



**EXECUTIVE COMMITTEE
FINANCE & PERFORMANCE COMMITTEE
JOINT MEETING AGENDA**

**Thursday, February 15, 2018
12:30 p.m.**

Business Services & Administration Center
5730 Chambertin Drive
San Jose, CA 95118
408.794.1200
www.work2future.biz

**Joseph Flynn, Chair
Monique Melchor, Secretary**

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For questions regarding this agenda, please call Lawrence Thoo at 408.794.1170. To request an accommodation or alternative format for work2future meetings, events or printed materials, please call Kathryn Azevedo at 408.794.1176 or call 408.294.9337 (TTY) as soon as possible, but at least three business days before the meeting/event.

EXECUTIVE COMMITTEE and FINANCE & PERFORMANCE COMMITTEE

JOINT MEETING

February 15, 2018

12:30 pm

AGENDA

I. OPENING REMARKS

II. QUORUM VERIFICATION

III. CONSENT ITEMS {Action}

Approve the acceptance of:

*5 min
12:40 pm end*

A. Financial Status as of December 31, 2017

IV. BUSINESS ITEMS

A. Old Business

1. Minutes Approval {Action}

*5 min
12:45 pm end*

a) Executive Committee

Approve the minutes of the November 16, 2017 Executive Committee meeting.

b) Finance & Performance Committee

Approve the minutes of the October 19, 2017 Finance & Performance Committee meeting.

B. New Business

1. Facilities Update {Discussion}

*5 min
12:50 pm end*

Dhez Woodworth, Economic Development Officer

Report on completing the relocation of Youth Program staff from Shirakawa Community Center to the America's Job Centers of California One-Stop at Kirk Community Center, and the consolidation of the Administration and Business Services staff at Almaden Winery Community Center.

2. Budget Scenarios for Fiscal Year 2018–19 {Action}

*15 min
1:05 pm end*

Joy Salandanan, Finance Manager

Approval of three preliminary budget scenarios for Fiscal Year 2018–19 based on estimated 5%, 10% and 15% reductions in the WIOA allocation, and related authorizations to provide staff the flexibility to manage the budget.

- 3. Single-Audit Report for Fiscal Year 2016–17 {Discussion}** 10 min
Joy Salandanan, Finance Manager 1:15 pm end
Report on external audits of work2future for the most recently completed fiscal year.
- 4. WIA/WIOA Performance Update {Discussion}** 10 min
Monique Melchor, Director 1:25 pm end
Report on Job Centers’ performance as of December 31, 2017 based on legacy WIA performance measures, in the absence of WIOA performance data, which are projected to be unavailable until early 2020.
- 5. Outcome Measures {Action}** 15 min
Monique Melchor, Director 1:40 pm end
Recommend Board approval of a methodology and first-year targets for Career Pathways Outcome Measures and related Matrix of Placements in Priority Sectors and In-Demand Occupations.
- 6. Return on Investment {Action}** 15 min
Monique Melchor, Director 1:55 pm end
Recommend Board approval of a proposed work2future methodology for determining Return-on-Investment measures.
- 7. One-Stop Certification Update {Discussion}** 5 min
Monique Melchor, Director 2:00 pm end
Report on recent actions completed in work2future’s One-Stop Certification process.
- 8. San Jose Works Update {Discussion}** 5 min
Monique Melchor, Director 2:05 pm end
Report on the activities of San Jose Works 3.0 (PY 2017) and plans for San Jose Works 4.0 (PY 2018).
- 9. One-Stop Operator Update {Discussion}** 5 min
Colleen Brennan, Contracts Manager 2:10 pm end
Report on the activities and achievements to date of One-Stop Operator Phoenix Consulting Group.

V. PUBLIC COMMENT

VI. PROPOSED AGENDA ITEMS FOR NEXT MEETING

VII. ANNOUNCEMENTS

VIII. NEXT MEETING

A. Executive Committee

The next meeting is scheduled for April 19, 2018, 12:30 pm.

B. Finance & Performance Committee

The next meeting is scheduled for June 7, 2018, 1:00 pm.

IX. ADJOURNMENT

Please note: *Times to the right of agenda items are estimates only of the duration of the item and its approximate ending time. Actual times may vary, and items may be taken out of order at the discretion of the chair.*

CITY OF SAN JOSE CODE OF CONDUCT FOR PUBLIC MEETINGS IN THE COUNCIL CHAMBERS AND COMMITTEE ROOMS

The Code of Conduct is intended to promote open meetings that welcome debate of public policy issues being discussed by the City Council, its Committees, and City Boards and Commissions in an atmosphere of fairness, courtesy, and respect for differing points of view.

1. Public Meeting Decorum:

- a. Persons in the audience will refrain from behavior which will disrupt the public meeting. This will include making loud noises, clapping, shouting, booing, hissing or engaging in any other activity in a manner that disturbs, disrupts or impedes the orderly conduct of the meeting.
- b. Persons in the audience will refrain from creating, provoking or participating in any type of disturbance involving unwelcome physical contact.
- c. Persons in the audience will refrain from using cellular phones and/or pagers while the meeting is in session.
- d. Appropriate attire, including shoes and shirts are required in the Council Chambers and Committee Rooms at all times.
- e. Persons in the audience will not place their feet on the seats in front of them.
- f. No food, drink (other than bottled water with a cap), or chewing gum will be allowed in the Council Chambers and Committee Rooms, except as otherwise pre-approved by City staff.
- g. All persons entering the Council Chambers and Committee Rooms, including their bags, purses, briefcases and similar belongings, may be subject to search for weapons and other dangerous materials.

2. Signs, Objects or Symbolic Material:

- a. Objects and symbolic materials, such as signs or banners, will be allowed in the Council Chambers and Committee Rooms, with the following restrictions:
 - i. No objects will be larger than 2 feet by 3 feet.
 - ii. No sticks, posts, poles or other such items will be attached to the signs or other symbolic materials.
 - iii. The items cannot create a building maintenance problem or a fire or safety hazard.
- b. Persons with objects and symbolic materials such as signs must remain seated when displaying them and must not raise the items above shoulder level, obstruct the view or passage of other attendees, or otherwise disturb the business of the meeting.
- c. Objects that are deemed a threat to persons at the meeting or the facility infrastructure are not allowed. City staff is authorized to remove items and/or individuals from the Council Chambers and Committee Rooms if a threat exists or is perceived to exist. Prohibited items include, but are not limited to: firearms (including replicas and antiques), toy guns, explosive material, and ammunition; knives and other edged weapons; illegal drugs and drug paraphernalia; laser pointers, scissors, razors, scalpels, box cutting knives, and other cutting tools; letter openers, corkscrews, can openers with points, knitting needles, and

hooks; hairspray, pepper spray, and aerosol containers; tools; glass containers; and large backpacks and suitcases that contain items unrelated to the meeting.

3. Addressing the Council, Committee, Board or Commission:

- a. Persons wishing to speak on an agenda item or during open forum are requested to complete a speaker card and submit the card to the City Clerk or other administrative staff at the meeting.
- b. Meeting attendees are usually given two (2) minutes to speak on any agenda item and/or during open forum; the time limit is in the discretion of the Chair of the meeting and may be limited when appropriate. Applicants and appellants in land use matters are usually given more time to speak.
- c. Speakers should discuss topics related to City business on the agenda, unless they are speaking during open forum.
- d. Speakers' comments should be addressed to the full body. Requests to engage the Mayor, Council Members, Board Members, Commissioners or Staff in conversation will not be honored. Abusive language is inappropriate.
- e. Speakers will not bring to the podium any items other than a prepared written statement, writing materials, or objects that have been inspected by security staff.
- f. If an individual wishes to submit written information, he or she may give it to the City Clerk or other administrative staff at the meeting.
- g. Speakers and any other members of the public will not approach the dais at any time without prior consent from the Chair of the meeting.

Failure to comply with this Code of Conduct which will disturb, disrupt or impede the orderly conduct of the meeting may result in removal from the meeting and/or possible arrest.

All public records relating to an open session item on this agenda, which are not exempt from disclosure pursuant to the California Public Records Act, that are distributed to a majority of the legislative body will be available for public inspection at the Almaden Winery Community Center, 5730 Chambertin Drive, San Jose, California at the same time that the public records are distributed or made available to the legislative body.

I.

Opening Remarks

OPENING REMARKS

Good afternoon, my name is Joe Flynn and, in my capacity as Chair of work2future, I welcome you to the February 15, 2018 Joint Meeting of the Executive Committee and the Finance and Performance Committee.

Members of the public who wish to address the Committee should identify themselves and state their addresses for the record. You should complete a blue Comment Card located near the door, prior to making comments, and hand to any work2future staff member.

The procedure for this meeting is as follows:

- The Chair will read the opening remarks.
- The Secretary will verify a quorum.
- work2future staff and/or Committee Members will present recommendations for each action item on the agenda.
- Committee members may ask questions of work2future Staff and other Committee Members.
- The Committee may take action on any item designated as an action item.
- At the Public Comment agenda item, members of the public wishing to make a comment will be given two (2) minutes each to speak.
- Copies of the agenda have been placed on the table near the door for your convenience.
- work2future Committee members may only discuss items listed on the Agenda pursuant to the "Brown Act."

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II.

Quorum Verification

III.

Consent Item(s)

[Action]

III.A

Financial Status as of
December 31, 2017

[Action]

FINANCIAL STATUS AS OF DECEMBER 31, 2017

Key Highlights:

- Projecting that carry-over funding from FY 2016-17 will be fully spent by the end of June 2018. There will be no funding returned to the State.
- Projecting to carry over \$2.2 million from the current Adult, Dislocated Worker, and Youth allocations. This carry-over amount includes the Board-mandated reserve account and Board-approved Unallocated Reserve account of \$1.4 million and additional savings of approximately \$732,000. This carry-over amount (excluding carry-over amount for Rapid Response) is included in the discussion of the three Proposed Budget Scenarios.
- Additional savings are projected to come from various expense budget line items as follows:

Funding Source	Amount
Staff retirement/Non-Renewal of Temporary Unclassified Positions Termination/Transfer to another grant	\$507,221
Projected/Realized Savings from Unspent Contracted Services	148,394
Closing Morgan Hill and Shirakawa locations and reducing space at Almaden site	77,018
Total Savings (Realized/Projected)	\$732,633

- In November 2017, the State sent notification of funding rescission to all local Workforce Development Boards. The funding impact to work2future is \$26,936 as follows: Adult program (\$12,541); Dislocated Worker program (\$13,046), and Rapid Response program (\$1,349). This rescinded amount is reflected in the adjusted allocation for FY 2017-2018, and could equate to a third of a temporary unclassified position salary and benefits.

Other Discretionary Funding

- Sector Partnership grant has been extended to June 30, 2018. No additional funding has been awarded, just extension of time. With the time extension, work2future's targets were increased from 120 to 175 for enrollment; from 75 to 100 for training and from 100 to 137 for placement in employment. To date, despite the organization retooling its approach to outreach and services, efforts have not produced intended results. Due to changes in labor market, there has been lower participation from long-term unemployed individuals and manufacturing employers. work2future staff is monitoring closely Foundation staff's efforts to institute a more robust strategy to reach out to both businesses and clients for On-The-Job (OJT) training. Funding spent on training for this grant can count as leverage for the SB 734 training requirement. To date, work2future has enrolled 106 of 145 planned-to-date and has placed 38 individuals.
- work2future is projecting to fully spend its third round of funding in the amount of \$468,750 for its Proposition 39 grant. work2future, through its partners Working

Partnerships USA (Santa Clara County) and San Mateo County Union-Community Alliance (San Mateo County), has enrolled 352 in pre-apprenticeship training against a final goal of 523 and already placed 251 individuals in state-registered apprenticeships and other employment opportunities. work2future expects to meet its goals and fully spend the grant by the end of the grant term of December 31, 2018.

- work2future is projecting to fully spend the third round of Ready to Work Initiative grant funds of \$191,829 from the City of Sunnyvale at the end of the grant term of October 31, 2018. For this new funding, work2future is expected to bring 46 new enrollments, 19 additional training completions, and 46 placements. To date, work2future has enrolled 120 individuals; supported training for 48, and helped 44 find employment.
- Career Pathways Trust had an initial funding of \$150,000. Another \$100,000 was added to the grant for a total grant of \$250,000. This grant ends in August 2019. To date, the grant has not been spent due to contract delays from both San Jose Evergreen Community College District, the grantor, and City of San Jose. The contract was just executed on December 1, 2017. Currently, work2future Contracts staff is working on amending the work2future Foundation's contract to include the contracted amount for Career Pathways. The Foundation serves as the delivery arm for this grant.
- work2future has fully spent the first round (\$333,333) of the Storm grant, and has received \$120,000 of the second \$333,333 round of funding. The grant is for a total of one million dollars for a grant term of March 1, 2017 through September 30, 2018. With the initial funding of \$333,333, work2future has placed 30 clients on temporary employment performing storm/flood clean-up at the Japanese Friendship Garden at Kelly Park, and debris/street clean-up the Rocksprings and William Street Park Neighborhood, compared to a goal of 22 placements. For the second round of funding of another \$333,333, of which \$120,000 has already been received and is being spent, work2future is expected to provide employment to 26 additional individuals.
- Regional Plan Development and Training Coordination Project for \$200,000 to cover the costs of the regional plan development and team development for the Bay-Peninsula Regional Planning Unit. Of this amount, approximately \$63,000 will be spent to cover salaries and benefits for a dedicated staff who has been transferred from MIS Unit, and for scheduling training events for the region.
- New grant funding for the VOS CalJOBS enhancement tool of \$7,000 to use the VOS Greeter module that will make it easier to track all individual visits through the Job Centers. Staff is currently working with the State to identify the best equipment/tool for this purpose.
- New grant funding for the San Jose Works Youth Jobs Initiative (3.0) of \$1.5 million to provide subsidized and unsubsidized employment opportunities for 825 eligible youth. As of December 2017, total enrollment is at 676, with 398 placements. Job Corps and the East Side Union High School District have been steady sources of enrollments.

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Financial Status Report as of 12/31/2017

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Prepared by: Joy Salandanan

Approved by: Monique Melchor

WIA/WIOA Formula Funds	Adult	Dislocated Worker	Youth	RR	Total WIA
I. Actual as of June 30, 2017					
Grant Period	07/01/16-06/30/18	07/01/16-06/30/18	04/01/16-06/30/18	07/01/16-06/30/18	
Available Funds for FY2017-2018	2,363,958	2,665,744	2,502,712	896,510	8,428,924
Actual Expenditures as of June 30, 2017	(1,397,131)	(1,212,462)	(1,276,415)	(615,415)	(4,501,423)
Encumbrances/Spending Plan 2017	(130,337)	(111,763)	(84,839)	0	(326,939)
Total Actual Expenditures/Encumbrances/Spending Plan as of June 2017	(1,527,468)	(1,324,225)	(1,361,254)	(615,415)	(4,828,362)
Available Funds for FY2017-2018	836,490	1,341,519	1,141,458	281,095	3,600,562
% Remaining	35%	50%	46%	31%	43%
II. Actual Expenditures/Encumbrances					
(a) Available Funds from Carry over for FY2017-2018 (remaining plus enc.)	966,827	1,453,282	1,226,297	281,095	3,927,501
Expenditures as of December 31, 2017	(893,804)	(776,765)	(1,012,396)	(258,793)	(2,941,758)
Encumbrances as of December 31, 2017	(73,023)	(676,517)	(213,901)	(2,220)	(965,661)
Total Actual Expenditures/Encumbrances as of December 31, 2017	(966,827)	(1,453,282)	(1,226,297)	(261,013)	(3,907,419)
\$ Remaining	0	0	0	20,082	20,082
% Remaining	0%	0%	0%	7%	1%
(b) Current Allocation for FY 2017-2018	2,098,757	2,262,558	2,221,198	613,043	7,195,556
Increase/(Decrease)	375,000	(375,000)	0	0	0
Rescission	(12,541)	(13,046)	0	(1,349)	(26,936)
Adjusted Allocation for FY 2017-2018	2,461,216	1,874,512	2,221,198	611,694	7,168,620
Expenditures as of December 31, 2017	(115,049)	(91,977)	(150,793)	(142,408)	(500,227)
Encumbrances as of December 31, 2017	(680,167)	(95,928)	(718,492)		(1,494,587)
Total Actual Expenditures/Encumbrances as of December 31, 2017	(795,216)	(187,905)	(869,285)	(142,408)	(1,994,814)
\$ Remaining	1,666,000	1,686,607	1,351,913	469,286	5,173,806
% Remaining	68%	90%	61%	77%	72%
Total Available Funds for FY2017-2018	3,428,043	3,327,794	3,447,495	892,789	11,096,121
Total Cumulative Expenditures/Encumbrance as of December 31, 2017	(1,762,043)	(1,641,187)	(2,095,582)	(403,421)	(5,902,233)
\$ Remaining	1,666,000	1,686,607	1,351,913	489,368	5,193,888
% Remaining	49%	51%	39%	55%	47%
III. Projected Expenditures for Current Allocation FY 2017-2018					
Projected Expenditures/Encumbrances through June 2018	(1,818,927)	(1,143,397)	(1,456,707)	(595,984)	(5,015,015)
Projected Carry Over through June 2018 (\$)	642,289	731,115	764,491	15,710	2,153,605
Projected Carry Over through June 2018 %	26%	39%	34%	3%	30%

work2future

Financial Status Report as of 12/31/2017

PD 6 Stat 3

Prepared by: Joy Salandanan

Approved by: Monique Melchor

Other Discretionary Funds	Sector Partnership NEG	CWDB Proposition 39 Grant	DOL ETA H-1B Ready to Work Partnership Initiative	City of San Jose Youth Summer Program Initiative	Career Pathway Trust	CALJOBS VOS Enhancement Touch Screen	Regional Plan Development & Training Coordination	Regional Training Coordinator	Customer Centered Design Project	NDWG Flood Event 2017	Total
I. Actual as of June 30, 2017									Closed		
Grant Period	07/01/2015-06/30/2018	06/01/2014-12/31/2018	11/1/2014-10/31/2018	07/01/2017-6/30/2018	07/01/2015-08/31/2019	03/01/2017-03/31/2018	06/01/16-03/31/2018	06/01/2017-03/31/2019	06/01/2016-03/31/2018	03/01/2017-9/30/18	
Original Allocation	1,000,000	900,000	232,007	1,677,000	150,000	7,000	166,569	200,000	20,000	333,333	4,685,909
Increase/(Decrease)	0	468,750	328,969	1,518,000	100,000	0	0	0	0	120,000	2,535,719
Adjusted Allocation	1,000,000	1,368,750	560,976	3,195,000	250,000	7,000	166,569	200,000	20,000	453,333	7,221,628
Expenditures as of June 30, 2017	(422,451)	(892,935)	(386,101)	(1,671,483)	0	0	(106,121)	0	(7,072)	(12,553)	(3,498,716)
Encumbrances as of June 30, 2017	(326,931)	(185)	(37,991)	(5,517)	0	0	0	0	0	0	(370,624)
Total Actual Expenditures/Encumbrances as of June 2017	(749,382)	(893,120)	(424,092)	(1,677,000)	0	0	(106,121)	0	(7,072)	(12,553)	(3,869,339)
Available Funds for FY 2017-2018	250,618	475,630	136,884	1,518,000	250,000	7,000	60,448	200,000	12,928	440,780	3,352,289
% Remaining	25%	35%	24%	48%	100%	100%	36%	100%	65%	97%	46%
II. Actual Expenditures											
Available Funds for FY2017-2018	577,549	475,815	174,875	1,523,517	250,000	7,000	60,448	200,000	12,928	440,780	3,722,912
Expenditures as of December 31, 2017	4,541	(126,181)	(43,671)	(525,904)	0	0	(46,442)	0	(12,928)	(418,557)	(1,169,142)
Encumbrances as of December 31, 2017	(222,888)	(296,293)	(94,320)	(875,677)	0	0	0	0	0	0	(1,489,178)
Cumulative Expenditures/Encumbrances as of December 31, 2017	(218,347)	(422,474)	(137,991)	(1,401,581)	0	0	(46,442)	0	(12,928)	(418,557)	(2,658,320)
Remaining	359,202	53,341	36,884	121,936	250,000	7,000	14,006	200,000	0	22,223	1,064,592
% Remaining	62%	11%	21%	8%	100%	100%	23%	100%	0%	5%	29%
III. Projected Expenditures/Carry Over											
Projected Expenditures through June 2018	(356,926)	(475,815)	(138,822)	(1,401,582)	0	(7,000)	(60,448)	(62,996)	(12,928)	(440,780)	(2,957,297)
Projected Carry Over through June 2018 (\$)	220,623	0	36,053	121,935	250,000	0	0	137,004	0	0	765,615
Projected Carry Over through June 2018 (%)	38%	0%	21%	8%	100%	0%	0%	69%	0%	0%	21%

work2future

Financial Status Report as of 12/31/2017

PD 6 Status 3

Prepared by: Joy Salandanan

Approved by: Monique Melchor

Other Funds	CWDB	Wells Fargo (BOS)	Bank of America (BOS)	W2F Foundation	Total
I. Actual as of June 30, 2017					
Grant Period	N/A	N/A	N/A	N/a	
Original Allocation	5,000	10,000	10,000	15,454	40,454
Expenditure/Encumbrances as of June 2017	0	(4,692)	0	0	(4,692)
Total Actual Expenditures/Encumbrances as of June 2017	0	(4,692)	0	0	(4,692)
Available Funds for FY 2017-2018	5,000	5,308	10,000	15,454	35,762
% Remaining	100%	53%	100%	100%	88%
II. Actual Expenditures					
Available Funds for FY 2017-2018	5,000	5,308	10,000	15,454	35,762
Expenditures as of December 31, 2017	0	(3,404)			(3,404)
Encumbrances as of December 31, 2017	0				0
Cumulative Expenditures as of December 31, 2017	0	(3,404)	0	0	(3,404)
\$ Remaining	5,000	1,904	10,000	15,454	32,358
% Remaining	100%	36%	100%	100%	90%
III. Projected Expenditures and Encumbrances/Carry Over					
Projected Expenditures through June 2018	0	(3,404)	0	0	(3,404)
Projected Carry Over through June 2018	5,000	1,904	10,000	15,454	32,358
Projected Carry Over (%) through June 2018	100%	36%	100%	100%	90%

IV.A.1

Minutes Approval

[Action]

IV.A.1(a)

Minutes Approval
Executive Committee

[Action]

EXECUTIVE COMMITTEE MEETING MINUTES

November 16, 2017

Called to Order: 3:03 p.m.

Draft minutes prepared by Kathryn Azevedo, reviewed by Lawrence Thoo, approved by Monique Melchor.

WDB Staff: Kathryn Azevedo, Colleen Brennan, Jeff Ruster, Joy Salandanan, Lawrence Thoo, Dhez Woodworth,

I. QUORUM VERIFICATION

Present: Sue Koepp-Baker, Rashad Said, Steve Preminger (left meeting at 3:12 p.m.)
Joe Flynn arrived at 3:06 p.m. and Denise Boland arrived at 3:07 p.m.

II. OPENING REMARKS: Read by Sue Koepp-Baker

III. CONSENT ITEMS

The Executive Committee unanimously accepted the Consent Items.

Motion: Rashad Said
Second: Steve Preminger

IV. AGENDA ITEMS

A. Old Business

1. Minutes Approval

Ms. Boland moved, Mr. Said seconded, and the Committee unanimously approved the minutes of the October 19, 2017 work2future Executive Committee meeting.

B. New Business

1. Training Policies

Contracts Manager Colleen Brennan, acting on behalf of Director Monique Melchor, presented a recommendation that the Board approve a change to the Individual Training Account spending limit from \$3,000 to \$6,000 and eliminate the provision for waivers to the limit.

Action: Upon a motion by Mr. Preminger, seconded by Mr. Flynn, the Committee approved the recommendation unanimously. Mr. Said recused himself from this item.

2. One-Stop Certification

Contracts Manager Brennan presented a report on the status of the California Workforce Development Board (CWDB) One-Stop Certification.

3. Facilities Update

Economic Development Officer Dhez Woodworth reported on the relocation of the WIOA Youth Program to the comprehensive Job Center at Kirk Community Center and the consolidation of Business Services & Administration space at Almaden Winery Community Center.

4. One-Stop Operator Update

Contracts Manager Brennan and Greg Burge, Phoenix Consulting Group, reported on the initial activities of work2future's new One-Stop Operator.

V. Items for next Agenda: (1) Update on the status of the one-stop operator activity, if appropriate. (2) Discuss structure for periodic review and benchmark of ITA cap and waivers from \$6,000. (3) Outcome measures and related matrix of placements in priority sectors and demand occupations.

VI. Announcements: None

VII. Next Meeting

The next regular meeting of the Executive Committee meeting is scheduled to take place at 12:30 p.m. on Thursday, January 18, 2018.

VIII. PUBLIC COMMENT: None.

IX. ADJOURNMENT: The meeting was adjourned at 3:48 p.m.

IV.A.1(b)

Minutes Approval Finance & Performance Committee

[Action]

FINANCE AND PERFORMANCE COMMITTEE MEETING MINUTES

October 19, 2017

Called to Order: 1:04 p.m.

Minutes prepared by Katty Alvarez and reviewed by Joy Salandanan.

WDB Staff: Jeff Ruster, Joy Salandanan, Lawrence Thoo, Colleen Brennan, Dhez Woodworth, Meredith Studebaker, Bige Yilmaz, Dat Luu, and Katty Alvarez. Monique Melchor later joined the meeting.

I. QUORUM VERIFICATION

Present: Sue Koepp-Baker, Jack Estill, Leslie Gilroy

Absent: Carl Cimino

II. OPENING REMARKS: Read by Chair Sue Koepp-Baker.

III. CONSENT ITEMS

None

IV. AGENDA ITEMS

A. Old Business:

1. Minutes Approval

ACTION: Jack Estill moved, Leslie Gilroy seconded, and the committee unanimously approved the minutes of the June 6, 2017 work2future Finance and Performance Committee meeting.

B. New Business

1. 2018 Meeting Schedule Approval

Committee member Jack Estill requested the June 7, 2018 meeting be rescheduled to May 31, 2017. The committee agreed to consider May 31, 2018 as a possible backup date. Leslie Gilroy moved, Jack Estill seconded, and the committee unanimously approved the recommended 2018 work2future Finance and Performance Committee meeting schedule.

2. Performance Update

Analyst Meredith Studebaker reported on WIA/WIOA performance measures to date. CalJOBS, the State's database performance system, continues to undergo a transition from WIA to WIOA, and is currently only tracking WIA performance. EDD has determined that anyone exited after July 1, 2016 will be included for WIOA performance measures. WIOA performance measures will not be available until Fiscal Year (FY) 2019/2020. For Program Year (PY) 2016-2017, literacy and

numeracy gains were at 97.17% (slightly below local target of 100%). Ms. Studebaker discussed the factors affecting this performance measure.

Director of Strategic Partnerships for the City Manager, Jeff Ruster, discussed assessing outcomes beyond WIA/WIOA performance measures. By moving beyond the traditional performance measures (employment, wage gain, skill attainment), work2future will have a better understanding of client outcomes with the goal of more efficiently allocating resources and aligning client services with employer needs. Client outcomes can be evaluated by demand sector/occupation, job placement into living wage occupations, skill gain but no employment, work experience but placement in non-demand sectors, and career change. Director of Strategic Partnerships Ruster presented the baseline targets for FY 2017-2018. Special Projects Manager, Lawrence Thoo, and Special Projects consultant, Bige Yilmaz, discussed the demand sectors/occupations, application of the methodology utilized by other workforce agencies, and the living wage threshold.

3. Budget Variance Report as of August 31, 2017

Fiscal Manager Joy Salandanan reported that last year's carryover, approximately 40% of FY 2016-2017 allocation, will help with the 13% funding reduction in FY 2017-2018. This carryover will allow work2future to maintain the service delivery model, staffing levels, and service providers funding as FY 2016-2017. Ms. Salandanan is projecting this carry-over funding to be fully spent by June 30, 2018. The improved economy will likely result in decreased funding in FY2018-2019.

4. FY 2018-2019 Budget Scenarios

Ms. Salandanan presented three budget scenarios for FY 2018-2019: As Is, 5% reduction, and 10% reduction. Depending on the scenario, and based on the assumption that FY 2018-2019 staffing levels, funding to service providers, and program allocation to Adult/Dislocated Workers, and Youth remain the same as FY 2017-2018, the financial impact in FY 2018-2019 will result in a deficit of \$1.1 million to \$1.4 million. Possible ways to mitigate the impact will be to eliminate one-time expenses, reduce Board-mandated reserve from 15% to 10%, spread SB734 funds over two years, or reduce staffing levels and client service delivery.

5. Facilities Update

Economic Development Officer Dhez Woodworth reported on the Youth program located at the Shirakawa Community Center. The Vietnamese Community Center is expanding at the Shirakawa Community Center and the City of San Jose is unable to accommodate a renewal of work2future's Youth Training Center lease at the same facility. work2future staff recommends that the Youth program be consolidated with the Adult and Dislocated Worker programs at the Comprehensive Job Center at the Kirk Community Center facility. In addition, work2future has also begun work to consolidate Business and Administrative Services Center staff at the Old Almaden Winery Community Center to the second floor of the facility.

ACTION: Jack Estill moved, Leslie Gilroy seconded, and the committee unanimously approved the relocation of the Youth program to work2future's Comprehensive Job Center at Kirk Community Center.

6. Training Alignment with Priority Sectors

Contracts Manager Colleen Brennan reported on the alignment of work2future training programs with in-demand occupations and priority sectors. Both WIOA and the State require that training be provided in an in-demand industry sectors and occupations. work2future has allowed clients to obtain training in any of the training programs approved on the State ETPL list. To ensure compliance with WIOA and State regulations, work2future will provide training programs that align with work2future's priority sectors and in-demand occupations. Staff will send letter to training providers regarding emphasis on the priority sectors and in-demand occupations. work2future is moving away from ETPL training programs to Cohort training provided by local community and state colleges. Job readiness will still be available.

ACTION: Leslie Gilroy moved, Jack Estill seconded, and the committee unanimously approved the alignment of work2future training programs with in-demand occupations and local priority sectors.

7. One-Stop Certification

Ms. Brennan reported on WIOA's mandated local Workforce Development Boards (WDB) One-Stop Certification. work2future is currently in the initial self-assessment review. The overall goal is for Comprehensive One-Stops to have an effective continuous improvement plan in place.

8. Flood Assistance Grant Update

Recovery Manager Dat Luu updated the committee on the Storm National Dislocated Worker Grant. Current enrollment and grant expenditures are on target. Participants work approximately 29 hours/week over a three-month period. Mr. Luu estimates 75 -80% of participants are facing barriers to employment. Status of the second installment of \$333,333 from DOL is based on cumulative performance of the 11 project operators for the first installment (which ends September 30, 2017). Project Operators have been instructed to continue to operate and administer the grant as normal. work2future Program Manager for the Storm grant has worked with Parks, Recreation, and Neighborhood Services, Environmental Services, and Public Works departments on various debris cleanup projects across the City.

9. One-Stop Operator Update

Ms. Brennan reported that work2future's One-stop Operator, Phoenix Consulting Group, has begun to fulfill its responsibility to engage work2future's partners and ensure they are providing the services agreed upon in their MOU. Phoenix held

their first of four required partner meetings on August 8, 2017 at the comprehensive AJCC. Phoenix Consulting Group will present their findings at the Executive Committee meeting scheduled for November 16, 2017.

10. Discretionary Grants Update

Mr. Thoo reported on the Sector Partnerships National Emergency Grants (SPNEG). The US DOL has approved the extension of the grant to June 30, 2018. The extension does not include additional funds but enables work2future to spend the approximately \$500,000 remaining grant funds. The extension does require an increase in enrollment, training and employment targets of 25-50%. The Foundation has revamped and increased the number of staff working on the project, and has redesigned its enrollment, intensive services, and participant training plans to meet the new targets. Nonetheless, the new targets will be a difficult challenge, and Board staff expect that actual performance will not reach targets.

V. Set Items for next Agenda: None

VI. Announcements: None

VII. Next Meeting

The next regular meeting of the Finance and Performance Committee meeting is scheduled for Thursday, February 15, 2018 at 1:00 p.m.

VIII. PUBLIC COMMENT: None.

IX. ADJOURNMENT: The meeting was adjourned at 2:37 p.m.

IV.B.1

Facilities Update

[Discussion]

FACILITIES UPDATE

Relocation of Youth Program to San Jose Job Center

- As discussed at Board and Committee meetings and approved by the Executive Committee on October 19, 2017, work2future staff moved the Youth Program to the San Jose Job Center where it is co-located with Adult and Dislocated Worker Programs.
- All staff had been relocated by mid-December. All remaining furniture and equipment was moved in January.
- work2future will continue to have a limited presence in the east San Jose area previously served at the Shirakawa Community Center through workshops and other activities at partner locations.
- Outreach to the community and clients continues utilizing flyers, email, text and social media channels. Those Youth clients needing transportation assistance are being offered supportive services.
- Signage at the San Jose Job Center will be updated to reflect operational activities. Temporary signage is in place at the Shirakawa Community Center to redirect any visitors.
- At the Committee meeting, staff will report current information regarding move costs.
- Leases at work2future's other sites are being renegotiated and renewed.

Consolidation of Business and Administrative Services Center

- work2future has completed the consolidation of equipment and staff at the Business and Administrative Services Center to the second floor of the Almaden Winery Community Center.

###

IV.B.2

Budget Scenarios for Fiscal Year 2018-19

[Action]



Memorandum

TO: Executive Committee and
Finance & Performance Committee

FROM: Joy Salandanan

SUBJECT: See Below

DATE: February 9, 2018

Approved

Date

SUBJECT: Proposed work2future Workforce Development Board (WDB) Program Operating Budget for FY 2018-2019

RECOMMENDATION

Recommend Board approval of the following:

1. Three preliminary Budget Scenarios for Fiscal Year 2018-19, as follows:
 - Proposed FY 2018-19 WDB Program Budget of \$6.3 million **(5% cut from previous allocation)**,
 - Proposed FY 2018-19 WDB Program Budget of \$5.9 million **(base budget, 10% cut from previous allocation)**, and
 - Proposed FY 2018-19 WDB Program Budget of \$5.6 million **(15% cut from previous allocation)**;

Approval of the proposed budgets above includes approval of the re-budgeting of **projected** additional savings of \$732,633 from the current fiscal year to help augment the projected decrease in funding.

2. work2future Director's authority to approve the transfer of funds between budget line items, so long as there is no change to the overall amounts for personnel and non-personnel expenses, and if the budget transfer does not increase the Board-approved Operating Budget total.
3. work2future Director's authority to approve the transfer of funds between the Adult and Dislocated Worker programs as needed to accommodate changes in the numbers of clients being served by the two programs.

The three Budget Scenarios above are based on early **estimates** of WIOA funding allocations to be received. The California Employment Development Department (EDD) normally conveys the Adult, Dislocated Worker, and Youth funding allocations to the 46 local WDBs in April/May of each year.

Once notification of the actual allocation from the EDD is received and after the Board's next scheduled meeting on March 15, 2018, staff will present a final WDB Program Budget to the Finance and Executive Committees for a recommendation to the Board at its June 2018 meeting.

BACKGROUND

work2future staff proposed to the Executive Committee and the Finance & Performance Committee in October 2017 three Initial Adult, Dislocated Worker, and Youth Program Budget Scenarios for FY 2018-19. As in previous years, staff developed the scenarios as follows: AS IS or no change; 5% funding reduction, and 10% funding reduction compared to the WIOA Adult, Dislocated Worker, and Youth final funding allocation for FY 2017-18. In addition, the scenarios assumed a decrease in overall carry-over funding of approximately \$1.6 million which is the result of a lower 15% Board-mandated reserve account and a lower Unallocated Contingency Reserve Account. The Initial Scenarios presented in October 2017 also assumed *zero* projected savings and *zero* projected discretionary grants.

The following table shows the overall projected deficit in the AS IS, 5% funding reduction and 10% funding reduction scenarios as presented in October 2017:

Proposed Sources	2017-18 Approved Budget	2018-19 AS IS	2018-19 5% Reduction	2018-19 10% Reduction
	A	B	C	D
Formula Allocation	\$6,582,513	\$6,582,513	\$6,253,387	\$5,924,262
Shortfall in Funding compared to 2017-18 (\$)		0	329,126	658,251
Shortfall in Funding (%)		0%	5%	10%
Proposed Operating Budget	\$8,024,100	\$6,342,146	\$6,095,300	\$5,848,458
Shortfall in Operating Budget compared to 2017-18 (\$)		1,681,954	1,928,800	2,175,642
Shortfall in Operating Budget (%)		21%	24%	27%

*The Approved Budget for 2017-2108 is shown net of carry/over funding for SB 734 Training and Work Experience amounts to show the real impact of the decrease in funding allocation on the Proposed Budget for 2018-2019. No carry over funding for Training and Work Experience are shown on both fiscal years.

As can be seen from the above table, even if the funding shortfall is only \$329,126 and \$658,251 for the 5% and 10% funding reduction budget scenarios, because of a lower carry-over funding, the impact on the Proposed Operating Budget for FY 2018-2019 is a reduction of between \$1.7 million and \$2.2 million across all three budget scenarios.

ANALYSIS

Since October 2017, work2future has instituted several cost-control measures that generated the additional savings of \$732,633 realized/projected shown below. It is important to note that the savings of \$732,633 does not include Rapid Response program savings, as Rapid Response is treated

as a separate program from the Adult, Dislocated Worker, and the Youth programs, and will be presented as a separate budget in June 2018.

Funding Source	Amount
Staff retirement/Non-Renewal of Temporary Unclassified Positions Terming Out/Transfer to another grant	\$507,221
Projected/Realized Savings from Unspent Contracted Services	148,394
Closing Morgan Hill and Shirakawa locations and reducing space at Almaden site	77,018
Total Savings (Realized/Projected)	732,633

The additional savings of \$732,633 has helped mitigate the impact of the projected shortfall in all budget scenarios. However, given the continuing uncertainty around federal funding, in general, and the impact of the improving economy and low unemployment rates on WIOA allocations to states and, in turn, to local workforce boards, staff has eliminated the October AS IS budget scenario and added a 15% funding reduction budget scenario to further show the extent of the projected shortfall if the funding allocation were to decrease by 15% compared to FY 2017-18. Thus, this memo presents proposed scenarios for 5%, 10% and 15% funding reduction budget scenarios, with the 10% funding reduction budget scenario as the base budget.

It is also important to note that on the 5% and 10% funding reduction budget scenarios, a 15% carry-over (c/o) to FY 2019-20 is maintained. However, on the 15% funding reduction budget scenario, staff has reduced the board-mandated carry-over from 15% to 12.5% to ensure that the funding distribution to service providers is at a level (at 34% of the operating budget across all three budget scenarios) where the current client service delivery model can be sustained. As in any previous budget proposals, enrollment goals are adjusted upwards or downwards as funding increases or decreases to ensure effective service delivery.

In addition, for both the 10% and 15% funding cut budget scenarios, the funding for Unallocated Contingency Reserve Account is fully eliminated.

Proposed Uses	2017-2018 Approved Budget	2018-19 5% Reduction (15% c/o to FY 2019-2020)	2018-19 10% Reduction (15% c/o to FY 2019-2020)	2018-19 15% Reduction (12.5% c/o to FY 2019-2020)
Proposed Operating Budget	8,024,100	\$6,095,300	\$5,848,458	5,741,491
Shortfall In Operating Budget (Prior to Savings) compared to 2017-18 (\$)		1,928,800	2,175,642	2,282,609
Shortfall in Operating Budget (Prior to Savings) (%)		24%	27%	28%
Add: Projected Savings		732,633	732,633	732,633
Proposed Operating Budget (After Savings)	8,024,100	6,827,933	6,581,091	6,474,124
Shortfall In Operating Budget (After Savings) compared to 2017-18 (\$)		1,196,167	1,443,009	1,549,976
Shortfall in Operating Budget (After Savings) (%)		15%	18%	20%

The following table shows the budget impact of the decrease in funding sources across the three budget scenarios after additional savings have been factored in, and the Board-mandated Reserve Account is reduced from 15% to 12.5% in the 15% funding reduction budget scenario:

Proposed Uses	2017-2018 Approved Budget	2018-19 5% Reduction (15% c/o to FY 2019-2020)	2018-19 10% Reduction (15% c/o to FY 2019-2020)	2018-19 15% Reduction (12.5% c/o to FY 2019-2020)
Personnel Costs	2,375,136	2,269,336	2,269,336	2,269,336
Non-Personnel Costs	782,704	508,128	508,128	508,128
Adult Client-Related Services	1,155,843	1,038,650	1,017,662	951,424
Youth Client-Related Services	589,815	569,824	565,828	529,843
Other Client-Related Services (ITRAIN/ADA)	135,000	0	0	0
Unallocated Contingency Reserve Account-Client Services	417,884	120,497	0	0
Distribution to Service Providers	2,567,718	2,321,498	2,220,137	2,215,393
Total Proposed Budget	8,024,100	6,827,933	6,581,091	6,474,124
% of Distribution to Service Providers to Budget	32%	34%	34%	34%

As can be gleaned from the table above, all budget categories have been reduced from the current budget level: personnel, non-personnel, client services, unallocated contingency reserve account, and distribution to service providers. Again, staff has strategically set aside 34% of the proposed operating budget for distribution to service providers to ensure that the same client service delivery model can be sustained. However, to be able to accommodate this budgetary action, staff has eliminated the Unallocated Contingency Reserve Account for both the 10% and 15% funding reduction budget scenarios. It is important to reiterate that the Unallocated Contingency Reserve Account serves as a buffer fund to address any significant needs that were not anticipated during the budget process. In addition, any unspent amount is carried over to the next fiscal year that helps mitigate funding gaps.

Budget Impact (Base Budget: 10% Funding Reduction)

The table below shows the significant budget actions that were taken to balance the budget. For comparison purposes, staff is using the 10% funding reduction budget scenario as illustration:

Proposed Uses	2017-2018 Base Budget	Proposed Budget 10% Funding Reduction	Change in \$	Change in %
Personnel Costs	\$2,375,136	\$2,269,336	(\$105,800)	-4%
Non-Personnel Costs (Rent, Utilities, Supplies, Travel, Professional Services, Copier Lease, Security, etc.)	782,704	508,128	(274,576)	-35%
Adult Client Services				
Workshops	425,000	425,000	0	0%
Training	529,458	467,662	(61,796)	-12%

Supportive Services	65,000	65,000	0	0
Other Services (Online Training)	136,385	60,000	(76,385)	-56%
Total Adult Client Services	1,155,843	1,017,662	(138,181)	-12%
Youth Client Services				
Training	125,000	125,000	0	0%
Work Experience	399,815	375,828	(23,987)	-6%
Sup Services/Stipends/Incentives	65,000	65,000	0	0%
Total Youth Client Services.	589,815	565,828	(23,987)	-4%
Other Services (ITRAIN/ADA)	135,000	0	(135,000)	-100%
Unallocated Contingency Reserve	417,884	0	(417,884)	-100%
Distribution to Service Providers	2,567,718	2,220,137	(347,581)	-14%
Proposed Operating Budget	\$8,024,100	\$6,581,091	(1,443,009)	-18%

The proposed budget actions (Dollars Reduced) are summarized below:

- **Personnel Costs** (\$105,800) — Net impact of eliminating one temporary unclassified position; moving one temporary unclassified position to another grant; and provision of 3% cost-of-living adjustment (COLA) for regular and remaining temporary unclassified positions. (Please note that the City has not provided notification of COLA as of this writing). If there is no COLA in FY 2018-19, or if it is provided at a lower than 3% level, the ensuing difference will be added to the fund balance to the fullest extent possible.
- **Non-Personnel Costs** (\$274,576) — Impact of closing Morgan Hill and Shirakawa sites and reducing Almaden Business and Administrative Center rental space; elimination of one-time expenses such as consultant fees for studies; website services; security services; reduction of storage spaces; reduction of supplies, telephone costs, etc.
- **Adult Client Services** (\$138,181) — Combined impact of funding reduction to SB 734 training requirement and reduction of online training providers from seven to one. This one provider has the most number of online trainings with certifications and is preferred by clients. Please note that the budget for workshop and supportive services is at the same level as in FY 2017-18.
- **Youth Client Services** (\$23,987) — Direct impact of funding reduction to the requirement that 20% of the Youth Program allocation goes to work experience. Please note that there is no change in the budgeted amount for training and supportive services/incentives/stipends compared to FY 2017-18. In addition, budget for training can be used for work experience activities depending on clients' needs.
- **Other Client Services** (\$135,000) — This budget proposal has no provision for additional tenant improvements, equipment or changes to the current One-Stop Centers. In addition, work2future will fully transition its client tracking into the State's CalJOBS system, so no funding is provided for a third-party client-data tracking system (ITRAIN) for FY 2018-19.

- **Unallocated Contingency Reserve Account (\$417,884)** — The funding for Unallocated Reserve Account is fully eliminated in the 10% and 15% funding scenario to reduce the impact on the funding distribution to service providers.
- **Distribution to Providers (\$347,581)** — To sustain the current client service delivery model, staff has strategically maintained the percentage distribution to providers at slightly above the FY 2017-18 level of 32% of the overall program operating budget. Across all funding reduction budget scenarios, the funding distribution to service providers is at 34% of the proposed program operating budget.

These reduction targets and the associated budget actions contained in this report are designed to accomplish the following:

- Address the projected funding shortfall through cost savings and elimination of one-time service costs that are not ongoing operational needs, with the goal of avoiding major service reductions or significant impact to employees, while helping to ensure the fiscal stability of work2future programs;
- Provide flexibility in the budget development process to allocate resources to the highest priority needs; and
- Continue to structure client service delivery models, operations and staffing to effectively deliver services.

Career Services Providers Funding Distribution

Despite the anticipated 10% funding reduction (Base Budget) in WIOA Adult, Dislocated Worker and Youth programs, staff is able to distribute at least 34% of the overall program operating budget to its Career Services Providers, compared to 32% in FY 2017-18, although the amount in dollars is \$347,581 lower than the funding distribution in FY 2017-18.

In the FY 2017-18 reconciled budget approved by the Board in September 2017, work2future Foundation was allocated 89% and Eckerd Workforce Development 11% of the Distribution to Service Providers. Staff recommends maintaining the same proportionate distribution between the two:

Service Providers	2017-18 Reconciled Budget	2018-19 Proposed Base Budget	% Change
work2future Foundation	\$2,304,935	\$1,975,921	-14%
Eckerd Workforce Development	\$262,783	\$244,216	-7%
Total Distribution	\$2,567,718	\$2,220,137	14%

As in FY 2017-18, the service providers are still expected to provide a funding match of 10% for the Adult/Dislocated Worker program and 5% for the Youth program.

OTHERS

In order to ensure that there is sufficient operational flexibility to respond to changing conditions, staff request that the Board allow staff to transfer funds between budget line items, so long as there is no change to the overall amounts for personnel and non-personnel, and if the requested budget transfer is still within the Board-approved Operating Budget.

Similarly, staff requests that the Board allow for the transfer of funds between the Adult and Dislocated Worker programs as needed to accommodate changes in the numbers of clients being served by the two programs without having to return to the Board for approval.

/s/
Joy Salandanan
work2future Finance Manager

cc: Kim Walesh
Jeff Ruster
Monique Melchor

/js

IV.B.3

Single-Audit Report for Fiscal Year 2016-17

[Discussion]

SINGLE-AUDIT REPORT

- The Single Audit (also known as the OMB A-133) audit is a rigorous, organization-wide audit or examination of an entity that expends \$750,000 or more of Federal assistance (commonly known as Federal funds, Federal grants, or Federal awards) received for its operations.
- Every year, work2future goes through a single audit because of the amount of federal funds received.
- As in previous years, work2future received a clean audit report this year. Similarly, the work2future Foundation also received a clean audit.

Attached: 2016-17 work2future Annual Financial Audit

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Work2Future Foundation
(A California Nonprofit Organization)

Audited Financial Statements & Reports
June 30, 2017



Chavan & Associates, LLP
Certified Public Accounts
1475 Saratoga Ave, Suite 180
San Jose, CA 95129

Work2Future Foundation
(A California Nonprofit Organization)

Table of Contents

TITLE	PAGE
FINANCIAL SECTION:	
Independent Auditor's Report	1 - 2
Basic Financial Statements:	
Statement of Financial Position	4
Statement of Activities and Changes in Net Assets	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Basic Financial Statements	8 - 11
FEDERAL AWARD COMPLIANCE SECTION:	
Schedule of Expenditures of Federal Awards	13
Notes to Federal Awards Compliance Sections	14
OTHER INDEPENDENT AUDITOR'S REPORTS:	
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	16 - 17
Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by Title 2 CFR Part 200 (Uniform Guidance)	18 - 19
FINDINGS AND RECOMMENDATIONS:	
Schedule of Findings and Questioned Costs	21 - 22
Status of Prior Year Findings and Recommendations	23

Financial Section



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Work2Future Foundation
San Jose, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Work2Future Foundation (a California Nonprofit Organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 the Work2Future Foundation as of June 30, 2017, and the changes in its net assets



and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the Work2Future Foundation'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 Work2Future Foundation's internal control over financial reporting and compliance.

C & A UP

December 12, 2017
San Jose, California

Basic Financial Statements

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Financial Position
June 30, 2017

ASSETS

Current assets:

Cash and cash equivalents	\$ 697,800
Accounts receivable	25,515
Grants receivable	177,486
Prepaid expenses and other current assets	29,936
Total current assets	<u>930,737</u>

Noncurrent Assets:

Capital Assets - net	<u>73,561</u>
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Total Assets	<u><u>\$ 1,004,298</u></u>
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LIABILITIES

Current liabilities:

Accounts payable	\$ 10,353
Accrued expenses	31,011
Accrued payroll and related liabilities	<u>358,760</u>

Total Liabilities	<u>400,124</u>
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NET ASSETS

Temporarily restricted	170,265
Unrestricted	<u>433,909</u>

Total Net Assets	<u>604,174</u>
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Total Liabilities and Net Assets	<u><u>\$ 1,004,298</u></u>
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The accompanying notes are an integral part of these financial statements.

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Activities and Changes in Net Assets
For the year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Total
REVENUE AND SUPPORT			
Grants	\$ 4,613,316	\$ -	\$ 4,613,316
Contributions	113,620	110,000	223,620
In-kind contributions	565,201	-	565,201
Net investment income	1,325	-	1,325
Miscellaneous	170,135	-	170,135
Released from restrictions	402,732	(402,732)	-
Total Revenue and Support	<u>5,866,329</u>	<u>(292,732)</u>	<u>5,573,597</u>
EXPENSES			
Program expenses	5,265,958	-	5,265,958
Management and general expenses	230,385	-	230,385
Total Expenses	<u>5,496,343</u>	<u>-</u>	<u>5,496,343</u>
Change in Net Assets	369,986	(292,732)	77,254
Total Net Assets - Beginning	63,923	462,997	526,920
Total Net Assets - Ending	<u>\$ 433,909</u>	<u>\$ 170,265</u>	<u>\$ 604,174</u>

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

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Functional Expenses
For the year ended June 30, 2017

	Program Expenses	Management and General	Total Expenses
Employee benefits and expense	\$ 4,276,050	\$ 85,613	\$ 4,361,663
Payroll taxes	321,557	24,025	345,582
Professional fees	16,552	34,882	51,434
Purchased services	58,437	1,601	60,038
Supplies	29,603	15,227	44,830
Travel	21,355	1,913	23,268
In-kind donations	530,126	-	530,126
Insurance	-	22,044	22,044
Communication	4,545	4,971	9,516
Building and Equipment Rental	1,153	6,148	7,301
Depreciation Expense	-	16,227	16,227
Other	6,580	17,734	24,314
	<u>\$ 5,265,958</u>	<u>\$ 230,385</u>	<u>\$ 5,496,343</u>
Total Expenses	<u>\$ 5,265,958</u>	<u>\$ 230,385</u>	<u>\$ 5,496,343</u>

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

Work2Future Foundation
(A California Nonprofit Organization)
Statement of Cash Flows
For the year ended June 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES:

Change in net assets	\$ 77,254
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation expense	16,227
Changes in operating assets and liabilities:	
(Increase) decrease in accounts receivable	(25,515)
(Increase) decrease in grants receivable	(33,321)
(Increase) decrease in prepaid expenses and other current assets	38,193
Increase (decrease) in accounts payable	(23,336)
Increase (decrease) in accrued expenses	20,782
Increase (decrease) in accrued payroll and related liabilities	218,050
Increase (decrease) in other liabilities	<u>(144,094)</u>
Net cash provided by (used for) operating activities	<u>144,240</u>

CASH FLOWS FROM INVESTING ACTIVITIES:

Purchases of property, equipment and improvements	<u>(89,788)</u>
Net cash provided by (used for) investing activities	<u>(89,788)</u>
Net increase in cash and cash equivalents	54,452
Cash and cash equivalents - beginning of year	<u>643,348</u>
Cash and cash equivalents - end of year	<u><u>\$ 697,800</u></u>

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

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The Work2Future Foundation was established in September of 2011 with the purpose of creating and advancing new opportunities to connect workforce and economic development as well as to promote small business development, growth and sustainability. The Work2Future Foundation is a 501(c)(3) corporation that provides private and publicly funded vocational education and training programs in Santa Clara County and its unincorporated areas. The Work2Future Foundation serves an estimated 5,000 job seekers each year.

Basis of Presentation

The financial statements are presented in conformity with Financial Accounting Standards Board Accounting Standards Codification 958 (FASB ASC 958) of Not-For-Profit Organizations. Under FASB ASC 958, the Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Permanently Restricted Net Assets - Net assets subject to third party or legal stipulations that they be maintained permanently. There were no permanently restricted net assets as of June 30, 2017.

Temporarily Restricted Net Assets - Net assets whose use is limited by third party or legal stipulations that either expire by passage of time or can be fulfilled and released by actions pursuant to those donor-imposed or legal stipulations. There was \$170,265 in temporarily restricted net assets as of June 30, 2017.

Unrestricted Net Assets - Net assets whose use is not subject to third party or legal restrictions.

Revenues are reported as increases in unrestricted net assets unless their use is limited by third party restrictions. Expenses are reported as decreases in unrestricted net assets. When a restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported as net assets released from restrictions in the statement of activities.

Accounting Principles

The accounting policies of the Organization conform to accounting principles generally accepted in the United States of America, as prescribed by the American Institute of Certified Public Accountants, which require the use of the accrual method of accounting. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized in the period incurred.

Revenue Recognition

The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. Restricted contributions for which the restrictions are met in the year received are considered unrestricted for financial statement purposes. When a donor restriction expires because a time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

Grant Revenue

Grant revenue is recognized when the qualifying costs are incurred for cost-reimbursement grants or contracts or when a unit of service is provided for performance grants. Grant revenue from federal agencies is subject to independent audit and review by grantor agencies. The review could result in the disallowance of an expenditure under the terms of the grant or reductions of future grant funds. Based on prior experience, the Organization's management believes that costs ultimately disallowed, if any, would not materially affect the financial position of the Organization.

Donated Assets

Noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Donated Services and Items

A substantial number of individuals have donated significant amounts of time and inventory to the Organization's programs and supporting functions. However, these services do not meet the criteria for recognition in accordance with accounting principles generally accepted in the United States and, therefore, are not recorded in the financial statements.

Concentrations of Credit Risk

Financial instruments which potentially subject the Organization to concentrations of credit risk include cash and investments. The Organization maintains its cash in interest bearing bank deposit accounts. At times, interest bearing accounts may exceed federally insured limits as guaranteed by the Federal Depository Insurance Corporation (FDIC).

Cash and Cash Equivalents

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and investments so near their maturity that the risk of changes in value due to changes in interest rates is negligible. For financial statement purposes, the Organization considers investments with maturity of three months or less to be cash equivalents.

Property, Equipment and Improvements

When applicable, expenses for property and equipment are capitalized at cost and depreciated over their estimated useful lives of five to twenty-five years using the straight-line method.

Tax Exempt Status

The Organization has been granted tax-exempt status by the Internal Revenue Service (Section 501 (c)(3)) and the California Franchise Tax Board (Section 23701 d). The Organization is registered with the Registry of Charitable Trusts of the Office of the Attorney General of the State of California. The Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A).

The Organization is subject to a tax on income from any unrelated business. The Organization's federal Return of Organization Exempt from Income Tax (Form 990) for years ended June 30, 2014 through

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

2017 are subject to examination by the IRS, generally for three years after they are filed. The Organization's state returns (Form 199) for the years ended June 30, 2014 through 2017 could be subject to examination by state taxing authorities, generally for four years after they are filed.

Functional Allocation of Expenses

The cost of providing various programs and other activities has been summarized on a functional basis in the Statement of Activities and Changes in Net Assets and 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 certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2 - CASH AND CASH EQUIVALENTS

The carrying amount of the Organization's total cash was \$697,800 at June 30, 2017. The bank balances before reconciling items exceeded the Federal Depository Insurance Corporation's (FDIC) insured limits by \$488,178. The FDIC covers up to \$250,000 per entity, per bank.

NOTE 3 - GRANTS RECEIVABLE

As of June 30, 2017, the Organization's grants receivable consisted of \$177,486 in claims made to the City of San Jose and other organizations for Workforce Investment Program expenditures incurred in June of 2017.

NOTE 4 - ACCRUED PAYROLL AND RELATED LIABILITIES

Accrued payroll and related liabilities consisted of \$52,205 in accrued vacation and \$306,555 in accrued payroll as of June 30, 2017. Accumulated unpaid employee vacation benefits are recognized as liabilities of the Organization. Payroll was accrued for the last payroll of the fiscal year which was not paid until the beginning of the following fiscal year.

NOTE 6 - LINE OF CREDIT

The Organization has an unsecured line of credit available. The maximum borrowing limit of \$125,000 on the line of credit which expires December 21, 2018. As of June 30, 2017 the outstanding balance was \$0.00. The line of credit agreement includes certain financial covenants, all of which have been met for the year ended June 30, 2017.

NOTE 7 - RETIREMENT PLANS

The Organization has an employer profit sharing plan which qualifies under Section 403(b) of the Internal Revenue Code. This contribution plan covers all permanent employees.

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Basic Financial Statements
For the Year Ended June 30, 2017

NOTE 8 - DEFERRED REVENUE

Deferred revenue represents revenue collected by the Organization but not earned as of June 30. This is primarily composed of revenue for San Jose Works program. If a program is conducted over fiscal year end, deferred revenue is recorded for all revenue related to programs to be conducted in the next fiscal year. Deferred revenue is reflected as a liability on the Statement of Financial Position until it is earned and can be recognized as income.

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Federal Awards and Grants

The Organization has received Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursements will not be material.

Lease Commitments

The Organization is provided space in San Jose, Gilroy and Morgan Hill by the City of San Jose to operate its youth center and job centers. The fair value rental of the properties has been recorded as an in-kind donation in the financial statements since management has determined that the estimated value of the annual rent is significant to the financial statements. The approximate fair value including equipment, supplies, utilities and repairs and maintenance was \$530,126.

NOTE 10 - SUBSEQUENT EVENTS

Management has reviewed subsequent events and transactions that occurred after the date of the financial statements through the date the financial statements were issued. The financial statements include all events or transactions, including estimates, required to be recognized in accordance with generally accepted accounting principles. Management has determined that there are no non-recognized subsequent events that require additional disclosure.

*Federal Award
Compliance Section*

Work2Future Foundation
(A California Nonprofit Organization)
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2017

Program Name	Federal Catalog Number	Pass-through Identifying Number	In-Kind Rent Non-cash Expenditures	Program Expenditures
US Department of Labor:				
Passed through California Employment Development Department:				
Passed through City of San Jose Office of Economic Development - Work2Future:				
Workforce Innovation and Opportunity Act (WIOA) Program Cluster:				
WIOA Adult Program	17.258 ⁽¹⁾	18259	\$ 116,990	\$ 851,518
WIOA Youth Program	17.259 ⁽¹⁾	18259	295,380	1,718,343
WIOA Dislocated Workers Program	17.278 ⁽¹⁾	18259	<u>117,757</u>	<u>762,567</u>
Total WIOA Program Cluster			<u>530,127</u>	<u>3,332,428</u>
Ready to Work Program	17.268	18259	<u>-</u>	<u>91,408</u>
Total Federal Programs			<u>\$ 530,127</u>	<u>\$ 3,423,836</u>

⁽¹⁾ Audited as major program

Work2Future Foundation
(A California Nonprofit Organization)
Notes to Federal Awards Compliance Section
For the Year Ended June 30, 2017

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of Work2Future Foundation (the Organization) under programs of the federal government for the year ended June 30, 2017. 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 Regulations, 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 position, or cash flows of the Organization. The Organization has elected not to use the 10 percent de minimus indirect cost rate as allowed under Uniform Guidance.

NOTE 2 - 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 OMB Compliance Supplement, *Cost Principles for Nonprofit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

NOTE 3 - RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The amounts reported in the accompanying schedule agree, in all material respects, to amounts reported within the Organization's financial statements. Federal award revenues are reported principally in the Organization's financial statements as grant revenues.

NOTE 4 - RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree or can be reconciled with the amounts reported or to be reported in the federal financial reports.

NOTE 5 - PASS-THROUGH ENTITIES' IDENTIFYING NUMBER

When federal awards were received from a pass-through entity, the Schedule of Expenditures of Federal Awards shows, if available, the identifying number assigned by the pass-through entity. When no identifying number is shown, the Organization has determined that no identifying number is assigned for the program or the Organization was unable to obtain an identifying number from the pass-through entity.

Other Independent Auditor's Reports



**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
Work2Future Foundation
San Jose, California

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 Work2Future Foundation (the Organization), which comprise the statement of financial position as of June 30, 2017, 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 December 12, 2017.

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 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 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

C & A LLP

December 12, 2017
San Jose, California



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY TITLE 2 CFR PART 200 (UNIFORM GUIDANCE)**

Board of Directors
Work2Future Foundation
San Jose, California

Report on Compliance for Each Major Federal Program

We have audited Work2Future Foundation's (the Organization) compliance with the types of compliance requirements described in the *Uniform Compliance* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2017. 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 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 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by Uniform Compliance

We have audited the financial statements of the Organization as of and for the year ended June 30, 2017, and have issued our report thereon dated December 12, 2017, which contained an unmodified opinion on those financial statements. 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 is presented for purposes of additional analysis as required by Uniform Compliance 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

C & A LLP

December 12, 2017
San Jose, California

Findings and Recommendations

Work2Future Foundation
(A California Nonprofit Organization)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x No

Noncompliance material to financial statements noted? _____ Yes x No

Federal Awards

Internal control over major programs:

Material weaknesses? _____ Yes x No

Significant deficiencies identified not
considered to be material weaknesses? _____ Yes x No

Type of auditor's report issued on compliance
over major programs: **Unmodified**

Any audit findings disclosed that are required
to be reported in accordance with 2 CFR 200.516(a) _____ Yes x No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
17.258	WIOA Adult Program
17.259	WIOA Youth Program
17.278	WIOA Dislocated Workers Program

Dollar threshold used to distinguish between
Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? _____ Yes x No

(Continued)

Work2Future Foundation
(A California Nonprofit Organization)
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

No findings noted.

Section III - Federal Award Findings and Questioned Costs

No findings noted.

(Concluded)

Work2Future Foundation
(A California Nonprofit Organization)
Status of Prior Year Findings and Recommendations
For the Year Ended June 30, 2017

No findings noted.

IV.B.4

WIA/WIOA

Performance Update

[Discussion]

WIA*/WIOA PERFORMANCE UPDATE

WIOA Participants

1st Quarter

(Run date: 11-28-17)

PY 2017 (2017-2018) 1st Quarter – With Base Wage			
Performance Measures	Perf. Goals /a	Actual	Success Rate
ADULT			
Entered Employment Rate	51.5%	53.2%	103.3%
Average Earnings	\$14,200	\$20,353.29	143.3%
Employment Retention Rate	79.0%	80.5%	101.9%
DISLOCATED WORKERS			
Entered Employment Rate	58.5%	54.4%	93.0%
Average Earnings	\$20,100	\$28,223.84	140.4%
Employment Retention Rate	83.0%	85.7%	103.3%
YOUTH			
Placement in Employment or Education	60.0%	62.9%	104.8%
Attainment of a Degree or Certificate	64.0%	93.8%	146.6%
Overall Performance - Local Target (100%)	Exceeded 7/8		
Overall Performance - State Target (80%)	Exceeded 8/8		
Projected Overall Performance - Local Target (100%)	Exceed 7/8		
Projected Overall Performance - State Target (80%)	Exceed 8/8		

/a - Negotiated Performance Levels for 2016-2017.

*WIA performance, WIOA unavailable per State with no estimate on availability

work2future continues to track WIA performance outcomes for WIOA participants. Staff have participated extensively in State policy task forces supporting the transition from WIA to WIOA, including those aspects related to performance measures.

IV.B.5

Outcome Measures

[Action]



Memorandum

TO: Executive Committee &
Finance & Performance Committee
SUBJECT: **Outcome Measures**

FROM: Monique Melchor
DATE: February 9, 2018

Approved

Date

RECOMMENDATION

Recommend Board approval of a methodology and first-year targets for Career Pathways Outcome Measures and related Matrix of Placements in Priority Sectors and In-Demand Occupations.

BACKGROUND AND ANALYSIS

With the transition to WIOA, work2future's strategic emphasis has shifted to connecting its clients to priority in-demand sectors and in-demand occupations with career pathways leading to economic self-sufficiency. This new policy and programmatic focus is detailed in work2future's 5-year Local and Regional Strategic Plans.

The focus on empowering clients to succeed in an in-demand sector and in-demand occupation framework requires providing intensive case management to clients. However, while work2future has always done so in its Youth Program, providing intensive services in the Adult/Dislocated Worker Program represents a significant departure from a 2009 State initiative which required work2future to enroll any eligible adult client who desired services. Though work2future still met or exceeded all its State-mandated performance goals during 2009-2017, this "open entry" requirement caused work2future's case manager-to-client ratio for adult clients to increase dramatically to as much as 1:500, versus the common industry ratio of 1:100, making it infeasible to provide intensive services to Adult/Dislocated Worker Program clients.

Therefore, to support the shift to a career pathway focus, the Board in June 2017 approved staff's recommendation to redirect resources to provide more intensive case management, greater training options, and supportive services that better guide and support work2future clients towards in-demand sectors and occupations.

Subsequently, staff has developed proposed new benchmarks to assess performance and establish a relevant standard for what success would constitute for work2future in the career pathways framework.

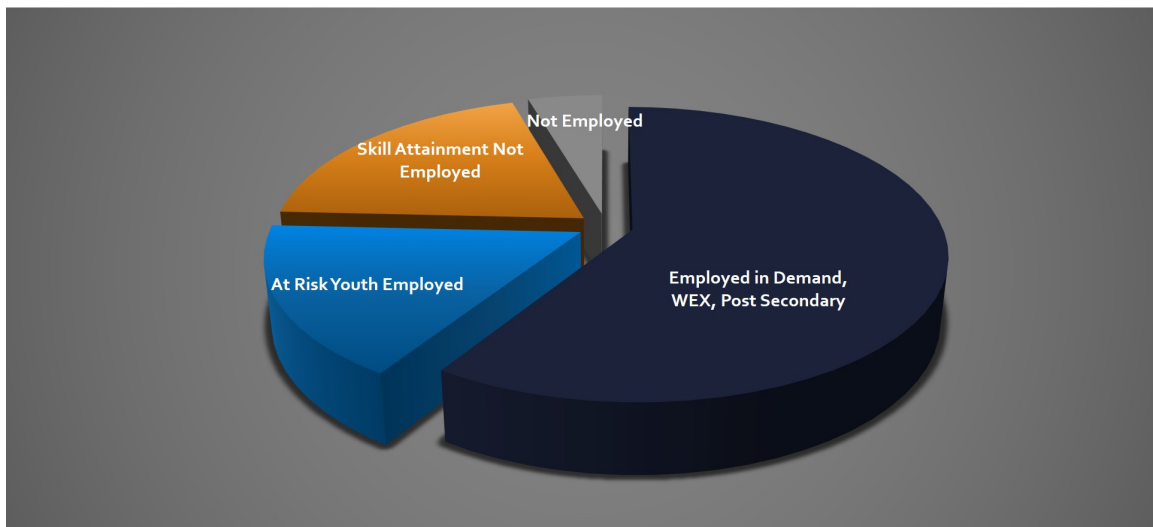
Youth Program Outcomes

work2future transitioned the Youth Program fully to a career pathways focus commencing in FY 2016.

Accordingly, the proposed Youth Program outcomes goals for the current year are:

- 50% of clients placed into in-demand sectors or occupations, including work experience, or into postsecondary education;
- Employment in other than in-demand sectors/occupations for another 25% who are low-income or have additional barriers;
- The remaining 25% would include the following:
 - Received a nationally recognized credential or other training but did not secure employment;
 - Youth who exited the program without employment and without receiving a nationally recognized credential.

SAMPLE YOUTH PARTICIPANT OUTCOMES



Adult and Dislocated Worker Program Outcomes

Similar goals to those established for the Youth Program are proposed for the Adult/Dislocated Worker Program. They include: (i) placing 50% of Adult and

Dislocated Worker clients in in-demand sectors or occupations, and (ii) employment in other than in-demand sectors/occupations for another 25% of clients.

Data Challenges Remain

Under WIA , the State had historically provided to local workforce development boards information on (i) whether their clients have found employment, and (ii) how much employed clients have earned. WIOA requires the State to provide this information as well. However, the transition from WIA to WIOA has caused a delay in the flow of information which the state is still working to resolve.

In addition, work2future has asked the State to provide information about the occupations of clients who secure employment. Despite repeated requests, the State has not been able to provide this information. The absence of such information makes it uncertain when work2future will be able to fully implement the proposed new outcome measures.

/s/
Monique Melchor
Director work2future

IV.B.6

Return on Investment

[Action]



Memorandum

TO: Executive Committee &
Finance & Performance Committee
SUBJECT: **Return on Investment**

FROM: Monique Melchor
DATE: February 8, 2018

Approved

Date

RECOMMENDATION

Recommend Board approval of a proposed work2future methodology for determining Return-on-Investment measures.

BACKGROUND AND ANALYSIS

In June 2017, The (CWA) (<http://calworkforce.org/>) conducted an initial assessment to provide return-on-investment (ROI) information for local workforce boards.

Because of shrinking federal, state and local budgets, staff believe it important to adopt the CWA's ROI methodology to better understand aspects of the work2future program that will result in the greatest returns, to communicate to legislators the positive impacts of the program, and to do both in a manner consistent with workforce boards throughout California.

Methodology

Numerator: Earnings for Adult and Dislocated Workers (DW) for the Program Year (PY) multiplied 27.8% (the amount that a lower income family would be expected to pay in federal and state taxes, including estimated sales tax and other taxes), plus the number of Adult and DW participants multiplied by the number of persons in the average family receiving TANF and SNAP benefits.

Denominator: The total allocation for Adult/DW.

For selected workforce boards in the San Francisco Bay Area, the results are presented below for the Adult and Dislocated Worker Program for FY 2015-16.

LOCAL WORKFORCE DEVELOPMENT BOARDS	2015-2016 ROI	Statewide Ranking
North Valley Job Training Consortium (NOVA)	\$3.33	2
Silicon Valley Workforce Investment Network/work2future	\$1.38	8
City of Oakland Workforce Investment Board	\$1.34	10
San Francisco (SFOEWD)	\$1.14	11
Alameda County Workforce Investment Board	\$1.13	12
San Benito County Workforce Board	\$0.19	47
Rankings are among ALL 47 Workforce Development Boards in California		

Though work2future staff does not have access to the CWA's PY 2016-17 figures, applying the same methodology utilized by the State in previous years, the Adult/DW Program's ROI is \$1.50, an increase from the previous year. The work2future Board did recommend that staff include two years of wages, rather than simply one year, to provide an appropriate time to recover the initial investment of workforce dollars. If two years of wages were included, then the ROI for FY 16-17 would be \$2.76.

For the Youth Program, the CWA did not conduct an ROI assessment. However, staff intends to work with a consultant or a local university to develop a methodology appropriate to assess Youth Program ROI, given that many of work2future's clients continue to postsecondary education, rather than to immediate employment.

ROI results are intended to provide a reference point to assess the impact of WIOA resources on client outcomes. Calculating ROI for workforce development programs requires considerable data and careful analyses of benefits and costs. All One-Stops across California are unique, with many different factors to consider, such as the state of the local economy, the local characteristics of clients and the barriers to employment with which they have to contend. Nonetheless, the ROI measures provide a reference point to assess the impact of WIOA resources on client outcomes and, as such, staff believe that this assessment of ROI is a tool that work2future can use to monitor its programs' performance.

/s/
Monique Melchor
Director, work2future

IV.B.7

One-Stop Certification Update

[Discussion]

WIOA ONE-STOP CERTIFICATION UPDATE

Under the Workforce Innovation and Opportunity Act (WIOA), local Workforce Development Boards (WDB) must conduct an independent review and objective evaluation to certify the comprehensive and affiliate (including specialized) America's Job Centers of California (AJCC) within its local area once every three years using criteria and procedures established by the California Workforce Development Board (State Board).

- work2future conducted the initial Baseline Review throughout November and December 2017.
- work2future submitted the Baseline Review on December 31, 2017 to the State Board, which will review and evaluate the Baseline Review and address with work2future any challenges before March 31, 2018.
- work2future continues to assess components of service delivery ranging from robust partnerships through ensuring meaningful access to all customers, including individuals with disabilities.
- After submitting the Baseline Review, work2future moved into Phase II of the certification process, the Hallmark of Excellence Review, which may, but is not required to, include each of the following:
 - Review of the materials gathered under Phase I – Baseline Review and examine any additional information and tools provided by the State;
 - Complete checklist that documents materials and information collected, including feedback from interviews and surveys received;
 - Complete an Americans with Disabilities Act (ADA) review to ensure AJCC is physically and programmatically accessible to individuals with disabilities;
 - Review local area policies (i.e. standard operating policies and procedures, limited English proficiency plan, accessibility for individuals with disabilities, priority of service, etc.);
 - Conduct tours of the comprehensive AJCC (and affiliate sites in PY2018-19);
 - Conduct staff and customer satisfaction surveys;
 - Conduct interviews with AJCC staff, partners and customers;
 - Review reports on performance information;
 - Conduct onsite observation of service delivery; and
 - Conduct “mystery shopper” reviews of service delivery.

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IV.B.8

San Jose Works Update

[Discussion]

SAN JOSE WORKS UPDATE

San Jose Works (SJ Works) is a City of San Jose-funded partnership between work2future and the City's Parks, Recreation, and Neighborhood Services Department (PRNS), and The Silicon Valley Organization (The SVO), an unfunded partner.

SJ Works has two tracks—subsidized, in which the City covers the cost of stipends or wages for youth internships/jobs, and unsubsidized, in which employers cover the cost of stipends or wages—and serves over 800 youth, focusing increasingly on career pathways.

SJ Works 3.0, the 2017-18 edition of the program, has provided:

- 375 subsidized employment opportunities for youth aged 14–18.
 - To date, 85% of placed youth have successfully completed paid internships subsidized by the program.
 - The subsidized model focused increasingly on private sector internships for high school youth.
 - Of the 375 subsidized placements, 235 were in in-demand sectors—information technology, health care, construction, advanced manufacturing, and business and finance—or in-demand occupations outside those sectors.
 - Youth were recruited from High School Career Technical Education classes focusing on these same sectors and related demands occupations.
 - The remaining 140 subsidized placements were with community centers, libraries, City departments, Council offices or with nonprofit agencies.
- 461 unsubsidized employment opportunities for youth aged 16–29 (with an additional number not yet accounted for as the program ends in March of 2018).
 - To date, 83% have completed their unsubsidized employment opportunity.
 - Unsubsidized employment was entirely with private employers.
 - The SVO secured 182 placements for SJ Works youth.
- Additional services provided to participating youth included career counseling, job readiness workshops, supportive services (e.g. bus passes), and financial education.

Staff are working with the City and the Foundation in preparation of SJ Works 4.0 for 2018-19:

- Expected to serve approximately 1,000 youth, ages 14-29, with an estimated 375 subsidized employment opportunities and an estimated 625 unsubsidized employment opportunities.
- Additional services available will include job counseling, job readiness training, supportive services (e.g. transportation, clothing, etc.) and financial education.

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IV.B.9

One-Stop Operator Update

[Discussion]

ONE-STOP OPERATOR UPDATE

Phoenix Consulting Group has been providing One-Stop Operator services since July 1, 2017. The One-Stop Operator ensures that the America's Job Center of California (AJCC) partners provide the services agreed upon in their Memoranda of Understanding with work2future. The One-Stop Operator is required to convene four partner meetings during the one-year term of its contract, which ends June 30, 2018.

Phoenix Consulting Group has convened three of its four required partner meetings for this year. The first meeting was held at the comprehensive AJCC on August 8, 2017; the second meeting was held at work2future's Administration and Business Services location on November 7, 2017; and the third meeting was held at the comprehensive AJCC on February 6, 2017.

- There were 12 attendees from the following partner agencies:
 - San José Silicon Valley WDB (work2future)
 - EDD
 - Sourcewise
 - CET
 - Sparkpoint— San José-Evergreen Community College District
 - Silicon Valley Adult Education - MetroEd (Metropolitan Education District)
 - Campbell Union High School District
 - East Side Union High School District
- The co-location schedule was reviewed. There are currently 9 partner agencies co-located at the AJCC:
 - work2future Foundation
 - Metropolitan Education District
 - Campbell Union High School District
 - East Side Union High School District
 - CET
 - Sourcewise
 - Foothill-De Anza Community College District
 - San José-Evergreen Community College District
 - County of Santa Clara Department of Social Services
- Other items discussed included:
 - Partner Referral Form
 - Cross-Training
 - Collaboration Tools

The fourth and final meeting for this year is scheduled for Tuesday, May 8 2018.

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V.

Public Comment

VI.

Proposed Agenda Items for Next
Meeting

VII.

Announcements

VIII.A

Next Meeting – Executive Committee

The next Executive Committee meeting is scheduled for April 19, 2018, 12:30 pm.

VIII.B

Next Meeting – Finance & Performance Committee

Finance & Performance Committee meeting is scheduled for June 07, 2018, 1:00 pm.

IX.

Adjournment