
CORPORATION FOR A SKILLED WORKFORCE

FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

CORPORATION FOR A SKILLED WORKFORCE

FINANCIAL STATEMENTS

For the years ended December 31, 2017 and 2016

TABLE OF CONTENTS

INDEPENDENT AUDITOR'S REPORT	1
FINANCIAL STATEMENTS	
Statements of Financial Position	3
Statements of Activities	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplemental Schedules of Functional Expenses	10

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Corporation for a Skilled Workforce
Ann Arbor, Michigan

We have audited the accompanying financial statements of Corporation for a Skilled Workforce (a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 Corporation for a Skilled Workforce as of December 31, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplemental schedules of functional expenses on pages 10 and 11 are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and related 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.

Respectfully,

Bennett & Associates CPAs PLLC

Ann Arbor, Michigan
June 18, 2018

CORPORATION FOR A SKILLED WORKFORCE
STATEMENTS OF FINANCIAL POSITION
December 31,

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 612,045	\$ 1,265,942
Accounts receivable	190,561	573,993
Work-in-process	80,008	20,185
Prepaid expenses	3,090	5,639
TOTAL CURRENT ASSETS	885,704	1,865,759
PROPERTY AND EQUIPMENT		
Furniture and fixtures	44,045	44,045
Office equipment	84,514	74,631
	128,559	118,676
Less accumulated depreciation	(112,913)	(103,021)
TOTAL PROPERTY AND EQUIPMENT	15,646	15,655
OTHER ASSETS, Security deposit	9,602	9,602
TOTAL ASSETS	\$ 910,952	\$ 1,891,016
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 126,631	\$ 250,652
Accrued liabilities	71,491	89,046
Refundable advances	356,663	912,794
TOTAL LIABILITIES	554,785	1,252,492
NET ASSETS		
Unrestricted	356,167	638,524
TOTAL NET ASSETS	356,167	638,524
TOTAL LIABILITIES AND NET ASSETS	\$ 910,952	\$ 1,891,016

CORPORATION FOR A SKILLED WORKFORCE
STATEMENTS OF ACTIVITIES
For the years ended December 31,

	2017	2016
REVENUES, GAINS, AND OTHER SUPPORT		
Contracts	\$ 812,048	\$ 1,664,008
Grants	1,907,138	2,128,708
Learning Network fees	15,615	25,069
Other income	56,562	12,385
TOTAL REVENUES, GAINS, AND OTHER SUPPORT	2,791,363	3,830,170
EXPENSES AND LOSSES		
Program services	2,650,870	3,248,851
Management and general	422,850	457,419
TOTAL EXPENSES AND LOSSES	3,073,720	3,706,270
CHANGE IN NET ASSETS	(282,357)	123,900
NET ASSETS AT BEGINNING OF YEAR	638,524	514,624
NET ASSETS AT END OF YEAR	\$ 356,167	\$ 638,524

CORPORATION FOR A SKILLED WORKFORCE
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (282,357)	\$ 123,900
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	9,892	11,620
(Gain)/loss on disposal of equipment	-	1,785
Change in:		
Accounts receivable	383,432	(78,135)
Work-in-process	(59,823)	81,886
Prepaid expenses	2,549	(1,669)
Accounts payable	(124,021)	(34,301)
Accrued liabilities	(17,555)	(1,375)
Refundable advances	(556,131)	(132,476)
Net cash from operating activities	(644,014)	(28,765)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(9,883)	(13,828)
Net cash used for investing activities	(9,883)	(13,828)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(653,897)	(42,593)
BEGINNING CASH AND CASH EQUIVALENTS	1,265,942	1,308,535
ENDING CASH AND CASH EQUIVALENTS	\$ 612,045	\$ 1,265,942
<u>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</u>		
Cash paid for interest	\$ 612	\$ 387

NOTE A - NATURE OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Corporation for a Skilled Workforce (CSW) was founded in 1991 to help provide an increase in the aggregate skills of the American workforce. CSW works with communities, states, employer organizations, and national policymakers to develop market-based strategies that encourage and support effective investments by employers, workers, and government agencies in creating and maintaining a highly skilled workforce. Corporation for a Skilled Workforce is the partner leaders trust most to help them develop good jobs so that families and firms can thrive in the changing and turbulent economy. We help communities innovate so that they can compete. We help businesses cultivate talent so that they can grow. We help education institutions train people so that they can find good jobs — or create their own.

Our partners benefit most from our extensive experience working directly in the trenches with business, government and education leaders to address the most pressing workforce challenges, like retooling struggling regional economies to deliver 21st century jobs and increasing access to education for low-skill workers. We understand the challenges that today's leaders face as they adapt their institutions to new economic realities and that insight allows us to provide relevant and practical support to them.

We also specialize in helping different stakeholders work together, efficiently and effectively, toward a common goal of building a workforce with the skills to compete in the new economy. That's why we have such a strong track record of aligning education providers with growing job markets, uniting businesses across sectors to solve skilled labor shortages and helping government agencies make smart investments in business development and job training.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting, which recognizes revenue when earned and expenses when incurred.

Basis of Presentation

The financial statement presentation follows the accounting standards for not-for-profit organizations. Under these standards, an organization is required to report information regarding its financial position and activities according to three classes of net assets depending on the existence and/or nature of any donor restrictions as follows: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. CSW does not have any temporarily or permanently restricted net assets as of the financial statement dates.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, CSW considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are primarily due from governmental or quasi-governmental entities, and are stated at the amount management expects to collect from balances outstanding at year-end. Based on management's assessment of the credit history of customers having outstanding balances and current relationships with them, collection losses, if any, on balances outstanding at year-end are likely to be minor and no allowance for doubtful accounts has been recorded. The amount of bad debt expense recorded was \$1,477 and \$0 in 2017 and 2016, respectively.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

CSW capitalizes all expenditures for property and equipment in excess of \$1,000. Purchased property and equipment is carried at cost and depreciated using the straight-line method over its estimated useful life.

Revenue Recognition

Revenue from contracts and grants is recognized based on the staff hours, subcontractor costs and reimbursable expenses incurred to date on the contract or grant. Revenue is adjusted for any costs incurred to date that are not considered ultimately realizable from the funder. If management estimates that the costs for any given grant or contract will ultimately exceed the realizable revenue, the loss is recognized at that time. Billings are prepared in accordance with contract terms.

CSW receives payment on some grants at the beginning of the grant period. Payments received in excess of the revenue recognized are presented as refundable advances.

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and the Supplemental Schedule of Functional Expenses. Accordingly, certain costs have been allocated among the program services and supporting services benefited.

Income Tax Status

CSW is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not considered a private foundation.

Use of Estimates

Management uses estimates and assumptions in preparing financial statements. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through June 18, 2018, the date the financial statements were available to be issued.

NOTE B - LINE OF CREDIT

CSW has a \$500,000 line of credit with Chelsea State Bank, which expires in November 2018. Advances under the line of credit are limited to the lesser of \$500,000 or all assets of the corporation including accounts receivable, inventory, furniture, fixtures, and equipment as defined by the loan agreement. Interest is payable monthly at the bank's prime rate plus 1% (5.5% at December 31, 2017). The line is secured by a first security interest in substantially all of CSW's accounts receivable, inventory, furniture, fixtures, and equipment. The outstanding balance was \$0 at December 31, 2017 and 2016.

NOTE C - LEASE COMMITMENTS

Operating Leases

CSW leases its office facilities under a non-cancelable, ten-year and two-month operating lease with an option to terminate the lease after five years of paid rent with a minimum of six months' written notice accompanied by payment of \$117,000 for unamortized tenant improvement costs. This lease expires September 30, 2020.

CSW also leases one photocopier under a non-cancelable, forty-eight month operating lease expiring in October 2018. Rental expenses for all leases totaled \$201,744 and \$200,687 in 2017 and 2016, respectively.

Future minimum lease payments for operating leases with initial or remaining terms of one year or more are as follows:

2018	\$	174,500
2019		167,700
2020		111,800
2021		-
2022		-
Thereafter		-
	<u>\$</u>	<u>454,000</u>

Sublease

CSW subleases a portion of its office space to several subtenants. One of the sublease agreements has a one-year term. The remaining agreements are month-to-month. Payments received under the sublease totaled \$55,061 and \$9,440 in 2017 and 2016, respectively.

NOTE D - RETIREMENT PLAN

CSW has established a Tax Sheltered Annuity Plan under Section 403(b) of the Internal Revenue Code for all eligible employees. Employees can elect to defer a portion of their wages under the requirements of the Internal Revenue Code. CSW's contribution totaled \$21,330 and \$28,775 in 2017 and 2016, respectively.

NOTE E - CONCENTRATIONS

Credit Risk in Financial Instruments

Financial instruments, which potentially subject CSW to concentrations of credit risk, include cash and accounts receivable. Cash accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$250,000. At December 31, 2017, the amount in excess of the FDIC insured amount was \$2,240.

Approximately 26% of the December 31, 2017 accounts receivable is due from National Governors Association Center for Best Practices and approximately 19% is due from JP Morgan Chase Foundation.

Revenue

In 2017, approximately 31% of CSW's revenue was from a grant with JP Morgan Chase Foundation and 23% was from a grant with The Lumina Foundation. In 2016, approximately 21% of CSW's revenue was from a grant with The Lumina Foundation and 18% was from a grant with JP Morgan Chase Foundation.

NOTE F - NEW ACCOUNTING PRONOUNCEMENTS

The FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, a principles-based standard to recognize revenue from customer contracts. ASU No. 2014-09 will be effective beginning in 2019. CSW is currently evaluating the impact the adoption of ASU No. 2014-09 will have on its financial statements.

The FASB also issued ASU No. 2016-02, *Leases (Topic 842)*, which will require recognition of an asset and liability for most leases entered into by lessees. ASU No. 2016-02 will be effective beginning in 2020. CSW is currently evaluating the impact the adoption of ASU No. 2016-02 will have on its financial statements.

The FASB also issued ASU No. 2016-14, *Not-for-Profit Entities (Topic 958)*, which will require changes to the presentation of financial statements for not-for-profit entities. These changes are designed to improve the current net asset classification requirements and the information presented in financial statements and notes about a not-for-profit entity's liquidity, financial performance, and cash flows. ASU No. 2016-14 will be effective for fiscal years beginning after December 15, 2017. Early adoption is allowed. CSW is currently evaluating the impact the adoption of ASU No. 2016-14 will have on its financial statements.

The FASB also issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230)*, which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. ASU No. 2016-15 will be effective for fiscal years beginning after December 15, 2018. Early adoption is allowed. CSW is currently evaluating the impact the adoption of ASU No. 2016-15 will have on its financial statements.

CORPORATION FOR A SKILLED WORKFORCE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2017 with comparative totals

	Program Services	Management and General	Total 2017	Total 2016
Employee Compensation				
Salaries and wages	\$ 961,295	\$ 205,191	\$ 1,166,486	\$ 1,435,095
Pension contributions	15,997	5,333	21,330	28,775
Other employee benefits	63,838	21,280	85,118	105,247
Payroll taxes	69,985	23,329	93,314	108,683
	<u>1,111,115</u>	<u>255,133</u>	<u>1,366,248</u>	<u>1,677,800</u>
Other Expenses				
Accounting fees	-	13,750	13,750	750
Legal fees	1,478	-	1,478	2,038
Supplies	4,956	1,652	6,608	8,373
Telephone	30,339	3,302	33,641	45,661
Postage and shipping	1,644	210	1,854	1,491
Occupancy	158,194	52,731	210,925	209,195
Equipment rental and maintenance	12,557	4,186	16,743	16,348
Printing and publications	4,460	1,213	5,673	20,329
Travel	221,429	14,710	236,139	240,963
Conferences and meetings	150	-	150	2,374
Depreciation	7,419	2,473	9,892	11,620
Insurance	11,946	3,982	15,928	15,839
Contractual services	1,037,878	62,450	1,100,328	1,338,598
Interest	-	612	612	387
Other	47,305	6,446	53,751	114,504
	<u>\$ 2,650,870</u>	<u>\$ 422,850</u>	<u>\$ 3,073,720</u>	<u>\$ 3,706,270</u>

CORPORATION FOR A SKILLED WORKFORCE
SUPPLEMENTAL SCHEDULE OF FUNCTIONAL EXPENSES
For the year ended December 31, 2016

	Program Services	Management and General	Total 2016
Employee Compensation			
Salaries and wages	\$ 1,201,521	\$ 233,574	\$ 1,435,095
Pension contributions	21,581	7,194	28,775
Other employee benefits	78,935	26,312	105,247
Payroll taxes	81,512	27,171	108,683
	<u>1,383,549</u>	<u>294,251</u>	<u>1,677,800</u>
Other Expenses			
Accounting fees	-	750	750
Legal fees	279	1,759	2,038
Supplies	6,280	2,093	8,373
Telephone	34,246	11,415	45,661
Postage and shipping	1,308	183	1,491
Occupancy	156,896	52,299	209,195
Equipment rental and maintenance	12,261	4,087	16,348
Printing and publications	17,811	2,518	20,329
Travel	225,778	15,185	240,963
Conferences and meetings	2,018	356	2,374
Depreciation	8,715	2,905	11,620
Insurance	11,879	3,960	15,839
Contractual services	1,302,229	36,369	1,338,598
Interest	-	387	387
Other	85,602	28,902	114,504
	<u>\$ 3,248,851</u>	<u>\$ 457,419</u>	<u>\$ 3,706,270</u>