".

Jones & Roth, P.C.
Eugene, Oregon
January 14, 2020

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

To the Board of Directors
East Cascades Workforce Investment Board
dba East Cascades Works
Bend, Oregon

Report on Compliance for Each Major Federal Program

We have audited East Cascades Workforce Investment Board dba East Cascades Works' compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of East Cascades Workforce Investment Board dba East Cascades Works' major federal programs for the year ended June 30, 2019. East Cascades Workforce Investment Board dba East Cascades Works' major federal program is 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 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 East Cascades Workforce Investment Board dba East Cascades Works' 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* (CFR) 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 East Cascades Workforce Investment Board dba East Cascades Works' 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 East Cascades Workforce Investment Board dba East Cascades Works' compliance.

Opinion on Each Major Federal Program

In our opinion, East Cascades Workforce Investment Board dba East Cascades Works 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, 2019.

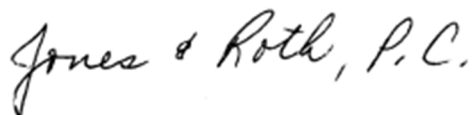
Report on Internal Control over Compliance

Management of East Cascades Workforce Investment Board dba East Cascades Works 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 East Cascades Workforce Investment Board dba East Cascades Works' 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 East Cascades Workforce Investment Board dba East Cascades Works' 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.



Jones & Roth, P.C.
Eugene, Oregon
January 14, 2020

EAST CASCADES WORKFORCE INVESTMENT BOARD
dba EAST CASCADES WORKS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Summary of Auditor's Results

- 1) The independent auditor's report expresses an unmodified opinion on the financial statements of East Cascades Workforce Investment Board dba East Cascades Works.
- 2) No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the financial statements.
- 3) No instances of noncompliance material to the financial statements were disclosed during the audit.
- 4) No material weaknesses or significant deficiencies in internal control were disclosed by the audit of the major federal award program.
- 5) The independent auditor's report on compliance for the major federal award program for East Cascades Workforce Investment Board dba East Cascades Works expresses an unmodified opinion.
- 6) The audit disclosed no audit findings required to be reported.
- 7) The program tested as a major program was:
 - WIOA Cluster:
 - WIOA Adult Program CFDA# 17.258
 - WIOA Youth Activities CFDA# 17.259
 - WIOA Dislocated Worker Formula Grants CFDA# 17.278
- 8) The threshold for distinguishing between Type A and Type B programs was \$750,000.
- 9) East Cascades Workforce Investment Board dba East Cascades Works qualifies as a low-risk auditee.

Findings - Financial Statement Audit

None.

Findings and Questioned Costs - Major Federal Award Programs Audit

None.

Prior Period Findings and Questioned Costs

None.