ConXion to Community

(a non-profit corporation)

Financial Statements
and
Independent Auditors' Report

For the Years Ended
June 30, 2019 and 2018

ConXion to Community

For the Years Ended June 30, 2019 and 2018

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SOLVE FOR ACCOUNTING

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, 2019 and 2018, 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, 2019 and 2018, 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.

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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 the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, 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 Schedule of Federal Awards 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 22, 2020, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Center for Training and Careers, Inc., dba ConXion to Community's 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.

Wheeler

San Jose, CA

January 22, 2020

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ConXion to Community
Statements of Financial Position
As of June 30, 2019 and 2018

	2019	2018
ASSETS		
Cash and cash equivalents	$ 546,585	$ 205,590
Grants receivable	298,920	355,739
Prepaid expenses	7,200	11,090
TOTAL CURRENT ASSETS	852,705	572,419
Property and equipment, net	4,009,057	3,867,306
Intangible assets		
Loan fees, net	9,457	-
TOTAL OTHER ASSETS	4,018,514	3,867,306
TOTAL ASSETS	$ 4,871,219	$ 4,439,725
LIABILITIES		
Accounts payable	$ 48,650	$ 16,000
Payroll liabilities	58,749	40,279
Other current liabilities	111,148	80,549
Current portion of notes payable	43,167	68,922
TOTAL CURRENT LIABILITIES	261,714	205,750
Rental deposits	18,000	24,016
Notes payable, net	2,653,618	2,980,260
TOTAL NON-CURRENT LIABILITIES	2,671,618	3,004,276
TOTAL LIABILITIES	2,933,332	3,210,026
NET ASSETS		
Net assets without donor restriction	1,913,610	1,018,805
Net assets with donor restriction	24,277	210,894
TOTAL NET ASSETS	1,937,887	1,229,699
TOTAL LIABILITIES & NET ASSETS	$ 4,871,219	$ 4,439,725

See notes to financial statements.

ConXion to Community
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2019

	Without Donor Restriction	With Donor Restriction	Total
SUPPORT & REVENUE			
Grants and contracts	$ 1,905,673	$ -	$ 1,905,673
Tuition income	154,440	-	154,440
In-kind revenue	222,851	-	222,851
Contributions	38,131	-	38,131
Rental income	266,924	-	266,924
Loan forgiveness	1,000,000	-	1,000,000
Total Support & Revenue	3,588,019	-	3,588,019
ADJUSTMENTS			
Net assets released from restrictions	186,617	(186,617)	-
EXPENSES			
Program services	2,661,196	-	2,661,196
Supporting services			
Management and general	77,185	-	77,185
Direct building services	142,701	-	142,701
Total supporting services	219,886	-	219,886
Total Expenses	2,881,082	-	2,881,082
OTHER INCOME & EXPENSES			
Interest income	1,251	-	1,251
INCREASE (DECREASE) IN NET ASSETS	894,805	(186,617)	708,188
NET ASSETS AT BEGINNING OF YEAR	1,018,805	210,894	1,229,699
NET ASSETS AT END OF YEAR	$ 1,913,610	$ 24,277	$ 1,937,887

See notes to financial statements.

ConXion to Community
Statement of Activities and Changes in Net Assets
For the Year Ended June 30, 2018

	Without donor Restriction	With Donor Restriction	Total
SUPPORT & REVENUE			
Grants and contracts	$ 1,850,779	$ 134,767	$ 1,985,546
Tuition income	110,000	-	110,000
In-kind revenue	180,160	-	180,160
Contributions	52,505	-	52,505
Rental income	260,296	-	260,296
Other income	2,176	-	2,176
Total Support and Revenue	2,455,916	134,767	2,590,683
ADJUSTMENTS			
Net assets released from restrictions	47,005	(47,005)	-
EXPENSES			
Program services	2,359,228	-	2,359,228
Supporting services			
Management and general	96,629	-	96,629
Direct building services	119,308	-	119,308
Total supporting services	215,937	-	215,937
Total Expenses	2,575,165	-	2,575,165
OTHER INCOME AND EXPENSES			
Interest income	212	-	212
INCREASE (DECREASE) IN NET ASSETS	(72,032)	87,762	15,730
NET ASSETS AT BEGINNING OF YEAR	1,090,837	123,132	1,213,969
NET ASSETS AT END OF YEAR	$ 1,018,805	$ 210,894	$ 1,229,699

See notes to financial statements.

ConXion to Community
Statement of Functional Expenses
For the Year Ended June 30, 2019

	Program Services	Supporting Services			Total Expenses
		Management & General	Direct Building Services	Total	
Salaries and wages	$ 1,344,851	$ 35,419	$ -	$ 35,419	$ 1,380,270
Employee benefits	344,094	9,062	-	9,062	353,156
Compansation and related expenses	1,688,945	44,481	-	44,481	1,733,426
In-kind expenses	222,851	-	-	-	222,851
Conferences and training	2,128	137	-	137	2,265
Dues and subscriptions	2,678	-	-	-	2,678
Test fees	7,291	-	-	-	7,291
Contract services	186,216	-	-	-	186,216
Support services	52,049	-	-	-	52,049
Occupancy	144,711	9,697	109,617	119,314	264,025
Insurance	9,422	823	-	823	10,245
Bank fees	12,877	1,124	-	1,124	14,001
Printing/adv/postage	12,172	1,063	-	1,063	13,235
Property taxes	5,536	-	5,301	5,301	10,837
Professional fees	85,568	7,472	-	7,472	93,040
Supplies	25,866	1,669	-	1,669	27,535
Equipment & tools	14,164	914	-	914	15,078
Incentives	22,567	-	-	-	22,567
Telephone and comm.	50,090	3,231	-	3,231	53,321
Travel and meals	84,645	6,418	-	6,418	91,063
Miscellaneous	150	10	-	10	160
Depreciation	29,014	-	26,732	26,732	55,746
Amortization	-	-	1,051	1,051	1,051
Loan expense	2,256	146	-	146	2,402
Total Expenses	$ 2,661,196	$ 77,185	$ 142,701	$ 219,886	$ 2,881,082

See notes to financial statements.

ConXion to Community
Statement of Functional Expenses
For the Year Ended June 30, 2018

	Program Services	Supporting Services: Management & General	Supporting Services: Direct Building Services	Supporting Services: Total	Total Expenses
Salaries and wages	$ 1,157,231	$ 49,934	$ -	$ 49,934	$ 1,207,165
Employee benefits	253,353	11,097	-	11,097	264,450
Compansation and related expenses	1,410,584	61,031	-	61,031	1,471,615
In-kind expenses	180,160	-	-	-	180,160
Conferences and training	36,862	2,457	-	2,457	39,319
Dues and subscriptions	2,192	-	-	-	2,192
Test fees	4,287	-	-	-	4,287
Contract services	180,462	-	-	-	180,462
Support services	96,888	-	-	-	96,888
Occupancy	158,606	9,353	90,157	99,510	258,116
Insurance	11,413	1,320	-	1,320	12,733
Bank fees	4,352	503	-	503	4,855
Printing/adv/postage	20,375	2,357	-	2,357	22,732
Property taxes	5,603	-	4,682	4,682	10,285
Professional fees	22,342	2,584	-	2,584	24,926
Supplies	28,032	1,646	-	1,646	29,678
Equipment and tools	13,032	869	-	869	13,901
Incentives	11,451	-	-	-	11,451
Telephone and comm.	62,457	4,164	-	4,164	66,621
Travel and meals	80,662	10,333	-	10,333	90,995
Miscellaneous	183	12	-	12	195
Depreciation	29,285	-	24,469	24,469	53,754
Total Expenses	$ 2,359,228	$ 96,629	$ 119,308	$ 215,937	$ 2,575,165

See notes to financial statements.

ConXion to Community
Statements of Cash Flows
For the Years Ended June 30, 2019 and 2018

	2019	2018
Cash Flows from Operating Activities:		
Change in Net Assets	$ 708,188	$ 15,730
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	55,746	53,754
Amortization	1,051	-
Loan forgiveness	(1,000,000)	-
In-kind contributions	(222,851)	(180,160)
In-kind expenses	222,851	180,160
(Increase) decrease in Operating Assets:		
Grants receivable	56,819	(120,805)
Other receivable	-	1,550
Prepaid expenses	3,890	(1,906)
Increase (decrease) in Operating Liabilities:		
Accounts payable	32,650	(30,143)
Payroll liabilities	18,470	9,954
Rental deposits	(6,016)	(10,018)
Other current liabilities	30,599	66,462
Total Adjustments	(806,791)	(31,152)
Net Cash Provided by (Used in) by Operating Activities	(98,603)	(15,422)
Cash Flows from Financing Activities		
Payment of debt issue costs	(10,508)	-
Loan Proceeds	478,321	-
Principal repayments	(28,215)	(53,675)
Net Cash (Used in) Financing Activities	439,598	(53,675)
Net Increase (Decrease) in Cash and Cash Equivalents	340,995	(69,097)
Cash and Cash Equivalents at beginning of year	205,590	274,687
Cash and Cash Equivalents at end of year	$ 546,585	$ 205,590
Supplemental Disclosures		
Cash paid for interest	$ 111,358	$ 76,024
Noncash operating and financing activities:		
Loan refinance	$ 1,499,182	$ -
Loan forgiveness	$ 1,000,000	$ -
Noncash operating and investing activities:		
Assets acquired by assuming debt	$ 197,498	$ -

See notes to financial statements.

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

Safe Summer Grant Initiative
This City of San Jose BEST program provides structured activity during the summer months for at risk youth.

1. NATURE OF OPERATIONS (continued)

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.

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 CPS calls and is the bridge between family and County during the investigative period.

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

Victor Garza Institute of Public Affairs
In 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.

Bright Pathways
The goal of the Bright Pathways Mentoring Program is to provide rich and diverse mentoring for youth at-risk and/or engaged in the juvenile justice system. We engage or reengage them in community support systems that will help them build resiliency and avoid future criminal involvement. Youth must also participate in NCN's rites of passage workshops.

NSU Fellowship, Gilroy
Neighborhood Safety Unit (NSU) engages 10-15 high risk youth in activities to deter them from the criminal justice system. The cohort of 15 receives mentoring, rites of passage training, digital literacy, and service learning/civic engagement. Successful completion is rewarded with a brand new laptop.

RESET
UnidosUS Re-Entry Initiative funded through funds received from the US Department of Labor. ConXion to Community leads the local initiative, which includes recruitment and outreach, case management, training, placement, data collection and reporting. The purpose of this initiative is to enroll 150 youth, ages 18-24, who are justice involved so they can receive education and training and be gainfully employed.

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) *Net assets without donor restrictions* consist of net assets that are for use in general operations and are not subject to donor (or certain grantor) restrictions. The governing board has not designated any amounts from net assets without donor restrictions.

2) *Net assets with donor* restrictions represent contributions whose use has imposed restrictions. The donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource has been fulfilled, or both.

d. Cash and Cash Equivalents

Cash and cash equivalents consist of highly liquid investments with initial 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.

f. Prepaid Expenses

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Other Current Liabilities

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

l. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. 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 net assets without donor restrictions. Donor restricted contributions will be classified as net assets with donor restrictions if the restrictions are not fulfilled in the same year the contribution was recognized.

n. Recognition of Tuition Income

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

o. Recognition of Rental Income

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

p. 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.

q. 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.

r. 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, 2019 and 2018 were $5,375 and $4,842, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

s. 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.

t. 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.

u. 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.

v. 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, 2019 and 2018. Accordingly, no provision is made for income taxes in these financial statements.

w. Changing Standards

Leases
In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 requires entities to recognize right-of-use assets and lease liabilities on the statement of financial position for the rights and obligations created by all leases, including operating leases, with terms of more than 12 months. The new standard also requires additional disclosures on the amount, timing, and uncertainty of cash flows arising from leases. These disclosures include qualitative and quantitative information. The new standard will be effective for the Organization on July 1, 2020. Early adoption is permitted. The Organization is currently evaluating the effect that this ASU will have on its financial statements. In March 2019, FASB issued ASU 2019-01 Leases (Topic 842): Codification Improvements. This ASU amends the effective date of ASU 2016-02 by pushing the effective date out by one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

w. Changing Standards (continued)

Contributions
In June 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-08, Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. ASU 2018-08 improves existing guidance on revenue recognition of grants and contracts to reduce diversity in accounting practice. The amendments in the ASU provide clarified guidance on evaluating whether a transaction should be accounted for as a contribution or an exchange transaction, based on whether a resource provider is receiving corresponding value in return for the resources transferred. ASU 2018-08 also includes an improved framework to determine whether a contribution is conditional and to better distinguish a donor-imposed condition from a donor-imposed restriction. The ASU also modifies the simultaneous release option currently in GAAP which allows a not-for-profit organization to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. This election may now be made for all restricted contributions that were initially classified as conditional without having to elect it for all other restricted contributions and investment returns. The guidance in ASU 2018-08 is effective as follows: transactions in which the Organization is the resource recipient in years beginning after December 15, 2018, and interim periods within years beginning after December 15, 2019; transactions in which the Organization is the resource provider in years beginning after December 15, 2019, and interim periods within years beginning after December 15, 2020. Early adoption is permitted. The Organization is in the process of evaluating the impact of the adoption of this standard will have on its financial statements and related disclosures.

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 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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

x. Changing Standards (continued)

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. The Organization has adopted ASU 2016-14 for year ended June 30, 2019 and has adjusted the presentation in these financial statements accordingly. Certain comparative amounts for the year ended June 30, 2018 have been reclassified with no effect on net assets, total assets or total liabilities to conform to the 2019 presentation.

4. CONCENTRATION OF RISK

Financial instruments that potentially subject the Organization to credit risk consist primarily of cash, and receivables. The Organization maintains cash with commercial banks and other major financial institutions. At times, cash balances may be in excess of the Federal Deposit Insurance ("FDIC") limits of $250,000.

The credit risk associated with receivables is mitigated by the fact that the receivables are due from Organization members, local donors and governments.

For the year ended June 30, 2019, there were two contributors that provided more than 10% of support and revenue, excluding the loan forgiveness and in-kind contributions.

5. GRANTS RECEIVABLE

Grants receivable as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
City of Gilroy	$ 30,061	$ -
City of San Jose	45,599	46,260
Escuela Popular	15,000	-
Evergreen Community College	-	650
Santa Clara County	114,248	252,719
Work2Future	27,720	-
Unidos US	66,292	56,110
	$ 298,920	$ 355,739

6. PROPERTY AND EQUIPMENT

At June 30, 2019 and 2018, the value of the property and equipment and related accumulated depreciation is as follows:

	2019	2018
Land	$ 2,900,000	$ 2,900,000
Building	454,269	454,269
Building improvements	1,113,317	915,820
Furniture and equipment	91,087	91,087
Total Property and Equipment	4,558,673	4,361,176
Less Accumulated Depreciation	(549,616)	(493,870)
Net Property and Equipment	$ 4,009,057	$ 3,867,306

Depreciation expense for the years ended June 30, 2019 and 2018 was $55,746 and $53,754, respectively.

7. NET ASSETS WITH DONOR RESTRICTION

Net assets with donor restriction are required to be disbursed by explicit grant requirement. The net assets with donor restriction held as of June 30 consisted of the following:

	2018	Increases	Releases	2019
Bright Futures	$ 76,127	$ -	$ 61,850	$ 14,277
Day Worker Center	10,000	-	-	10,000
ISTEP/Comcast	25,000	-	25,000	-
Robert Nunez Foundation	66,771	-	66,771	-
Victor Garza Institute	32,996	-	32,996	-
	$ 210,894	$ -	$ 186,617	$ 24,277

	2017	Increases	Releases	2018
Bright Futures	$ 84,335	$ -	$ 8,208	$ 76,127
Bright Futures - Training	7,282	-	7,282	-
Day Worker Center	-	10,000	-	10,000
Exito!	15,345	-	15,345	-
ISTEP/Comcast	-	25,000	-	25,000
Robert Nunez Foundation	-	66,771	-	66,771
San Jose Calgrip	5,000	-	5000	-
Scholarship	1,000	-	1,000	-
Victor Garza Institute	10,170	32,996	10,170	32,996
	$ 123,132	$ 134,767	$ 47,005	$ 210,894

7. LIQUDITY AND AVAILABILITY

The Organization strives to maintain liquid financial assets sufficient to cover 90 days of general expenditures.

The Organization considers investment income without donor restrictions, appropriated earnings from donor-restricted and contributions without donor restrictions to be available to meet cash needs for general expenditures. General expenditures include administrative and general expenses, program expenses, and fundraising expenses to be paid in the subsequent year.

The Organization manages its cash available to meet general expenditures following three guiding principles:

- Operating within a prudent range of financial soundness and stability,
- Maintaining adequate liquid assets, and
- Maintaining sufficient reserves to provide reasonable assurance that mission fulfillment will continue to be met, ensuring the sustainability of the Organization.

The following table reflects the Organization's financial assets as of June 30, 2019, reduced by amounts that are not available to meet general expenditures within one year of the statement of financial position date because of contractual restrictions or internal board designations. Amounts not available include board-designated special projects fund that is intended to fund special board initiatives not considered in the annual operating budget. In the event the need arises to utilize the board-designated funds for liquidity purposes, the reserves could be drawn upon through board resolution. Amounts not available to meet general expenditures within one year also include net assets with donor restrictions.

	June 30, 2019
Financial assets at year-end:	
Cash and cash equivalents	$ 546,585
Grants receivable	298,920
Total financial assets	845,505
Less amounts not available to be used within one year:	
Net assets with donor restrictions	24,277
Financial assets available to meet general expenditures over the next twelve months	$ 821,228

8. LINE OF CREDIT

The Organization has a line of credit with credit limit of $100,000, and outstanding balance of $44,391 and $30,476 as of June 30, 2019 and 2018, respectively. The interest rate as of June 30, 2019 and 2018 was 6.5% and 6%, respectively.

9. 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 10th 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.

In May 2018, the San Jose City Council approved the forgiveness of the $1,000,000 Healthy Neighborhood Venture Loan to the Organization, for the acquisition and rehabilitation of the property at 749 Story Road, for fulfilling the conditions of its contract. The Organization recognized $1 million loan forgiveness during the fiscal year ending June 30, 2019.

The Organization was 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 bore 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 Organization paid off this loan by refinancing a new loan in the original amount of $2,175,000 at a fixed rate 5.46% in August 2018 with Heritage Bank of Commerce. This new loan is due on August 7, 2023. The outstanding balances as of June 30, 2019 and 2018 were $2,146,785 and $1,499,182, respectively. The cost to refinance was $10,508. The loan cost will be amortized over the loan term. Loan amortization expense for the years ended June 30, 2019 and 2018 were $1,051 and $0, respectively.

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

2020	$ 43,167
2021	45,943
2022	48,550
2023	51,309
2024	2,507,816
Total	$ 2,696,785

10. IN-KIND CONTRIBUTIONS

During the years ended June 30, 2019 and 2018, the Organization recognized the following in-kind donations received as follows:

	2019	2018
Food Contribution	$ 194,963	$ 110,160
Instructional Staff	27,888	70,000
	$ 222,851	$ 180,160

11. GRANTS AND CONTRACTS

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

	2019	2018
American Indian Heritage	$ -	$ 6,250
Bright Futures	121,876	143,034
Bright Pathways	39,675	38,972
CalOES	46,698	-
CALVIP- City of Gilroy	30,061	-
Casa Code-Unidos	9,500	-
Cultural Supporters	215,438	218,307
Day Employment Center	371,967	-
Day Worker Center	-	362,230
Escuela Popular	90,000	95,000
Integenerational Digital Liter	-	25,000
ISTEP-Instructional System Tech	100,000	25,000
Juvenile Court	-	71,944
Lideres	-	26,000
LULAC	-	5,000
ME&O	-	20,558
Parent Hub	90,226	97,917
ProSocial	206,171	210,146
James Boy Ranch	44,613	90,133
Re-Entry	-	44,971
Reset DOL	367,257	170,998
San Jose Best	55,610	84,472
San Jose Best - Calgrip	-	38,699
San Jose Best – Shortino	40,000	-
Stanford (PAAW)	4,194	-
Valley Palms	-	24,700
Victor Garza Intern Program	-	33,000
Nunez Community	-	66,771
Youth Fellowship	60,860	-
SCC Termite Grant	-	33,872
Miscellaneous	11,527	-
	$ 1,905,673	$ 1,985,546

12. FUNCTIONAL EXPENSES

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. The Organization allocates all expenses based on a time allocation of the employees per month and this is done for all expense other than grant expense. Grant expense is directly allocated to grant making. Facility related expenses are allocated based on estimated use of square footage.

13. 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.

14. 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.

15. PROPERTY TAXES

Due to the Organization's involvement in the community and nonprofit status, 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, 2019 and 2018.

16. 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, 2019 and 2018, there were no tax related interest or penalties recorded or included in the financial statements.

16. INCOME TAXES (continued)

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, 2016 and forward. The State of California tax jurisdiction is subject to potential examination for tax years June 30, 2015 and forward.

17. RECLASSIFICATIONS

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Net assets and changes in net assets are unchanged due to these reclassifications.

18. SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are issued. 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 statement of financial position, including the estimates inherent in the process of preparing the financial statements. The Organization's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position, but arose after the statement of financial position date and before financial statements are available to be issued.

Management evaluates events occurring subsequent to June 30, 2019 in determining the accounting for and disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through the date of the independent auditor's report which is the date the financial statements were available to be issued.

No events have occurred that required recognition or disclosure for the year ended June 30, 2019.

Supplementary Information

INDEPENDENT AUDITORS' 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, 2019, and the related statement of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report dated January 22, 2020.

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.

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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.

Wheeler

San Jose, CA

January 22, 2020

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INDEPENDENT AUDITORS' 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, 2019. 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, 2019.

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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.

Wheeler

San Jose, CA

January 22, 2020

ConXion to Community
Schedule of Expenditures of Federal Awards
As of June 30, 2019

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Indentifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development			
Pass-through program from:			
City of San Jose - Community Development Block Grant Program			
Building Acquistion Project*	14.218	N/A	$ 1,550,000 *
Total U.S. Department of Housing and Urban Development			1,550,000
U.S. Department of Labor Employment and Training Administration			
Pass-through program from:			
National Council La Raza -Reentry Project	17.270	N/A	367,257
Total U.S. Department of Labor Employment and Training Administration			367,257
Total Expenditures of Federal Awards			$ 1,917,257

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, 2019. These notes are also included in the federal expeditures.

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

Note 4: The $1,000,000 loan was forgiven in July 2018.

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, 2019

Section 1 – Summary of Auditor's Results

Financial Statements

Type of auditors' report issued on whether the financial statements audited were prepared in accordance with GAAP	Unmodified
Internal control over financial reporting:	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
• Material weaknesses identified?	No
• Significant deficiencies identified?	None reported
Types of auditors' report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)	No

Identification of major federal programs:

CFDA Number	Name of Federal Program or Cluster	
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.