

**ConXion to Community**  
**(a non-profit corporation)**

Financial Statements  
and  
Independent Auditors' Report

For the Years Ended  
June 30, 2017 and 2016



# ConXion to Community

For the Years Ended June 30, 2017 and 2016

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
ConXion to Community  
San Jose, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Center for Training and Careers, Inc. dba ConXion to Community, a California nonprofit corporation (the Organization), which comprise the statements of financial position as of June 30, 2017 and 2016, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' 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 of 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 Center for Training and Careers, Inc. dba ConXion to Community, as of June 30, 2017 and 2016 and the related statements of activities and changes in net assets, functional expenses and cash flows, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 2018, on our consideration of the Organization's internal control over financial reporting, and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Center for Training and Careers, Inc., dba ConXion to Community's internal control over financial reporting and compliance.



San Jose, CA

January 16, 2018

**ConXion to Community**  
**Statements of Financial Position**  
**As of June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 274,687	\$ 199,685
Grants receivable	234,934	266,142
Other receivables	1,550	8,714
Prepaid expenses	<u>9,184</u>	<u>17,259</u>
TOTAL CURRENT ASSETS	<u>520,355</u>	<u>491,800</u>
Property and equipment, net	<u>3,921,060</u>	<u>3,971,411</u>
TOTAL OTHER ASSETS	<u>3,921,060</u>	<u>3,971,411</u>
TOTAL ASSETS	<u><u>\$ 4,441,415</u></u>	<u><u>\$ 4,463,211</u></u>
<b>LIABILITIES</b>		
Accounts payable	\$ 46,143	\$ 53,627
Payroll liabilities	30,325	32,104
Rent liability	16,034	15,567
Other current liabilities	14,087	32,220
Line of credit	-	39,478
Current portion of notes payable	<u>65,731</u>	<u>62,687</u>
TOTAL CURRENT LIABILITIES	<u>172,320</u>	<u>235,683</u>
Rental deposits	18,000	17,000
Notes payable, net	<u>3,037,126</u>	<u>3,096,377</u>
TOTAL NON-CURRENT LIABILITIES	<u>3,055,126</u>	<u>3,113,377</u>
TOTAL LIABILITIES	<u>3,227,446</u>	<u>3,349,060</u>
<b>NET ASSETS</b>		
Unrestricted	272,634	216,060
Invested in fixed assets	818,203	812,347
Temporarily restricted	<u>123,132</u>	<u>85,744</u>
TOTAL NET ASSETS	<u>1,213,969</u>	<u>1,114,151</u>
TOTAL LIABILITIES & NET ASSETS	<u><u>\$ 4,441,415</u></u>	<u><u>\$ 4,463,211</u></u>

*See notes to financial statements.*

**ConXion to Community**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2017**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT &amp; REVENUE</b>			
Grants and contracts	\$ 1,297,295	\$ 381,693	\$ 1,678,988
Tuition income	128,420	-	128,420
In-kind revenue	200,165	-	200,165
Contributions	114,519	-	114,519
Rental income	250,853	-	250,853
Other income	14,426	-	14,426
	<u>2,005,678</u>	<u>381,693</u>	<u>2,387,371</u>
<b>ADJUSTMENTS</b>			
Net assets released from restrictions	<u>344,305</u>	<u>(344,305)</u>	<u>-</u>
<b>EXPENSES</b>			
Program services	2,057,353	-	2,057,353
Supporting services			
Management and general	116,463	-	116,463
Direct building services	<u>114,041</u>	<u>-</u>	<u>114,041</u>
Total supporting services	230,504	-	230,504
	<u>2,287,857</u>	<u>-</u>	<u>2,287,857</u>
<b>OTHER INCOME &amp; EXPENSES</b>			
Interest income	<u>304</u>	<u>-</u>	<u>304</u>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	62,429.60	37,388	99,818
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u>1,028,407</u>	<u>85,744</u>	<u>1,114,151</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$ 1,090,837</u>	<u>\$ 123,132</u>	<u>\$ 1,213,969</u>

*See notes to financial statements.*

**ConXion to Community**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended June 30, 2016**

	Unrestricted	Temporarily Restricted	Total
<b>SUPPORT &amp; REVENUE</b>			
Grants and contracts	\$ 1,155,148	\$ 337,874	\$ 1,493,022
Tuition income	143,405	-	143,405
In-kind revenue	272,371	-	272,371
Contributions	115,148	-	115,148
Rental income	231,700	-	231,700
Other income	9,334	-	9,334
Total Support and Revenue	1,927,106	337,874	2,264,980
<b>ADJUSTMENTS</b>			
Net assets released from restrictions	311,275	(311,275)	-
<b>EXPENSES</b>			
Program services	2,070,530	-	2,070,530
Supporting services			
Management and general	107,417	-	107,417
Direct building services	91,992	-	91,992
Total supporting services	199,409	-	199,409
Total Expenses	2,269,939	-	2,269,939
<b>OTHER INCOME AND EXPENSES</b>			
Interest income	326	-	326
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(31,232)	26,599	(4,633)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	1,059,639	59,145	1,118,784
<b>NET ASSETS AT END OF YEAR</b>	\$ 1,028,407	\$ 85,744	\$ 1,114,151

*See notes to financial statements.*

**ConXion to Community**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2017**

	Program Services	Supporting Services			Total Expenses
		Management & General	Direct Building Services	Total	
Salaries and wages	\$ 971,713	\$ 69,484	\$ -	\$ 69,484	\$ 1,041,197
Employee benefits	172,675	12,348	-	12,348	185,023
Compensation and related expenses	1,144,388	81,832	-	81,832	1,226,220
In-kind expenses	200,165	-	-	-	200,165
Conferences and training	11,449	1,041	-	1,041	12,490
Dues and subscriptions	4,565	-	-	-	4,565
Test fees	1,706	-	-	-	1,706
School licensing	-	-	-	-	-
Contract services	200,469	-	-	-	200,469
Support services	125,074	-	-	-	125,074
Occupancy	113,549	8,511	82,039	90,550	204,099
Insurance	19,801	3,623	-	3,623	23,424
Bank fees	3,644	-	-	-	3,644
Printing/adv/postage	18,355	3,359	-	3,359	21,714
Property taxes	4,976	-	4,650	4,650	9,626
Professional fees	18,317	3,352	-	3,352	21,669
Supplies	15,863	1,127	-	1,127	16,990
Equipment and tools	53,632	4,876	-	4,876	58,508
Incentives	210	-	-	-	210
Telephone and comm.	24,842	2,258	-	2,258	27,100
Travel and meals	66,625	6,423	-	6,423	73,048
Miscellaneous	150	33	-	33	183
Depreciation	29,265	-	27,352	27,352	56,617
Interest expense	308	28	-	28	336
<b>Total Expenses</b>	<b>\$ 2,057,353</b>	<b>\$ 116,463</b>	<b>\$ 114,041</b>	<b>\$ 230,504</b>	<b>\$ 2,287,857</b>

*See notes to financial statements.*

**ConXion to Community**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2016**

	Program Services	Supporting Services			Total Expenses
		Management & General	Direct Building Services	Total	
Salaries and wages	\$ 976,676	\$ 64,677	\$ -	\$ 64,677	\$ 1,041,353
Employee benefits	184,370	12,209	-	12,209	196,579
Compensation and related expenses	1,161,046	76,886	-	76,886	1,237,932
In-kind expenses	251,660	-	-	-	251,660
Conferences and training	1,368	124	-	124	1,492
Dues and subscriptions	6,348	-	-	-	6,348
Test fees	2,693	-	-	-	2,693
School licensing	250	-	-	-	250
Contract services	149,563	-	-	-	149,563
Support services	127,362	-	-	-	127,362
Occupancy	101,412	6,736	63,911	70,647	172,059
Insurance	23,391	3,694	-	3,694	27,085
Bank fees	2,059	-	-	-	2,059
Printing/adv/postage	26,638	4,207	-	4,207	30,845
Property taxes	4,911	-	3,900	3,900	8,811
Professional fees	17,950	2,835	-	2,835	20,785
Supplies	34,222	2,120	-	2,120	36,342
Equipment & tools	45,264	4,115	-	4,115	49,379
Incentives	2,678	-	-	-	2,678
Telephone and comm.	20,307	1,846	-	1,846	22,153
Travel and meals	56,769	4,125	-	4,125	60,894
Miscellaneous	172	364	-	364	536
Depreciation	30,453	-	24,181	24,181	54,634
Interest expense	4,014	365	-	365	4,379
<b>Total Expenses</b>	<b>\$ 2,070,530</b>	<b>\$ 107,417</b>	<b>\$ 91,992</b>	<b>\$ 199,409</b>	<b>\$ 2,269,939</b>

*See notes to financial statements.*

**ConXion to Community**  
**Statements of Cash Flows**  
**For the Years Ended June 30, 2017 and 2016**

	<u>2017</u>	<u>2016</u>
<b><u>Cash Flows from Operating Activities:</u></b>		
Change in Net Assets	\$ 99,818	\$ (4,633)
Adjustments to reconcile change in net assets (loss) to net cash provided by (used in) operating activities:		
Depreciation	56,617	54,635
In-kind contributions	(200,165)	(272,371)
In-kind expenses	200,165	251,660
(Increase) decrease in Operating Assets:		
Grants receivable	31,208	(90,446)
Other receivable	7,164	(8,340)
Prepaid expenses	8,075	2,011
Increase (decrease in Operating Liabilities):		
Accounts payable	(7,484)	15,216
Payroll liabilities	(1,779)	6,035
Customer deposits	1,467	453
Other current liabilities	<u>(18,133)</u>	<u>19,147</u>
Total Adjustments	<u>77,135</u>	<u>(22,000)</u>
Net Cash Provided by/(Used in) by Operating Activities	<u>176,953</u>	<u>(26,633)</u>
<b><u>Cash Flows from Investing Activities</u></b>		
Purchase of property and equipment	<u>(6,266)</u>	<u>(27,694)</u>
Net Cash (Used in) Investing Activities	<u>(6,266)</u>	<u>(27,694)</u>
<b><u>Cash Flows from Financing Activities</u></b>		
Proceeds from line of credit	-	85,340
Repayment of line of credit	(39,478)	(45,862)
Principal repayments	<u>(56,207)</u>	<u>(50,652)</u>
Net Cash (Used in) Financing Activities	<u>(95,685)</u>	<u>(11,174)</u>
Net Increase (Decrease) in Cash	75,002	(65,501)
Cash at beginning of year	<u>199,685</u>	<u>265,186</u>
Cash at end of year	<u>\$ 274,687</u>	<u>\$ 199,685</u>
<b><u>Supplemental Disclosures</u></b>		
Cash paid for interest	\$ 76,806	\$ 75,754

*See notes to financial statements.*

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**1. NATURE OF OPERATIONS**

Center for Training and Careers, Inc., a California nonprofit corporation dba ConXion to Community, (the Organization) is a nonprofit vocational skills training organization founded in 1977 to provide vocational training to residents of Santa Clara County.

Programs:

Vision & Bright Futures

Funding from the City of San Jose's BEST (Bringing Everyone's Strengths Together) provides education, job placement, and after school life skills coaching with mentoring for out of school youth ages 13-24 for high-risk, gang impacted and gang intentional youth.

Trauma to Triumph

CalGRIP (California Gang Reduction Intervention Program) is a partnership among the City of San Jose, Valley Medical Hospital, Hope for Youth, and ConXión to provide services for victims of gang violence. Services begin at the hospital.

Ranch Educational & Vocational Program for Youth

The County of Santa Clara Probation Department provides this funding for vocational, educational, employment and support services for youth that are within 30-day of exiting incarceration from the Ranch. This includes GED, job training, work readiness, and employment assistance.

AB109 Employment Program for Adults

The County of Santa Clara Probation Department provides funding for vocational, educational, employment and support services for recently released (within last 9-months) probationers referred by their Probation officer.

Day Worker Center

Funded through Santa Clara County, County Executive's Office. The Organization provides transitional employment by connecting small businesses and homeowners with day laborers for a variety of services insuring fair wages and good working conditions while making the hiring process easy for the employers.

Escuela Popular Charter School

An agreement between the Organization, the City of San Jose and Escuela Popular to deliver vocational services to adults 18 years old and over. The program is dedicated to pupils who are also WIA eligible.

Comcast Digital Connectors

Funding from Comcast for an after school program that focus is on technology, leadership skill, and civic engagement.

Comcast Digital Literacy Program

This single year program provided funding for 20-new laptop computers which in turn were used for a digital literacy and coding program for high-risk, middle and high school youth.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**1. NATURE OF OPERATIONS - continued**

Safe Summer Grant Initiative

This City of San Jose Bringing Everyone's Strengths Together (BEST) program provides structured activity during the summer months for at risk youth.

Pro-social Violence Reduction Program

Santa Clara County Probation program to engage justice involved youth who have been referred by their Probation officer to participate in positive community activities. These activities improve their ability to redirect their energy and time towards more positive activities and experiences that will help develop pro-social skills to thrive in their schools and communities.

Scholarship Fund

Santa Visits Alviso Foundation and the Richard Kaufmann Family Trust provides scholarships to students of our choice whom participate in our programming.

Planned Parenthood - Kids in Common

Working with Opportunity Youth Partnership, provide one of three Education Navigators to place parenting or pregnant youth ages 16-24 into an educational or vocational program.

De La Familia Parent Hub

County of Santa Clara Social Services Department funding provides support for parents who have lost their child(ren) to the child welfare system, or are trying to reunite with their child(ren). Services are parenting classes, support group, parent mentors, support services, and case management.

Cultural Supporters

County of Santa Clara Department of Family and Children Services pilot program that works on disproportionality of children in the child welfare system. ConXión staff meets social worker on Child Protective Services CPS calls and is the bridge between family and County during the investigative period.

Exitto!

Funded by National Council of La Raza (NCLR) through their partnership with Comcast, Exitto! Provides immigrant small businesses with technology skills which will lead to growth of their small business.

Opportunity Court

Superior Court held once monthly for juvenile treatment court; held on-site here at ConXión.

Victor Garza Institute of Public Affairs

In Public Service Institute (PSI), participants are paid interns at Santa Clara County, City of San Jose and Milpitas city government offices. The internship also includes an academic leadership component during which interns explore theories of change, organizational theory, career exploration, and topics related to each intern's field of study.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

a. Basis of Accounting

The Organization prepares its financial statements using the accrual method of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

b. Fiscal Year

The Organization's fiscal year begins on July 1 and ends on June 30.

c. Basis of Presentation

In accordance with GAAP, where applicable, the financial statements report amounts separately by class of net assets:

- 1) Unrestricted amounts are those currently available at the discretion of the Board of Trustees (the Board) for use in the Organization's exempt purposes, and those resources invested in fixed assets.
- 2) Board-designated amounts are unrestricted net assets that are presently designated by the Board to a specific purpose. These amounts can be returned to an unrestricted status by action of the same Board. There were no Board-designated net assets at June 30, 2017 and 2016.
- 3) Temporarily restricted amounts are those which are restricted by donors for time, specific operating purposes or for the acquisition of land, buildings and equipment. If available, temporarily restricted monies are always utilized for a project before designated and general fund monies are expended.
- 4) Permanently restricted net assets are those amounts in which the donor has stipulated that the principal remain intact in perpetuity. Income from the principal is considered unrestricted unless further restricted by the donor. There were no permanently restricted net assets at June 30, 2017 and 2016.

d. Cash Equivalents

Cash equivalents consist of highly liquid investments with maturity dates of less than three months.

e. Grants Receivable and Other Receivables

All accounts receivables are deemed collectible by management. Based on management's assessment of the grantors having outstanding balances and their past history, they concluded that losses on balances outstanding at year-end are unlikely. Management believes that all receivables will be collected within one year, therefore no allowance for doubtful accounts has been recorded.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

f. Prepaid Expenses

Prepaid expenses consist of expenses that are paid in advance of when they are incurred.

g. Property and Equipment

Property and equipment acquired by the Organization are considered to be owned by the Organization. However, State funding sources may maintain an equitable interest in the property purchased with grant monies as well as the right to determine the use of any proceeds from the sale of these assets. The State has a reversionary interest in those assets purchased with its funds that have a cost of \$500 or more and estimated useful lives of at least three years.

Furniture and equipment exceeding \$1,000 are recorded at cost if purchased or at estimated fair market value at date of gift, if donated. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

Building and improvements	30 years
Furniture and equipment	3-5 years

h. Accounts Payable

Accounts payable consists of amounts due for expenses incurred but not paid until the subsequent year.

i. Payroll Liabilities

Accrued unpaid employee vacation benefits are recognized as liabilities of the Organization.

Sick leave benefits are accumulated for each employee. Accumulated employee sick leave benefits are not recognized as liabilities since payment of such benefits are recorded as expenditures in the period sick leave is taken.

j. Refundable Deposits

The Organization collects deposits on leases of portions of the property. It is anticipated that the deposit will be refunded at the end of the lease less any incidental charges.

k. Rental Liabilities

The Organization collects rental income from tenants, some of which may be collected in advance of when due to the Organization. The amounts collected in advance are recorded as deferred rent and will be recognized as rental income in the period ended.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued**

l. Other Current Liabilities

There are other liabilities including credit card liabilities and other miscellaneous liabilities that are reported as other current liabilities.

m. Notes Payable

Notes payable consists of notes owed for loans outstanding at year end. The notes relate to the loans on the buildings and loans from the city of San Jose.

n. Recognition of Contribution Income

The Organization receives a substantial portion of its operating funds from government grants and contracts. The grants are reimbursed either on a cost reimbursable basis or on a fee for service basis. These funds are considered earned and reported as revenue when expenses are incurred for cost reimbursable grants and when services are provided for fee for service grants. Grants are recognized as revenue over the period specified in the related grant agreements and classified as unrestricted.

o. Recognition of Tuition Income

Tuition income is made up of tuition earned during the year. The tuition revenue is recognized when it is earned.

p. Recognition of Rental Income

Rental income is made up of rents earned during the year. The rental revenue is recognized when it is earned.

q. Contribution of Services

The Organization receives services donated by members of the community. These services do not meet the criteria for recognition as contributed services under GAAP.

r. In-Kind Revenue

The Organization records in-kind support including contributed assets and professional services. Contributed professional services are recognized if the services received (a) create or enhance a non-financial asset or (b) require specialized skills, provided by individuals possessing those skills and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind support are offset by like amounts included in expense.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

s. Advertising Expenses

There are expenses incurred to advertise the various program offerings, and are expensed as incurred. Advertising expenses for the years ended June 30, 2017 and 2016 are \$8,976 and \$15,244, respectively.

t. Functional Allocation of Expenses

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

u. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

v. Supporting Services

Supporting services include functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy through the Office of the President; secure proper administrative functioning of the Board of Directors; maintain competent legal services for the program administration of the Organization; and manage financial and budgetary responsibilities.

w. Tax Exemption Status

The Organization is exempt from Federal and State income taxes under Sections 501(c)(3) of the Internal Revenue Code (IRC) and 23701d of the California Revenue and Taxation Code, respectively. The Organization has no unrelated business income for the year ended June 30, 2017 and 2016. Accordingly, no provision is made for income taxes in these financial statements.

x. Changing Standards

*Presentation of Financial Statements of Not-for-Profit Organizations*

In August 2016, the FASB issued ASU No. 2016-14, Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities ("ASU 2016-14"), which significantly amends the standards for the presentation and accompanying disclosures of the financial statements of nonprofit organizations. This issuance of ASU 2016-14 is the first phase of a FASB project with the broad objective of re-examining the standards for financial statement presentation by nonprofit organizations. Some of the more significant changes are (a) only two

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued**

classes of net assets are reported in the statement of financial position, (b) accumulated losses of donor-restricted endowment funds are no longer classified in unrestricted net assets and additional disclosures about endowment funds are required, (c) all nonprofit organizations are required to present an analysis of expenses by both nature and function either on the face of the statement of activities, as a separate statement, or in the notes to the financial statements, (d) nonprofit organizations are required to describe the methods used to allocate costs among the program and support functions, (e) while nonprofit organizations continue to be permitted to report cash flows from operating activities using either the direct or indirect method, a reconciliation to the indirect method is no longer required when the direct method is used, (f) investment return is reported net of external and direct internal investment expenses, (g) the release of restrictions on donor-restricted capital gifts is recognized when the assets are placed in service, (i) nonprofit organizations are required to provide qualitative and quantitative information about the organization's liquidity and the availability of its resources to fund general expenditures, and (j) enhanced disclosures about net assets with donor restrictions and designations of net assets made by the governing board are required. The guidance in ASU 2016-14 is effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. ASU 2016-14 is to be applied to the financial statements using a retrospective application. The nature of any reclassifications or restatements and their effects, if any, on the changes in net asset classes for each period that is presented is required to be disclosed.

**3. GRANTS RECEIVABLE**

Grants receivable as of June 30, 2017 and 2016 consisted of the following:

	<u>2017</u>	<u>2016</u>
City of San Jose	\$ 48,600	\$ 44,848
Escuela Popular	5,000	5,000
NCLR	-	500
Planned Parenthood	26,802	26,448
Santa Clara County	147,491	150,426
Runyon Saltzman Einhorn, Inc.	-	15,000
Work2Future	7,041	23,920
	<u>\$ 234,934</u>	<u>\$ 266,142</u>

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**4. PROPERTY AND EQUIPMENT**

At June 30, 2017 and 2016, the value of the property and equipment and related accumulated depreciation is as follows:

	<u>2017</u>	<u>2016</u>
Land	\$ 2,900,000	\$ 2,900,000
Building	454,269	454,269
Building improvements	915,820	912,785
Furniture and equipment	<u>91,087</u>	<u>89,527</u>
Total Property and Equipment	4,361,176	4,356,581
Less Accumulated Depreciation	<u>(440,116)</u>	<u>(385,170)</u>
Net Property and Equipment	<u>\$ 3,921,060</u>	<u>\$ 3,971,411</u>

Depreciation expense for the years ended June 30, 2017 and 2016 were \$56,617 and \$54,635, respectively.

**5. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted funds are required to be disbursed by explicit grant requirement. The temporarily restricted funds held as of June 30 consisted of the following:

	<u>2016</u>	<u>Increases</u>	<u>Releases</u>	<u>2017</u>
Bright Futures	\$ 42,435	\$ 244,800	\$ 202,900	\$ 84,335
Bright Futures - Training	-	17,473	10,191	7,282
Energize Now/ Energy Upgrade	38,309	12,738	51,047	-
Exito!	-	19,500	4,155	15,345
San Jose Calgrip Scholarship	5,000	63,786	63,786	5,000
Victor Garza Institute	-	1,000	-	1,000
	-	22,396	12,226	10,170
	<u>\$ 85,744</u>	<u>\$ 381,693</u>	<u>\$ 344,305</u>	<u>\$ 123,132</u>

	<u>2015</u>	<u>Increases</u>	<u>Releases</u>	<u>2016</u>
Bright Futures	\$ 33,389	\$ 197,961	\$ 188,915	\$ 42,435
Energize Now/ Energy Upgrade	13,661	78,533	53,885	38,309
English as a second language	4,190	30,000	34,190	-
Juvenile Court	3,253	-	3,253	-
San Jose Calgrip Scholarship	-	31,309	26,309	5,000
	4,652	71	4,723	-
	<u>\$ 59,145</u>	<u>\$ 337,874</u>	<u>\$ 311,275</u>	<u>\$ 85,744</u>

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**6. LINE OF CREDIT**

The Organization has a line of credit with credit limit of \$100,000, and outstanding balance of \$0 and \$39,478 as of June 30, 2017 and 2016, respectively. The interest rate as of June 30, 2017 and 2016 was 6%.

**7. NOTES PAYABLE**

The Organization assumed two notes during 2003, secured by deeds of trusts, in the total amount of \$1,550,000, payable to the City of San Jose. The notes do not bear interest. The entire balance of principal shall be due and payable in the event of a default as provided for in the grant agreement occurring by the 10<sup>th</sup> anniversary of the recording of the deed of trust for the City of San Jose's requirements or occurring by a subsequent five-year period for U.S. Department of Housing and Urban Development requirements, for a total period of 15 years, or as extended by an amendment to the grant agreement. If a default has not occurred by this date, the loan shall convert to a grant.

The Organization is also obligated on a note dated December 10, 2008, secured by a deed of trust, in the original amount of \$1,975,777, payable to the Heritage Bank of Commerce. The note bears an initial interest rate of 5.5%, reset monthly. The note was initially due December 10, 2008 with the option to extend annually for ten consecutive periods to December 10, 2018. The extension must be applied for each year. The outstanding balances as of June 30, 2017 and 2016 were \$1,552,857 and \$1,609,064, respectively.

The minimum principal obligations for fiscal years ended June 30<sup>th</sup> are due are as follows:

2018	\$	65,731
2019		3,037,126
2020		-
2021		-
2022		-
Total		\$ 3,102,857

**7. IN-KIND CONTRIBUTIONS**

During the years ended June 30, 2017 and 2016, the Organization recognized the following in-kind donations received as follows:

	<u>2017</u>	<u>2016</u>
Food Contribution	\$ 129,485	\$ 178,755
Instructional Staff	70,000	70,000
Equipment	-	19,711
Tickets	680	2,905
Web Site Support	-	1,000
	\$ 200,165	\$ 272,371

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**8. GRANTS AND CONTRACTS**

The Organization was primarily funded through the following grants and contracts:

	<u>2017</u>	<u>2016</u>
American Indian Heritage	\$ 2,050	\$ -
Bright Futures	161,646	108,730
Cool California	-	39,816
Comcast	33,000	-
Cultural Supporters	165,802	-
Day Worker Center	341,114	304,179
Domestic Violence	-	110
Energize Now	12,738	79,233
Escuela Popular	100,000	100,000
Exitó!	19,500	-
Juvenile Court	8,569	3,646
ProSocial	293,787	260,202
ME&O	43,875	34,310
Navigator Kids in Common	88,514	76,911
Parent Hub	95,263	36,762
James Boy Ranch	45,700	64,604
Re-Entry	114,286	154,249
Safe Summer	7,050	1,814
San Jose Best	59,867	60,151
San Jose Best - Calgrip	63,786	31,309
Santa Clara Re-Entry	-	103,093
Victor Garza Intern Program	22,391	-
Miscellaneous	50	33,903
	<u>\$ 1,678,988</u>	<u>\$ 1,493,022</u>

**9. CONTINGENT LIABILITIES**

Conditions contained within the various contracts awarded to the Organization are subject to the funding agencies' criteria and regulations under which expenditures may be charged and are subject to audit under such regulations and criteria. Occasionally, such audits may determine that costs incurred against the grants may not comply with the established criteria that govern them. The Organization's management does not anticipate any questioned costs for the contracts and grants administered during the period.

**ConXion to Community**  
**Notes to Financial Statements**  
**For the Years Ended June 30, 2017 and 2016**

**10. TAX DEFERRED ANNUITY PLAN**

The Organization provides a tax-deferred annuity plan qualified under 403(b) of the Internal Revenue Code. The plan covers all employees. The Organization does not make contributions to the plan. Employees may voluntarily make contributions to the plan up to the maximum amount allowed by the Internal Revenue Code.

The Organization provides a 401(k) plan to its eligible employees. In accordance with plan document, The Organization has an option to uniformly contribute 50% up to a maximum of 30% of employee compensation for employees vested in the plan. The Organization did not make any contributions during the year.

Due to the Organization's involvement in the community, the California Board of Equalization and the Tax Assessor for the County of Santa Clara awarded a property tax exemption to the Organization for the years ended June 30, 2017 and 2016.

**11. INCOME TAXES**

GAAP require an organization to recognize the tax benefit or liability associated with a tax position taken for the tax return purposes when it is more likely than not the position will be sustained. The Organization does not believe there are any material uncertain tax positions and accordingly, they will not recognize any liability for unrecognized tax benefits. For the years ended June 30, 2017 and 2016, there were no tax related interest or penalties recorded or included in the financial statements.

The Organization is subject to potential examination by taxing authorities for income tax returns filed in the U.S. federal jurisdiction and the State of California. The tax years that remain subject to potential examinations for the U.S. federal jurisdiction are June 30, 2014 and forward. The State of California tax jurisdiction is subject to potential examination for tax years June 30, 2013 and forward.

**12. SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date but before financial statements. The Organization recognizes in the financial statements, the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are available to be issued. Subsequent events are evaluated through January 16, 2018, the date the financial statements were available to be issued and determined that no material subsequent events require an estimate to be recorded or disclosed as of June 30, 2017.

## Supplementary Information



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

To the Board of Directors  
ConXion to Community  
San Jose, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Center for Training and Careers, Inc., a California nonprofit corporation, dba ConXion to Community (the Organization), which comprise the statement of financial position as of June 30, 2017, and the related statement of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated January 16, 2018.

**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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Wheeler". The signature is written in a cursive style with a large, stylized initial "W".

San Jose, CA  
January, 16, 2018



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

To the Board of Directors  
ConXion to Community  
San Jose, California

### **Report on Compliance for Each Major Federal Program**

We have audited the Center for Training and Careers, Inc., dba ConXion to Community's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 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 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.



San Jose, CA  
January 16, 2018

**ConXion to Community**  
**Schedule of Expenditures of Federal Awards**  
**As of June 30, 2017**

<u>Federal Grantor / Pass-through Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development			
Pass-through program from:			
City of San Jose - Community Development Block Grant Program Building Acquisition Project*	14.218	N/A	<u>1,550,000</u> *
Total U.S. Department of Housing and Urban Development			<u>1,550,000</u>
Total Expenditures of Federal Awards			<u>\$ 1,550,000</u>

Note 1: Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Note 2: The Organization does not elect to use the 10% de minimus cost rate.

Note 3: Notes Outstanding

Center for Training and Careers, Inc. had the following notes payable outstanding as of June 30, 2017. These notes are also included in the federal expenditures.

<u>Federal Grantor / Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
City of San Jose - Community Development Block Grant Program Building Acquisition Project	14.218	<u>\$ 1,550,000</u>

N/A Not Available

\* Major Program

*See notes to financial statements.*

**ConXion to Community  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2017**

**Section 1 – Summary of Auditor’s Results**

**Financial Statements**

Type of auditors’ report issued	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs	
• Material weaknesses identified?	No
• Significant deficiencies identified?	No
Types of auditors’ report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance	No

**Identification of major programs:**

<b><u>CFDA Number</u></b>	<b><u>Name of Federal Program or Cluster</u></b>	
14.218	City of San Jose – Community Development Block Grant Program – CTC Acquisition Project	\$1,550,000
Dollar threshold used to distinguish between type A and type B program		\$ 750,000
Auditee qualified as low-risk auditee?		Yes

**Section II – Financial Statement Findings**

No matters were reported.

**Section III – Federal Awards Findings and Questioned Costs**

No matters were reported.