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January 21, 2010

Board of Directors  
KV Works, Inc.  
1166 N. Main St.  
P.O. Box 1496  
Crown Point, IN 46308-1496

We have reviewed the audit report prepared by Comer, Nowling and Associates, PC, Independent Public Accountants, for the period July 1, 2007 to June 30, 2008. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the KV Works, Inc., as of June 30, 2008, and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS

# **KV Works, Inc.**

**Financial Statements  
For The Years Ended  
June 30, 2008 and 2007  
(With Single Audit Section)**



**COMER  
NOWLING AND  
ASSOCIATES, PC**

*Certified Public Accountants*

**KV Works, Inc.**  
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BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

## Independent Auditor's Report

Board of Directors  
KV Works, Inc.  
Valparaiso, Indiana

We have audited the accompanying consolidated statements of financial position of KV Works, Inc. as of June 30, 2008 and 2007 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of KV Works, Inc. as of June 30, 2008 and 2007, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2008 on our consideration of KV Works, Inc. internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of KV Works, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material aspects, in relation to the basic financial statements taken as a whole.

*Comer, Nowling And Associates, P. C.*

Comer, Nowling And Associates, P.C.

December 4, 2008

**KV WORKS, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**JUNE 30, 2008 AND 2007**

**ASSETS**

	<b>2008</b>	<b>2007</b>
<b>CURRENT ASSETS:</b>		
Cash	\$ 33,686	\$ 10,246
Grants receivable	205,155	306,579
Other receivables	4,208	4,966
Total current assets	\$ 243,049	\$ 321,791

**LIABILITIES AND NET ASSETS**

<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 40,169	\$ 126,878
Accrued payroll taxes and related expenses	35,619	38,477
Accrued vacation	21,385	24,738
Other accrued expenses	2,718	2,289
Unearned revenue	801	1,396
Total current liabilities	100,692	193,778
<b>UNRESTRICTED NET ASSETS</b>	142,357	128,013
Total liabilities and unrestricted net assets	\$ 243,049	\$ 321,791

See accompanying notes to financial statements.

**KV WORKS, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>		
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUE AND OTHER SUPPORT</b>			
Grant and contract revenue	\$ -	\$ 2,201,310	\$ 2,201,310
Vendor and non-federal contract revenue		204,724	204,724
Corporate revenue	2,814	-	2,814
Net assets released from restriction through satisfaction of program restrictions	2,406,034	(2,406,034)	-
Total revenue and other support	<u>2,408,848</u>	<u>-</u>	<u>2,408,848</u>
<b>OPERATING EXPENSES</b>			
Adult	1,106,532	-	1,106,532
Youth	183,087	-	183,087
Dislocated worker	421,188	-	421,188
Rapid response	89,995	-	89,995
IS Grant	159,726	-	159,726
Career Advancement Account	3,919	-	3,919
TANF & food stamps	189,044	-	189,044
IAEYC	5,841	-	5,841
CCDF	232,086	-	232,086
Other	595	-	595
Management and general	2,491	-	2,491
Total operating expenses	<u>2,394,504</u>	<u>-</u>	<u>2,394,504</u>
<b>NET DECREASE IN NET ASSETS</b>	14,344	-	14,344
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>128,013</u>	<u>-</u>	<u>128,013</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 142,357</u>	<u>\$ -</u>	<u>\$ 142,357</u>

See accompanying notes to financial statements.

**2007**

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 1,722,415	\$ 1,722,415
-	620,837	620,837
30,386	-	30,386
<u>2,343,252</u>	<u>(2,343,252)</u>	<u>-</u>
<u>2,373,638</u>	<u>-</u>	<u>2,373,638</u>
688,970	-	688,970
9,269	-	9,269
539,154	-	539,154
136,362	-	136,362
130,428	-	130,428
1,049	-	1,049
523,395	-	523,395
37,188	-	37,188
179,995	-	179,995
-	-	-
11,996	-	11,996
<u>2,257,806</u>	<u>-</u>	<u>2,257,806</u>
115,832	-	115,832
12,181	-	12,181
<u>\$ 128,013</u>	<u>\$ -</u>	<u>\$ 128,013</u>

**KV WORKS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2008**

	<u>Adult</u>	<u>Youth</u>	<u>Dislocated Worker</u>	<u>Rapid Response</u>	<u>IS Grant</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 483,923	\$ 77,936	\$148,957	\$ 62,449	\$ -
Payroll taxes	34,023	6,227	12,446	3,532	-
Employee benefits	64,811	11,390	33,203	5,889	-
Staff development and travel	13,426	5,440	6,522	1,143	-
Contract services	-	630	-	-	-
Office, supplies and telephone	86,454	21,684	49,025	6,470	52,946
Occupancy expenses	133,003	15,097	70,048	8,701	106,780
Consumer training and services	280,396	41,361	87,592	-	-
Client assistance	10,496	3,322	13,395	1,811	-
Total operating expenses	<u>\$1,106,532</u>	<u>\$183,087</u>	<u>\$421,188</u>	<u>\$ 89,995</u>	<u>\$159,726</u>

See accompanying notes to financial statements.

<u>Career Advancement Account</u>	<u>TANF &amp; Food Stamps</u>	<u>IAEYC</u>	<u>CCDF</u>	<u>Other</u>	<u>Management &amp; General</u>	<u>Total</u>
\$ 3,919	\$ 97,692	\$ 3,409	\$ 107,871	\$ -	\$ -	\$ 986,156
-	8,079	297	8,421	-	-	73,025
-	18,189	718	18,205	-	-	152,405
-	4,000	-	1,264	-	-	31,795
-	540	-	33,240	-	-	34,410
-	12,554	300	21,369	-	123	250,925
-	19,993	1,117	41,716	-	-	396,455
-	27,997	-	-	595	1,646	439,587
-	-	-	-	-	722	29,746
<u>\$ 3,919</u>	<u>\$ 189,044</u>	<u>\$ 5,841</u>	<u>\$ 232,086</u>	<u>\$ 595</u>	<u>\$ 2,491</u>	<u>\$ 2,394,504</u>

**KV WORKS, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED JUNE 30, 2007**

	<u>Adult</u>	<u>Youth</u>	<u>Dislocated Worker</u>	<u>Rapid Response</u>	<u>IS Grant</u>
<b>OPERATING EXPENSES</b>					
Salaries and wages	\$ 284,658	\$ 5,638	\$284,000	\$ 51,626	\$ -
Payroll taxes	23,644	478	21,852	4,803	-
Employee benefits	47,362	1,104	41,090	7,600	-
Staff development and travel	11,326	598	8,549	1,203	-
Contract services	-	-	-	-	-
Office, supplies and telephone	98,441	1,451	82,134	8,332	30,757
Occupancy expenses	77,540	-	58,965	44,966	99,671
Equipment purchases	12,605	-	23,519	3,055	-
Consumer training and services	125,557	-	10,800	11,295	-
Client assistance	7,837	-	8,245	3,482	-
Total operating expenses	<u>\$ 688,970</u>	<u>\$ 9,269</u>	<u>\$539,154</u>	<u>\$ 136,362</u>	<u>\$130,428</u>

See accompanying notes to financial statements.

Career Advancement Account	TANF & Food Stamps	IAEYC	CCDF	Other	Management & General	Total
\$ 1,049	\$ 222,400	\$ 20,074	\$ 85,612	\$ -	\$ 3,096	\$ 958,153
-	18,892	1,857	8,490	-	-	80,016
-	37,701	3,415	15,384	-	-	153,656
-	12,231	47	758	-	42	34,754
-	668	-	26,862	-	-	27,530
-	41,735	6,866	14,511	-	249	284,476
-	55,815	4,929	28,378	-	5	370,269
-	5,520	-	-	-	-	44,699
-	128,433	-	-	-	8,604	284,689
-	-	-	-	-	-	19,564
<u>\$ 1,049</u>	<u>\$ 523,395</u>	<u>\$ 37,188</u>	<u>\$ 179,995</u>	<u>\$ -</u>	<u>\$ 11,996</u>	<u>\$ 2,257,806</u>

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**KV WORKS, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED JUNE 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 14,344	\$ 115,832
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Increase (decrease) in cash from changes in:		
Grants receivable	101,424	(157,432)
Other receivables	758	(4,966)
Accounts payable	(86,709)	76,476
Accrued payroll and payroll taxes	(2,858)	(969)
Accrued vacation	(3,353)	(2,842)
Other accrued expenses	429	(9,806)
Unearned revenue	(595)	(43,403)
Security deposits	-	(2,500)
	23,440	(29,610)
Net cash provided by (used in) operating activities	23,440	(29,610)
 <b>CASH, BEGINNING OF YEAR</b>	 10,246	 39,856
<b>CASH, END OF YEAR</b>	\$ 33,686	\$ 10,246

See accompanying notes to financial statements.

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**NATURE OF OPERATIONS**

KV Works, Inc. (The “Organization”) was organized as a Indiana nonprofit corporation in 2004. The Organization was formed to prepare youth and unskilled adults for entry into the workforce and to provide economically disadvantaged individuals and others facing barriers to employment with job training in Porter, LaPorte, Starke, Pulaski, Jasper, and Newton counties in Indiana. The Organization is primarily supported through federal and state government grants.

**BASIS OF ACCOUNTING**

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**FINANCIAL STATEMENT PRESENTATION**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. For the years ended, June 30, 2008 and 2007, the Organization did not have any permanently restricted net assets.

The classification of temporarily restricted net assets includes grant awards as the grant funds are restricted to specific programs/expenses as defined in the awards. Also included in temporarily restricted net assets is program income that is generated as part of the grant activity. When expenses are incurred against grant funds and related program income, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of revenue, expenses, and changes in net assets as net assets released from restriction.

**INCOME TAX STATUS**

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**REVENUE RECOGNITION**

The Organization receives grants from the State of Indiana (State) to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the State appropriate records of services provided to eligible individuals and/or expenses incurred. Revenues under the contracts are recognized as the services are provided and/or expenses incurred. Amounts received or receivable in excess of expenses incurred are reflected as unearned revenue.

**ACCOUNTS RECEIVABLE**

Accounts receivable are amounts due from various one-stop partners and other customers. Based on collection history, amounts have been deemed as fully collectible and no allowance for uncollectible accounts has been recorded.

**PROPERTY AND EQUIPMENT**

Property and equipment purchased with corporate funds are capitalized at cost and depreciated over their estimated useful life using either the straight-line or accelerated methods. The Organization considers property and equipment to be items with a cost of \$5,000 or more and useful life of greater than one year. There is no corporate purchased equipment at June 30, 2008 and 2007.

Property and equipment purchased with grant funds is held in trust by each respective entity for the benefit of the People of the State of Indiana while used in the program for which it was purchased or in other future authorized programs and therefore not recorded in these financial statements. Its disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The cumulative cost of equipment purchased with grant funds for the years ended June 30, 2008 and 2007 is \$59,008 and \$54,613, respectively.

**EXPENSE ALLOCATION**

The costs of providing 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 benefited.

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported 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.

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

**CONTRIBUTED SERVICES**

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated.

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

**COST ALLOCATION**

Joint costs are allocated to benefiting programs throughout the year using employee direct labor hours. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective.

**STATEMENT OF FINANCIAL ACCOUNTING STANDARD NO. 144**

SFAS No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*," requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 144 has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 2 – CONCENTRATIONS OF RISK**

At times throughout the year, the Organization may maintain cash balances in local financial institutions that are in excess of the federally insured limits of \$100,000. The Organization’s management monitors the financial ratings of such financial institutions and believes the risk of loss is minimal.

Financial awards from federal, state and local governmental entities in the form of grants are subject to financial and compliance audits by funding agencies. Such audits could result in claims against the Organization for disallowed costs or noncompliance with grantor restrictions. No provision has been made for any liabilities that may arise from such audits since the amounts, if any, cannot be determined at this date.

**NOTE 3 – GRANTS RECEIVABLE**

Grants receivable consisted of the following:

As of June 30,:	<u>2008</u>	<u>2007</u>
Indiana Family and Social Service Administration	\$ 22,782	\$ 101,406
Indiana State Department of Health	-0-	3,122
Center for Workforce Innovations, Inc.	182,373	202,051
	<u>\$ 205,155</u>	<u>\$ 306,579</u>

**NOTE 4 – RETIREMENT PLAN**

The Organization has a retirement plan that covers all employees who have completed one year of service or 1,000 service hours and are at least 18 years old. The retirement benefits vest over a six-year period for the Organization. Employer contributions are made at the discretion of the Board and are up to 5% of participating employees’ annual compensation. There were no contributions made by the Organization for the years ended June 30, 2008 and 2007.

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 5 – OPERATING LEASES**

The Organization leases various facilities for operation of its programs. Rent expense for the years ended June 30, 2008 and 2007, was \$388,250 and \$385,834, respectively. Future minimum lease payments on leases having non-cancelable terms beyond June, 30, 2008, are as follows:

2009	\$ 234,543
2010	217,180
2011	11,881
	<hr/> <u>\$ 463,604</u>

**NOTE 6 – RELATED PARTIES**

The Organization has obtained services from a related party for consumer tuition, text books and training. This related party represents an educational institution affiliated with a Board member. For the year ended June 30, 2008 and 2007, the amount expensed for these services was \$44,693 and \$85,126, respectively.

**NOTE 7 – STATE REORGANIZATION PLAN**

Beginning July 1, 2006, the Indiana Department of Workforce Development began implementing a service delivery reorganization plan initiated by Indiana Governor Mitch Daniels. The reorganization plan was created to regionalize the delivery of services, integrate resources within regions, foster greater alignment with the economic and industry needs of the various regions and to introduce a variety of innovations ranging from technical systems to program design and service delivery.

The State is divided into eleven regions ranging in size from five to twelve counties. Each area is a unique labor market region. KV Works is located in Region 1. The local elected officials in the eleven regions establish agreements which address the responsibilities and the process for appointing a business representative to the regional workforce board (RWB). The RWB establishes by-laws and procures a regional operator (RO). The RO functions as staff to the RWB and the one-stop operator for the WorkOne system in the region. KV Works, Inc. was selected as one of three service providers for Region 1. Contracts for regional operators, fiscal agents and service providers are limited to two years with a one year option upon showing good performance. Therefore, competitive procurement at all levels occurs at least every three years.

**KV WORKS, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008 AND 2007**

**NOTE 8 – EMPLOYEE TERMINATION**

On September 27, 2006, the Organization's President was indicted on charges of theft related to the period of October 1, 2001 through September 30, 2003 at which time he managed the Indianapolis office of JobWorks, Inc. ("JobWorks") located in Marion County, Indiana. On September 22, 2005, the Indiana Family and Social Services Administration (FSSA) terminated JobWorks' Marion County Indiana Manpower Placement and Comprehensive Training (IMPACT) contracts for fiscal years 2005 and 2006. The cause of this termination related to an FSSA investigation of the 2002 and 2003 JobWorks' IMPACT contract years. The investigation, which was completed in September 2006, resulted in the indictment against the Organization's President.

The Organization's President was not employed by KV Works, Inc. until September 2004, therefore the results of the FSSA investigation do not appear to have any legal or financial impact on KV Works, Inc. However, to ensure that no IMPACT contract deficiencies existed during the President's tenure with KV Works, Inc., the Organization commissioned agreed-upon-procedures to be performed on IMPACT contract claims submitted since the President joined KV Works, Inc. in September 2004. In addition, the agreed-upon-procedures called for the review of all of the President's payroll activity reports and expense reimbursement claims submitted since September 2004. These agreed-upon-procedures identified no material deficiencies or findings.

As a result of the indictment, the President was initially placed on administrative leave and later terminated. The final results of the charges, if any, on the financial statements of the Organization cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise as a result of the investigation.

**NOTE 9 – RECLASSIFICATIONS**

Certain reclassifications have been made to the 2007 financial statements to conform to the 2008 presentation.

## **SINGLE AUDIT SECTION**

**KV WORKS, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2008**

<b>FEDERAL GRANTOR AGENCY</b>	<b>Federal</b>	<b>Grant or</b>	<b>Federal</b>
<b>Passthrough Agency</b>	<b>CFDA</b>	<b>Identifying</b>	<b>Expenditures</b>
<b>Program Title</b>	<b>Number</b>	<b>Number</b>	<b></b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through the Indiana Department of Family and Social Services (FSSA):			
CCDF--Child Care Development Fund	93.596	64-06-34-1583	\$ 232,086
Passed through the Indiana Department of Family and Social Services (FSSA) and the Indiana Association for the Education of Young Children, Inc. (IAEYC):			
CCDF-Child Development Associate Classes	93.596		<u>5,841</u>
Total U.S. Department of Health and Human Services			<u>237,927</u>
<b>U.S. DEPARTMENT OF LABOR</b>			
Passed through the Indiana Department of Workforce Development (DWD) and the Center of Workforce Innovations:			
Wagner Peyser	17.207	IS-6-01	<u>92,751</u>
Unemployment Insurance	17.225	IS-6-01	<u>33,886</u>
Workforce Investment Act (WIA) Cluster:			
WIA Adult Program	17.258	CWI-06-WIA-AYD-02	1,105,586
WIA Youth Program	17.259	CWI-06-WIA-AYD-02	183,078
Rapid Response-Nash Finch	17.260	CWI-06-WIA-AYD-02	775
Rapid Response-Hedwin	17.260	CWI-06-WIA-AYD-02	22,500
Rapid Response-Intec	17.260	CWI-06-WIA-AYD-02	22,500
Rapid Response	17.260	CWI-06-WIA-AYD-02	44,220
WIA Dislocated Workers Program	17.260	CWI-06-WIA-AYD-02	<u>421,078</u>
Subtotal WIA Cluster			<u>1,799,737</u>
Career Advancement Account	17.261	CWI-06-WIA-AYD-02	<u>3,919</u>
Dislocated Veterans Outreach Program	17.801	IS-6-01	<u>16,538</u>
Local Veterans Employment Program	17.804	IS-601	<u>16,552</u>
Total U.S. Department of Labor			<u>1,963,383</u>
<b>Total Expenditures of Federal Awards</b>			<u><u>\$ 2,201,310</u></u>

See accompanying note to Schedule of Expenditures of Federal Awards.

**KV WORKS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2008**

**Note 1 – Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of KV Works, Inc. and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**KV WORKS, INC.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2008**

No matters were reported for the year ended June 30, 2007.



BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

**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  
KV Works, Inc.  
Valparaiso, Indiana

We have audited the financial statements of KV Works, Inc. (a nonprofit organization), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 4, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered KV Works, Inc.'s internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the second paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether KV Works, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.

December 4, 2008



BUSINESS PLANNING  
FINANCIAL STATEMENTS  
BUSINESS VALUATIONS  
TAX PLANNING  
TAX PREPARATION

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors  
KV Works, Inc.  
Valparaiso, Indiana

Compliance

We have audited the compliance of KV Works, Inc. (a nonprofit organization) with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to its major federal programs for the year ended June 30, 2008. KV Works, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of KV Works, Inc.'s management. Our responsibility is to express an opinion on KV Works, Inc.'s compliance based on our audit.

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 OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 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 KV Works, Inc.'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. Our audit does not provide a legal determination of KV Works, Inc.'s compliance with those requirements.

In our opinion, KV Works, Inc., complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of KV Works, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered KV Works, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program as a basis in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects KV Works, Inc.'s ability to administer a major federal program such that there is more than a remote likelihood that the Organization's noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Organization's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the board of directors, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Comer, Nowling And Associates, P.C.*

Comer, Nowling And Associates, P.C.

December 4, 2008

**KV WORKS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2008**

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

**Financial Statements**

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes \_\_\_ No x
- Significant deficiencies identified? Yes \_\_\_ No x

Noncompliance material to financial statements noted? Yes \_\_\_ No x

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes \_\_\_ No x
- Significant deficiencies identified? Yes \_\_\_ No x

Type of auditor’s report issued: Unqualified

Any audit findings disclosed required to be reported in  
 Accordance with Section 510(a) of Circular A-133 Yes \_\_\_ No x

Program tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
17.258*	U.S. Dept. of Labor - WIA Adult Program
17.259*	U.S. Dept. of Labor - WIA Youth Activities
17.260*	U.S. Dept. of Labor - WIA Dislocated Workers

\* Denotes a program cluster. A cluster of programs is treated as a single program for the purpose of meeting the audit requirements of OMB Circular A-133.

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes x No \_\_\_

**KV WORKS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**  
**YEAR ENDED JUNE 30, 2008**

**Section II – Financial Statement Findings**

There were no financial statement findings for the current year.

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

There were no federal award findings for the current year.