Financial Report

partnerships
with industry

Creating Jobs. Enhancing Lives.℠

June 30, 2015

WRR
WEST RHODE & ROBERTS®

Contents

WEST RHODE & ROBERTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

Board of Directors
Partnerships With Industry
San Diego, California

We have audited the accompanying financial statements of Partnerships With Industry (a California nonprofit Public Benefit Corporation), which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 principles used and the reasonableness of significant 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 Partnerships With Industry as of June 30, 2015, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited Partnerships With Industry's 2014 financial statements, and our report dated October 23, 2014 expressed an unmodified audit opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

West Rhode & Roberts

WEST RHODE & ROBERTS

San Diego, California
December 23, 2015

PARTNERSHIPS WITH INDUSTRY

STATEMENT OF FINANCIAL POSITION

June 30, 2015

(With Summarized Financial Information for June 30, 2014)

	2015	2014 (Note 12)
ASSETS		
Cash and cash equivalents	$ 363,593	$ 340,971
Investments	354,808	504,684
Accounts receivable, net	597,660	648,525
Prepaid expenses and other assets	23,016	78,147
Property and equipment, net	183,691	119,866
Deposits	59,545	50,276
Total assets	$ 1,582,313	$ 1,742,469
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	$ 50,338	$ 14,616
Accrued expenses	249,484	240,260
Total liabilities	299,822	254,876
Commitments (Note 6)		
Net assets:		
Unrestricted	1,253,627	1,438,115
Temporarily restricted	28,864	49,478
Total net assets	1,282,491	1,487,593
Total liabilities and net assets	$ 1,582,313	$ 1,742,469

PARTNERSHIPS WITH INDUSTRY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

(With Summarized Financial Information for the Year Ended June 30, 2014)

	Unrestricted	Temporarily Restricted	Total	2014 (Note 12)
REVENUES AND SUPPORT				
Fees for service	$ 3,907,000	$ -	$ 3,907,000	$ 3,951,487
Employer contracts	1,368,347	-	1,368,347	1,271,523
Donations and other support	252,839	28,069	280,908	135,933
Investment income	2,316	-	2,316	6,164
Gain on sale of asset	1,189	-	1,189	2,000
Net assets released from restrictions:				
Satisfaction of program restrictions	48,683	(48,683)	-	-
Total revenues and support	5,580,374	(20,614)	5,559,760	5,367,107
EXPENSES				
Program services - instruction, training and placement	4,930,257	-	4,930,257	4,665,102
Supporting services:				
Administrative and general	634,276	-	634,276	646,290
Fundraising	200,329	-	200,329	116,846
Total expenses	5,764,862	-	5,764,862	5,428,238
Change in net assets	(184,488)	(20,614)	(205,102)	(61,131)
NET ASSETS AT BEGINNING OF YEAR	1,438,115	49,478	1,487,593	1,548,724
NET ASSETS AT END OF YEAR	$ 1,253,627	$ 28,864	$ 1,282,491	$ 1,487,593

PARTNERSHIPS WITH INDUSTRY

STATEMENT OF FUNCTIONAL EXPENSES
Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

		Supporting Services			
	Program Services	Administrative and General	Fundraising	Total	2014 (Note 12)
EXPENSES					
Payroll and related costs	$ 3,724,567	$ 388,529	$ 169,540	$ 4,282,636	$ 3,996,342
Office	759,294	29,774	-	789,068	748,154
Insurance	174,613	51,551	2,039	228,203	187,043
Staff training and reimbursement	121,581	19,300	2,081	142,962	146,763
Supplies	88,870	24,598	20,312	133,780	152,647
Professional services	-	74,430	5,017	79,447	77,469
Vehicle expense	39,357	6,520	-	45,877	37,574
Depreciation	6,310	39,274	-	45,584	68,568
Other	15,665	300	1,340	17,305	13,678
Total expenses	$ 4,930,257	$ 634,276	$ 200,329	$ 5,764,862	$ 5,428,238

STATEMENT OF CASH FLOWS
Year Ended June 30, 2015
(With Summarized Financial Information for the Year Ended June 30, 2014)

	2015	2014 (Note 12)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ (205,102)	$ (61,131)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	45,584	68,568
Gain on sale of asset	(1,189)	(2,000)
Change in operating assets and liabilities:		
Accounts receivable	50,865	(25,076)
Prepaid expenses	55,131	(11,082)
Deposits	(9,269)	546
Accounts payable	35,722	(1,464)
Accrued expenses	9,224	29,846
Net cash used in operating activities	(19,034)	(1,793)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases and proceeds of investments, net	149,876	92,739
Purchases of property and equipment	(109,409)	(24,346)
Proceeds from sale of asset	1,189	2,000
Net cash provided by investing activities	41,656	70,393
Change in cash and cash equivalents	22,622	68,600
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	340,971	272,371
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 363,593	$ 340,971
SUPPLEMENTAL CASH FLOW INFORMATION		
Cash paid for interest	$ 300	$ 1,058

Note 1. Organization and Significant Accounting Principles

Organization and Activities

Partnerships With Industry (the Organization) is a California nonprofit Public Benefit Corporation providing instruction, training, and placement to persons with disabilities to develop their self-care, independence, and vocational capabilities in San Diego County.

Significant Accounting Principles

Method of Accounting – The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Net assets and revenues, gains, and other support are classified as unrestricted, temporarily restricted, and permanently restricted based on the existence or absence of donor restrictions on when and how the Organization is to use the net assets. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes. There were no permanently restricted net assets during the years ended June 30, 2015.

Revenue Recognition – Contributions are recognized as revenue when they are unconditionally pledged or when all conditions have been met.

The Organization reports contributions as restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted revenues are reclassified to unrestricted revenues and reported in the statement of activities as revenues released from restrictions. Contributions with donor restrictions requiring the principal gift to be held in perpetuity are reported as permanently restricted. The income earned from such assets is generally restricted to the purpose designated by the donor.

Cash and Cash Equivalents – The Organization considers cash accounts that are not subject to withdrawal restrictions or penalties with an original maturity of three months or less to be cash equivalents.

Investments – Investments are carried at fair market value.

Accounts Receivable – The accounts receivable arise in the normal course of business. All accounts receivables are reviewed for collectability and reserves for uncollectible amounts are recorded based on previous experience and history with the Organization. Accounts are written off against the allowance for doubtful accounts when deemed uncollectible. Management has determined that an allowance of $7,000 is needed for the year ended June 30, 2015.

Property and Equipment – Property and equipment in excess of $3,000 are recorded at cost, or in the case of donated items, at estimated fair value at the date of the gift. Depreciation and amortization are calculated on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is included in depreciation expense.

Property and equipment is depreciated on a straight-line basis as follows:

Furniture and fixtures	5 to 7 years
Equipment	5 to 7 years
Document destruction equipment	15 years

Depreciation expense for the year ended June 30, 2014 was $45,584.

Functional Allocation of Expense – The costs of providing the various programs and other activities have been summarized on a functional basis in the statements of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Directly identifiable expenses are charged to programs and supporting services. Expenses related to more than one function are charged to programs and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization.

Income Taxes – The Organization is exempt from federal income tax pursuant to Section 501(c)(3) of the Internal Revenue Code and is also exempt from state income tax. The Financial Accounting Standards Board (FASB) issued Accounting Standards Codification No. 740-10, *Accounting for Uncertainties in Income Taxes,* which sets a minimum threshold for financial statement recognition of the benefit of a tax position taken or expected to be taken in a tax return. The Organization has reviewed its positions for all open tax years and has determined that it has no uncertain tax positions requiring accrual or disclosure.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts of assets and liabilities and 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 could differ from those estimates.

Subsequent Events – Subsequent events are events or transactions that occur after the statement of financial position date but before financial statements are available to be issued. The Organization recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at that date, including the estimates inherent in the process of preparing 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 that date and before the financial statements are available to be issued.

The Organization has evaluated subsequent events through December 23, 2015, which is the date the financial statements are available for issuance, and concluded that there were no events or transactions that needed to be disclosed.

Note 2. Concentration of Credit Risk

The Organization maintains its cash in financial institutions which, at times, may exceed federally insured limits. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC). The Organization has not experienced any losses in such accounts.

Note 3. Investments

Investments at June 30, 2015, stated at fair value, consist of $354,808 in fixed income securities.

Note 4. Fair Value Measurements

Due to the short-term nature of cash, receivables, prepaid expense, accounts payable and accrued expenses, fair value approximates carrying value. In accordance with Financial Accounting Standards Board Codification No. 820 (FASB ASC 820), fair value is defined as the price that the Organization would receive upon selling an asset or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market of the asset.

FASB ASC 820 establishes a three-tier hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs and to establish the classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The standard describes three-tier hierarchy of inputs that may be used to measure fair value as follows:

> **Level 1**: Quoted prices (unadjusted) of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
>
> **Level 2**: Significant other observable inputs other than level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, and other inputs that are observable or can be corroborated by observable market data.
>
> **Level 3**: Significant unobservable inputs that reflect the Organization's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Organization's statement of financial position includes cash and cash equivalents which have been considered Level 1 assets and are reported at fair value based on quoted prices. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices.

The management of the Organization is responsible for making the fair value measurements and disclosures in the financial statements. As part of fulfilling this responsibility, the management of the Organization has established an accounting and financial reporting process for determining the fair value measurements and disclosures.

Note 5. Property and Equipment

Property and equipment consist of the following at June 30, 2015:

Equipment	$ 583,882
Leasehold improvements	406,268
Furniture and fixtures	20,238
	1,010,388
Less accumulated depreciation	(826,697)
	$ 183,691

Note 6. Commitments

Operating Leases – The Organization leases various office equipment and space under operating leases. The equipment leases expire at various dates through July 2021. The office leases expire at various dates through December 2020. For the year ended June 30, 2015, rent expense totaled $597,130.

At June 30, 2015, the aggregate minimum rental commitments under non-cancelable operating leases are as follows:

Years Ending June 30,	
2016	$ 639,458
2017	606,091
2018	376,846
2019	356,133
2020	238,090
Thereafter	120,033
	$ 2,336,651

Note 7. Restricted Net Assets

Temporarily restricted net assets consist of the following at June 30, 2015:

Autism technology training center plan	$ 25,000
Computer lab	3,069
Other	795
	$ 28,864

Note 8. Net Assets Released from Restriction

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

Net assets released from restriction consist of the following at June 30, 2015:

Vehicle	$ 42,000
Senior programs	5,000
Translation project	1,683
	$ 48,683

Note 9. Concentration of Revenue

The Organization depends significantly on revenue received from the California Department of Developmental Services (DDS). Under the terms of this arrangement, the Organization is classified as a vendor and submits monthly invoices for reimbursement based on the participant's enrollment and activities according to DDS' funding policies. Revenues for the year ended June 30, 2015 were $3,907,000 and accounts receivable at June 30, 2015 includes $420,204 due from DDS.

Note 10. Retirement Plans

The Organization has a 401(k) employer contributory tax deferred retirement plan covering all employees who have met certain service agreements, other than employees who are covered under a collective bargaining agreement. During the year ended June 30, 2015, the Organization made no contributions to the plan.

The Organization has a 457(b) tax deferred retirement plan covering Top Hat employees (CEO & CFO). During the year ended June 30, 2015, the Organization made contributions of $8,135 to the plan.

Note 11. Related Party Transaction

The Organization used the services of a board member's staffing business during the year ended June 30, 2015. The amount of $7,300 was paid to the company.

Note 12. June 30, 2014 Financial Information

The financial statements include certain prior year summarized comparative information in total, but not by net asset class. Such prior year information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2014, from which the summarized information was derived.