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November 10, 2014

Board of Directors
JobWorks, Inc.
7832 Bluffton Road
Fort Wayne, IN 46809

We have reviewed the audit report prepared by Comer, Nowling and Associates, P.C., for the period July 1, 2010 to June 30, 2011. 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 JobWorks, Inc., as of June 30, 2011, 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.

We call your attention to a financial statement finding in the report. Please refer to the Schedule of Findings and Questioned Costs for complete details of the finding.

Paul D. Joyce

Paul D. Joyce, CPA
State Examiner

JobWorks, Inc.
and Subsidiaries

Consolidated Financial Statements
For The Years Ended
June 30, 2011 and 2010
(With Single Audit Section)

COMER NOWLING

INDUSTRY ESTABLISHED | FOCUSED ON QUALITY

Certified Public Accountants

JOBWORKS, INC. AND SUBSIDARIES
(Fort Wayne, Indiana)
CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

Independent Auditor's Report

Board of Directors
JobWorks, Inc. and Subsidiaries
Fort Wayne, Indiana

We have audited the accompanying consolidated statements of financial position of JobWorks, Inc. and Subsidiaries as of June 30, 2011 and 2010 and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated 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 consolidated financial position of JobWorks, Inc. and Subsidiaries as of June 30, 2011 and 2010, 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 March 28, 2012 on our consideration of JobWorks, Inc.'s 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 considered in assessing the results of our audit.

Comer, Nowling and Associates, P.C. | 8606 Allisonville Road, Suite 120 | Indianapolis, Indiana 46250 | 317.841.3393 office | www.comernowling.com

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
March 28, 2012

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS

	2011	2010
CURRENT ASSETS:		
Cash	$ 4,666	$ 841,656
Investments	67,260	62,752
Grants receivable	3,146,645	3,141,500
Accounts receivable	101,237	27,010
Prepaid expenses	63,856	113,766
Total current assets	3,383,664	4,186,684
FIXED ASSETS:		
Vehicles	62,535	98,194
Furniture and equipment	113,556	113,556
	176,091	211,750
Less accumulated depreciation	(173,029)	(189,884)
Total fixed assets, net	3,062	21,866
Total assets	$ 3,386,726	$ 4,208,550

LIABILITIES AND NET ASSETS

	2011	2010
CURRENT LIABILITIES:		
Accounts payable	$ 1,654,583	$ 2,573,659
Accrued payroll taxes and related expenses	925,036	909,047
Funds drawn in excess of bank balance	14,953	-
Line of credit - Tower Bank	235,000	490,000
Unearned revenue	10,611	14,825
Current portion - long term debt	-	10,142
Total current liabilities	2,840,183	3,997,673
LONG TERM DEBT, NET OF CURRENT PORTION	-	4,010
Total liabilities	2,840,183	4,001,683
NET ASSETS:		
Unrestricted	546,543	206,867
Total liabilities and unrestricted net assets	$ 3,386,726	$ 4,208,550

See accompanying notes to financial statements.

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
REVENUE AND OTHER SUPPORT		
Grant revenue	$ 24,611,100	$ 24,321,476
Corporate revenue	13,581	5,999
Investment income	4,610	(1,267)
Total revenue and other support	24,629,291	24,326,208
OPERATING EXPENSES		
General fund	-	70,668
Profiling	9,450	8,225
Adult	5,378,296	7,637,404
Dislocated worker	5,923,028	8,050,455
Youth	3,892,935	5,064,569
TANF and food stamps	353,438	15,086
Discretionary	-	145,479
Integrated services	553,372	-
Veterans	344,044	265,798
Transitional jobs	310,805	-
Fee for service	1,649,461	6,936
Other	4,502,330	1,783,947
Management and general	1,371,313	1,310,943
Subsidiary	1,143	21,791
Total operating expenses	24,289,615	24,381,301
INCREASE (DECREASE) IN NET ASSETS	339,676	(55,093)
NET ASSETS - BEGINNING OF YEAR	206,867	261,960
NET ASSETS - END OF YEAR	$ 546,543	$ 206,867

See accompanying notes to financial statements.

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Profiling	Adult	Dislocated Worker	Youth	TANF & Food Stamps	Integrated Services
OPERATING EXPENSES						
Wages and benefits	$ -	$2,930,510	$2,830,138	$2,451,331	$ 45,009	$22,130
Travel and staff development	-	85,331	94,267	85,769	1,911	-
Facility costs	-	655,103	742,747	290,977	5,286	474,148
Equipment and depreciation	-	28,210	28,570	13,027	9	3,936
Communications	-	76,658	79,459	49,333	293	49,791
Supplies, postage and printing	-	35,839	43,233	35,606	326	3,367
Professional fees and dues	9,450	52,463	86,885	60,659	3,800	-
Client benefits	-	1,514,182	2,017,729	898,813	296,804	-
Subcontractors	-	-	-	7,420	-	-
Total operating expenses before GAAP adjustments	9,450	5,378,296	5,923,028	3,892,935	353,438	553,372
GAAP adjustment						
GAAP expenditures not reported on SEFA	-	-	-	-	-	-
Total operating expenses after GAAP adjustments	$ 9,450	$ 5,378,296	$ 5,923,028	$ 3,892,935	$ 353,438	$ 553,372

See accompanying notes to financial statements.

Veterans	Transitional Jobs	Fee For Service	Other	Management & General	Subsidiaries	2011 Total
$140,539	$38,256	$ 1,598,725	$2,740,146	$1,012,961	$ 287	$ 13,810,032
5,536	519	21,723	60,489	40,108	-	395,653
7,392	3,500	3,140	169,196	76,940	-	2,428,429
312	1,166	350	11,355	32,365	-	119,300
1,145	620	1,185	29,280	27,885	-	315,649
942	236	1,057	20,571	20,892	250	162,319
1,933	13,055	23,281	26,683	156,677	606	435,492
186,245	253,453	-	1,444,610	3,485	-	6,615,321
-	-	-	-	-	-	7,420
344,044	310,805	1,649,461	4,502,330	1,371,313	1,143	24,289,615
-	-	-	-	-	-	-
$ 344,044	$ 310,805	$ 1,649,461	$ 4,502,330	$ 1,371,313	$ 1,143	$ 24,289,615

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2010

	General	Profiling	Adult	Dislocated Worker	Youth
OPERATING EXPENSES					
Wages and benefits	$ 16,050	$ -	$ 3,418,514	$ 3,364,024	$ 2,753,512
Travel and staff development	6,755	70	76,001	78,190	104,344
Facility costs	20	-	714,423	824,942	268,712
Equipment and depreciation	2,700	-	43,589	45,413	17,845
Communications	7,740	-	81,640	86,275	76,703
Supplies, postage and printing	(806)	55	58,403	63,356	61,199
Professional fees and dues	36,714	8,100	95,037	124,927	75,384
Client benefits	-	-	3,147,649	3,461,333	1,562,764
Subcontractors	-	-	-	-	118,251
Total operating expenses before GAAP adjustments	69,173	8,225	7,635,256	8,048,460	5,038,714
GAAP adjustment					
GAAP expenditures not reported on SEFA	1,495	-	2,148	1,995	25,855
Total operating expenses after GAAP adjustments	$ 70,668	$ 8,225	$ 7,637,404	$ 8,050,455	$ 5,064,569

See accompanying notes to financial statements.

TANF & Food Stamps	Discretionary	Veterans	Fee For Service	Other	Management & General	Subsidiaries	2010 Total
$ 756	$ -	$ 115,592	$ 6,712	$ 571,335	$ 1,005,111	$ 8,158	$ 11,259,764
230	-	3,825	-	41,863	42,859	-	354,137
-	-	4,903	-	560,833	12,525	7,236	2,393,594
-	-	393	-	15,659	28,047	-	153,646
-	-	1,939	82	65,258	22,284	-	341,921
30	-	946	142	15,948	22,744	2,086	224,103
60	-	1,564	-	19,752	177,373	4,311	543,222
1,017	145,479	136,636	-	468,528	-	-	8,923,406
-	-	-	-	-	-	-	118,251
2,093	145,479	265,798	6,936	1,759,176	1,310,943	21,791	24,312,044
12,993	-	-	-	24,771	-	-	69,257
$ 15,086	$ 145,479	$ 265,798	$ 6,936	$ 1,783,947	$ 1,310,943	$ 21,791	$ 24,381,301

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 339,676	$ (55,093)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	14,123	28,521
Net unrealized (gain) loss on investments	(3,418)	1,267
Gain on sale of fixed assets	(10,349)	-
Increase (decrease) in cash from changes in:		
Grants receivable	(5,145)	1,103,708
Accounts receivable	(74,227)	1,711
Prepaid expenses	49,910	(48,848)
Accounts payable	(919,076)	(1,409,991)
Accrued payroll and payroll expenses	15,989	(204,651)
Funds drawn in excess of bank balance	14,953	-
Unearned revenue	(4,214)	(476)
Net cash provided by (used in) operating activities	(581,778)	(583,852)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	-	(1,370)
Proceeds from sale of fixed assets	15,030	-
Purchase of investments	(1,090)	-
Net cash used in investing activities	13,940	(1,370)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments against notes payable	(14,152)	(11,966)
Payments on against line of credit	(255,000)	-
Net cash provided by financing activities	(269,152)	(11,966)
NET INCREASE (DECREASE) IN CASH	(836,990)	(597,188)
CASH, BEGINNING OF YEAR	841,656	1,438,844
CASH, END OF YEAR	$ 4,666	$ 841,656
Supplemental disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 18,285	$ 22,280

See accompanying notes to financial statements.

JOBWORKS, INC. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2011 AND 2010

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

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Jobworks, Inc. (the "Organization"), and its wholly-owned subsidiaries: HCM Solutions by JobWorks, LLC and JobWorks Education & Training Systems, LLC. All material inter-company transactions have been eliminated in consolidation.

NATURE OF OPERATIONS

JobWorks, Inc. was organized as an Indiana nonprofit corporation in 1983. 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 Bartholomew, Blackford, Boone, Cass, Clark, Crawford, Dearborn, Decatur, Delaware, Fayette, Floyd, Franklin, Hamilton, Hancock, Harrison, Hendricks, Henry, Howard, Jackson, Jasper, Jay, Jefferson, Jennings, Johnson, Lake, LaPorte, Madison, Marion, Miami, Morgan, Newton, Ohio, Porter, Pulaski, Randolph, Ripley, Rush, Scott, Shelby, Starke, Switzerland, Tipton, Union, Washington, and Wayne counties in Indiana, Auglaize, Defiance, Fulton, Hardin, Henry, Mercer, Van Wert, and Williams counties in Ohio and the San Diego Metro Region in California. The organization is primarily supported through federal and state government grants.

In January 2010, the Organization formed HCM Solutions by JobWorks, LLC ("HCM") for the purpose of providing outplacement and human capital management consulting services to small non-public businesses with $5 million to $75 million in annual revenue and 25 to 75 employees. This subsidiary was established as a single-member limited liability company under the laws of the State of Indiana and is 100% owned by the Organization.

Effective for the year ended December 31, 2010, HCM has elected to be treated as a limited liability company for income tax purposes and, accordingly, is not responsible for payment of federal income taxes, which is the responsibility of the sole limited liability company member, JobWorks, Inc. As a limited liability company, the subsidiary must report on a calendar year basis for tax purposes. As of June 30, 2010, its mission was considered to be related to the employment and training mission of JobWorks, Inc. and therefore, no provision for unrelated business income tax has been made for federal income taxes. In addition, an operating loss had been incurred by HCM as of June 30, 2010. In July 2012, HCM operations ceased and remaining funds were returned to JobWorks.

In June 2007, the Organization formed JobWorks Education & Training Systems, LLC ("JETS") for the purpose of providing training, event planning, and technical assistance services. This subsidiary was established as a single-member limited liability company under the laws of the State of Indiana and is 100% owned by the Organization and has been inactive during the years ended June 30, 2011 and 2010.

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

NATURE OF OPERATIONS (continued)

Effective for the year ended December 31, 2007, JETS has elected to be treated as a limited liability company for income tax purposes and, accordingly, is not responsible for payment of federal income taxes, which is the responsibility of the sole limited liability company member, JobWorks, Inc. As a limited liability company, the subsidiary must report on a calendar year basis for tax purposes. As of June 30, 2007, its mission was considered to be related to the employment and training mission of JobWorks, Inc. and therefore, no provision for unrelated business income tax has been made for federal income taxes. In addition, as of June 30, 2011 and 2010, no revenue had been earned or expenses incurred by JETS.

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 FASB in its SFAS, *Financial Statements of Not-for-Profit Organizations*. Under this standard, JobWorks, Inc. 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. A description of the unrestricted, temporarily and permanently restricted net asset classes follows:

> *Unrestricted net assets* represent the portion of net assets of JobWorks, Inc. that is neither permanently restricted nor temporarily restricted by donor-imposed stipulations. Unrestricted net assets include expendable funds available for the support of the Organization.
>
> *Temporarily restricted net assets* represent contributions and other inflows of assets whose use by JobWorks, Inc. is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of JobWorks, Inc. pursuant to those stipulations.
>
> *Temporarily restricted net assets* also include, pursuant to Indiana law, cumulative appreciation and reinvested gains on permanently restricted net assets, which has not been appropriated by the Board of Directors.
>
> *Permanently restricted net assets* represent contributions and other inflows of assets whose use by JobWorks, Inc. is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization.

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

FINANCIAL STATEMENT PRESENTATION (continued)

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 activities, and changes in net assets as net assets released from restriction.

For the years ended June 30, 2011 and 2010, the Organization did not have temporarily or permanently restricted net assets.

INCOME TAX STATUS

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, it 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).

GRANTS RECEIVABLE

The grants receivable represent amounts the Organization has filed claims for the year ended and were awaiting payment. A substantial majority of receivables are due from government sources. The amount deemed uncollectible is zero. Therefore, no bad debt allowance is considered necessary.

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.

REVENUE RECOGNITION

The Organization receives grants from the States of Indiana, Ohio, California and other sources to carry out certain program activities. The grants are received under contracts which require the Organization to submit to the funding sources appropriate records of services provided to eligible individuals and/or expenses incurred. Amounts received or receivable in excess of expenses incurred are reflected as unearned revenue.

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

PROPERTY AND EQUIPMENT

Corporate funded property and equipment costing five hundred dollars or more are stated at cost. Donated property and equipment are recorded at fair market value at the time of donation. Expenditures for repairs and maintenance are generally expensed in the period incurred. Expenditures for renewals and improvements are generally capitalized. Depreciation expense is calculated using the straight-line method over estimated useful lives of five years for vehicles, and three to ten years for furniture and equipment. Depreciation expense on corporate owned property and equipment totaled $14,123 and $28,521 for the years ended June 30, 2011 and 2010, respectively.

In addition the organization maintains property which was purchased with funds provided by the State of Indiana and therefore is owned by the State. These State funded assets are not presented in the Organization's financial statements.

When property is sold, retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is credited or charged to income. Expenditures for maintenance and repairs are expensed when incurred. Disposition of equipment purchased with the use of various grant funds may be restricted.

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.

ADOPTION OF NEW ACCOUNTING STANDARDS

Effective July 1, 2009, the Organization adopted the accounting policy to recognize a tax benefit only if it is more likely than not the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized will be the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the more-likely-than-not test, no tax benefit will be recorded. The Organization has examined this issue and has determined there are no material contingent tax liabilities.

Income tax expense for the Subsidiary will include federal and state taxes currently payable and deferred taxes arising from temporary differences between income for financial reporting and income tax purposes. No such differences existed as of June 30, 2011 and 2010. For the years ended June 30, 2011 and 2010, there were no provisions for income taxes due to the losses incurred by each Subsidiary.

Effective June 30, 2009, the Organization adopted applicable portions of FASB ASC 820, Fair Value Measurements. FASB ASC 820 defines fair value, provides enhanced guidance for using fair value to measure assets and liabilities under current U.S. GAAP standards and expands the

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

ADOPTION OF NEW ACCOUNTING STANDARDS (continued)

disclosure of the methods used and the effect of fair value measurements on earnings. Additional disclosure is provided in Note 13.

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 using various allocation methods depending on the type of joint cost being allocated. Joint costs are those costs incurred for the common benefit of all agency programs, which cannot be readily identified with a final cost objective. Cost allocation methods are as follows:

Administrative cost pool
Agency administrative costs are allocated based on a two step process involving administrative staff time in each region and direct staff time.

Training cost pool
Training costs are allocated based on a one-step process involving direct staff time.

Other joint costs
Other joint costs are charged to agency programs based on the amounts used by each program or other appropriate methodology.

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

SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 28, 2012, which is the date the financial statements were available to be issued.

NOTE 2 – CONCENTRATION OF RISK

The Organization maintains its cash balance at a bank. The account at the institution is insured by the Federal Deposit Insurance Corporation (FDIC) up to $250,000 for the years ended June 30, 2011 and 2010. At June 30, 2011 and 2010, bank balances were $-0- and $1,252,333, respectively, in excess of FDIC coverage in place for that year.

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 – LINE OF CREDIT – BANK

The Organization at June 30, 2011 and 2010, had available a secured line of credit with Tower Bank. For the years ended June 30, 2011 and 2010, the line credit limit was $1,000,000 for both years. The line of credit had an outstanding balance of $235,000 and $490,000 at June 30, 2011 and 2010. Interest is at the bank's prime rate plus 1%. The interest rate at June 30, 2011 and 2010 was 4.25%. The line of credit is secured by all assets of the Organization.

NOTE 4 – INVESTMENTS

Investments consist of corporate stocks and mutual funds, and are stated at fair value based on quoted prices in active markets. Investments are measured at fair value using Level 1 inputs (see Note 13) and are summarized as follows at June 30, 2011 and 2010:

	Cost or Original Donated Value	Fair Value	Gross Unrealized Gain (loss)
As of June 30, 2011:			
Stocks and mutual funds	$ 74,930	$ 67,260	$ (9,530)
As of June 30, 2010:			
Stocks and mutual funds	$ 74,930	$ 62,752	$ (12,948)

NOTE 4 – INVESTMENTS (continued)

The cumulative unrealized loss since the inception of these investments was $9,530 for the year ended June 30, 2011. The cumulative unrealized loss since the inception of these investments was $12,948 for the year ended June 30, 2010. The net unrealized gain for the one year period ended June 30, 2011 was $3,418 and the net unrealized loss for the one year period ended June 30, 2010 was $2,038. These net unrealized gains and losses are included in the investment income balance in the statements of activities.

NOTE 5 – ACCOUNTING FOR IMPAIRMENT

The SFAS, *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. This standard has not materially affected the Organization's net change in unrestricted net assets, statement of financial position or statement of cash flows.

NOTE 6 – RETIREMENT PLAN

JobWorks, Inc. maintains a 401(k) Profit Sharing Plan. Employees who have completed one year of service and are 21 years old will become plan members on their entry date. For purposes of both the 401(k) plan and the profit sharing plan, the plan entry date is the first day of the plan year or the first day of the seventh month of the plan year coinciding with, or next following the date the employee satisfied the eligibility requirements. On this entry date, the employee will be eligible to make 401(k) contributions to the safe harbor 401(k) plan. These employee contributions will be matched by JobWorks, Inc. at the rate of 100% for the first 3% of the employee contribution and at the rate of 50% of the employee contribution between 3% and 5%. These contributions will be calculated on a per pay period basis. The JobWorks, Inc. safe harbor contributions are immediately 100% vested. Employees may contribute a portion of their salary up to the annual Internal Revenue Service limit. Profit sharing contributions may be made on a discretionary basis and will be subject to a vesting schedule that covers a five year period with vesting occurring at the rate of 20% after one year of service and 20% per year thereafter.

The employer contributions for the years ended June 30, 2011 and 2010 were $302,592 and $349,398, respectively.

NOTE 7 – CONTINGENCY

JobWorks, Inc. merged with Workforce Development Services, Inc. (WDS, Inc.) effective September 1, 2002. As a result of the merger, the surviving corporation was JobWorks, Inc. The Internal Revenue Service claims that JobWorks, Inc. owes a penalty of approximately $41,000 due to WDS, Inc.'s failure to file in a timely fashion Form 990 for the short year July 1, 2002

NOTE 7 – CONTINGENCY (continued)

through and inclusive of August 31, 2002. JobWorks, Inc. has retained the services of legal counsel to assist in the resolution of the matter. The final determination of the actual penalty amount, if any, to be paid cannot be determined at this time. Accordingly, these financial statements do not reflect any liability, which may arise as a result of the penalty assessment.

NOTE 8 – GRANTS RECEIVABLE

Grants receivable consisted of the following:

As of June 30,:	2011	2010
Indiana Department of Workforce Development	$ 1,518,623	$ 2,332,804
Fee for service and local grants	19,210	19,210
Other	1,608,812	789,486
	$ 3,146,645	$ 3,141,500

NOTE 9 – OPERATING LEASES

JobWorks, Inc. leases various facilities and for use in the operation of its programs. Lease expense for the year ended June 30, 2011 and 2010 was $1,835,299 and $1,792,776, respectively. Future minimum lease payments on leases having non-cancelable terms beyond June 30, 2011 are a follows:

2012	$ 966,902
2013	71,310
2014	40,172
2015	32,976
2016	8,244
Thereafter	-0-
	$ 1,119,604

NOTE 10 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2010 financial statements to conform to the 2011 presentation.

NOTE 11 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30,:

	2011	2010
Note payable – 5.50% payable in monthly payments of $419.19 including interest. The agreement was entered into on December 23, 2005 and matured on December 22, 2010. Note collateralized by a vehicle.	$ -0-	$ 2,474
Note payable – 5.99% payable in monthly payments of $679.96 including interest. The agreement was entered into on December 28, 2007 and matures on December 28, 2011. Note collateralized by a vehicle.	-0-	11,678
Total long-term debt	$ -0-	$ 14,152

NOTE 12 – IMPACT CONTRACT LEGAL ACTION

On September 27, 2006, a prior employee of the Organization 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 the Organization located in Marion County, Indiana. On September 22, 2005, the Indiana Family and Social Services Administration (FSSA) terminated the Organization's 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 past employee.

The past employee left the employment of JobWorks in September 2004. However, to ensure that no additional IMPACT contract deficiencies existed subsequent to the period covered by the FSSA investigation, the Organization commissioned agreed-upon-procedures to be performed on IMPACT contract claims submitted from October 1, 2004 through December 31, 2006. These agreed-upon-procedures identified no material deficiencies or findings.

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 13 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Statement of Financial Accounting Standard, "*Fair Value Measurements*", defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the Organization's principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

This standard establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

> Level 1: Quoted prices for 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; or other inputs that are observable or can be corroborated by observable market data.
>
> Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In many cases, a valuation technique used to measure fair value includes inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement the entire fair value measurement in the hierarchy.

The Organization holds an investment portfolio described in Note 4. Investments classified as Level 1 all have publicly traded daily values which may be obtained.

NOTE 14 – PROGRAM TO GAAP RECONCILIATION

For the year ended June 30, 2010, subsequent to final annual grant report submissions to the Organization's funders, the Organization corrected an accounting error, the effect of which was to recognize additional salaries and related tax expense for the year. Certain of the Organization's funders requested that corrected annual grant reports be submitted.

Other funders requested that the additional expenses be reported in the subsequent year's grant reports and not report as June 30, 2010 expenses for their contracts. Under Generally Accepted Accounting Principles (GAAP), all expenses incurred must be disclosed in the organization's financial statements; therefore a "GAAP Adjustment" is reflected in the Statement of Functional Expenses to account for these additional expenses.

SUPPLEMENTARY INFORMATION

Independent Auditor's Report on Supplementary Information

Board of Directors
JobWorks, Inc. and Subsidiaries
Fort Wayne, Indiana

Our report on our audit of the consolidated financial statements of JobWorks, Inc. and Subsidiaries as of June 30, 2011 and 2010 appears on page one. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information (shown on pages 21 through 26) is presented for purposes of additional analysis of the consolidated financial statements rather than to present the statements of financial position and results of activities of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole for the years ended June 30, 2011 and 2010.

Comer, Nowling And Associates, P.C.
Comer, Nowling And Associates, P.C.
March 28, 2012

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2011 AND 2010

ASSETS	2011			
	Parent	Subsidiaries	Eliminations	Consolidated Total
CURRENT ASSETS:				
Cash	$ -	$ 4,666	$ -	$ 4,666
Investments	67,260	-	-	67,260
Grants receivable	3,146,645	-	-	3,146,645
Accounts receivable	101,237	-	-	101,237
Prepaid expenses	63,856	-	-	63,856
Notes receivable	25,000	-	(25,000)	-
Total current assets	3,403,998	4,666	(25,000)	3,383,664
PROPERTY AND EQUIPMENT:				
Vehicles	62,535	-	-	62,535
Furniture and equipment	113,556	-	-	113,556
	176,091	-	-	176,091
Less accumulated depreciation	(173,029)	-	-	(173,029)
Total Property and Equipment	3,062	-	-	3,062
Total assets	$ 3,407,060	$ 4,666	$ (25,000)	$ 3,386,726
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 1,654,583	$ -	$ -	$ 1,654,583
Accrued payroll taxes and related expenses	925,036	-	-	925,036
Funds drawn in excess of bank balance	14,953	-	-	14,953
Line of credit - Tower Bank	235,000	-	-	235,000
Unearned revenue	10,611	-	-	10,611
Current portion of long-term debt	-	-	-	-
Total current liabilities	2,840,183	-	-	2,840,183
LONG-TERM DEBT, NET OF CURRENT PORTION:	-	25,000	(25,000)	-
UNRESTRICTED NET ASSETS	566,877	(20,334)	-	546,543
Total liabilities and net assets	$ 3,407,060	$ 4,666	$ (25,000)	$ 3,386,726

See Independent Auditor's Report on Supplementary Information on page 21.

2010			
Parent	**Subsidiaries**	**Eliminations**	**Consolidated Total**
$ 835,479	$ 6,177	$ -	$ 841,656
62,752	-	-	62,752
3,141,500	-	-	3,141,500
28,978	-	(1,968)	27,010
113,766	-	-	113,766
25,000	-	(25,000)	-
4,207,475	6,177	(26,968)	4,186,684
98,194	-	-	98,194
113,556	-	-	113,556
211,750	-	-	211,750
(189,884)	-	-	(189,884)
21,866	-	-	21,866
$ 4,229,341	$ 6,177	$ (26,968)	$ 4,208,550
$ 2,573,659	$ 1,968	$ (1,968)	$ 2,573,659
909,047	-	-	909,047
-	-	-	-
490,000	-	-	490,000
14,825	-	-	14,825
10,142	-	-	10,142
3,997,673	1,968	(1,968)	3,997,673
4,010	25,000	(25,000)	4,010
227,658	(20,791)	-	206,867
$ 4,229,341	$ 6,177	$ (26,968)	$ 4,208,550

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Parent	Subsidiaries	Eliminations	Consolidated Total
REVENUE AND OTHER SUPPORT				
Grant revenue	$ 24,611,100	$ -	$ -	$ 24,611,100
Corporate revenue	11,981	1,600	-	13,581
Investment income	4,610	-	-	4,610
Total revenue and other support	24,627,691	1,600	-	24,629,291
OPERATING EXPENSES:				
General fund	-	-	-	-
Profiling	9,450	-	-	9,450
Adult	5,378,296	-	-	5,378,296
Dislocated worker	5,923,028	-	-	5,923,028
Youth	3,892,935	-	-	3,892,935
TANF and food stamps	353,438	-	-	353,438
Discretionary	-	-	-	-
Integrated services	553,372	-	-	553,372
Veterans	344,044	-	-	344,044
Transitional jobs	310,805	-	-	310,805
Fee for service	1,649,461	-	-	1,649,461
Other	4,502,330	-	-	4,502,330
Management and general	1,371,313	-	-	1,371,313
Subsidiary	-	1,143	-	1,143
Total operating expenses	24,288,472	1,143	-	24,289,615
Increase (decrease) in unrestricted net assets	339,219	457	-	339,676
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	227,658	(20,791)	-	206,867
UNRESTRICTED NET ASSETS AT END OF YEAR	$ 566,877	$ (20,334)	$ -	$ 546,543

See Independent Auditor's Report on Supplementary Information on page 20.

2010			
Parent	Subsidiaries	Eliminations	Consolidated Total
$ 24,321,476	$ -	$ -	$ 24,321,476
4,999	1,000	-	5,999
(1,267)	-	-	(1,267)
24,325,208	1,000	-	24,326,208
70,668	-	-	70,668
8,225	-	-	8,225
7,637,404	-	-	7,637,404
8,050,455	-	-	8,050,455
5,064,569	-	-	5,064,569
15,086	-	-	15,086
145,479	-	-	145,479
-	-	-	-
265,798	-	-	265,798
-	-	-	-
6,936	-	-	6,936
1,783,947	-	-	1,783,947
1,310,943	-	-	1,310,943
-	21,791	-	21,791
24,359,510	21,791	-	24,381,301
(34,302)	(20,791)	-	(55,093)
261,960	-	-	261,960
$ 227,658	$ (20,791)	$ -	$ 206,867

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

	2011			
	Parent	Subsidiaries	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase (decrease) in net assets	$ 339,219	$ 457	$ -	$ 339,676
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation	14,123	-	-	14,123
Net unrealized (gain) loss on investments	(3,418)	-	-	(3,418)
Gain on sale of fixed assets	(10,349)	-	-	(10,349)
Increase (decrease) in cash from changes in:				
Grants receivable	(5,145)	-	-	(5,145)
Accounts receivable	(72,259)	-	(1,968)	(74,227)
Prepaid expenses	49,910	-	-	49,910
Accounts payable	(919,076)	(1,968)	1,968	(919,076)
Accrued payroll and payroll expenses	15,989	-	-	15,989
Funds drawn in excess of bank balance	14,953	-	-	14,953
Unearned revenue	(4,214)	-	-	(4,214)
Net cash provided by (used in) operating activities	(580,267)	(1,511)	-	(581,778)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchase of fixed assets	-	-	-	-
Proceeds from sale of fixed assets	15,030	-	-	15,030
Purchase of investments	(1,090)	-	-	(1,090)
Investment in subsidiary	-	-	-	-
Net cash provided by (used in) investing activities	13,940	-	-	13,940
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments against notes payable	(14,152)	-	-	(14,152)
Proceeds from note payable	-	-	-	-
Payments on against line of credit	(255,000)	-	-	(255,000)
Net cash provided by (used in) financing activities	(269,152)	-	-	(269,152)
NET INCREASE (DECREASE) IN CASH	(835,479)	(1,511)	-	(836,990)
CASH, BEGINNING OF YEAR	835,479	6,177	-	841,656
CASH, END OF YEAR	$ -	$ 4,666	$ -	$ 4,666
Supplemental disclosures of Cash Flow Information:				
Cash paid during the year for interest	$ 18,285	$ -	$ -	$ 18,285

See Independent Auditor's Report on Supplementary Information on page 20.

2010			
Parent	Subsidiaries	Eliminations	Consolidated Total
$ (34,302)	$ (20,791)	$ -	$ (55,093)
28,521	-	-	28,521
1,267	-	-	1,267
-	-	-	-
1,103,708	-	-	1,103,708
(257)	-	1,968	1,711
(48,848)	-	-	(48,848)
(1,409,991)	1,968	(1,968)	(1,409,991)
(204,651)	-	-	(204,651)
-	-	-	-
(476)	-	-	(476)
(565,029)	(18,823)	-	(583,852)
(1,370)	-	-	(1,370)
-	-	-	-
-	-	-	-
(25,000)	-	25,000	-
(26,370)	-	25,000	(1,370)
(11,966)	-	-	(11,966)
-	25,000	(25,000)	-
-	-	-	-
(11,966)	25,000	(25,000)	(11,966)
(603,365)	6,177	-	(597,188)
1,438,844	-	-	1,438,844
$ 835,479	$ 6,177	$ -	$ 841,656
$ 22,280	$ -	$ -	$ 22,280

SINGLE AUDIT SECTION

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR			
Passed through the Indiana Department of Workforce Development (DWD):			
Profiling	17.xxx	C1-08-JKF-7-24-07-J	$ 9,727
Passed through the Indiana Department of Workforce Development (DWD) and The Center of Workforce Innovations, Inc:			
WIA Adult	17.258	CWI-09-WIA-AYD-03	820,664
WIA Dislocated Worker	17.260	CWI-09-WIA-AYD-03	354,196
ABE/GED	17.258-.260	CWI-09-WIA-AYD-03	52,325
WIA ISY Youth	17.259	CWI-09-WIA-AYD-03	324,614
WIA Younger Youth - JAG	17.259	CWI-09-WIA-AYD-03	167,317
WAG Adult	17.258	CWI-09-WIA-AYD-03	207,747
WAG Dislocated Worker	17.260	CWI-09-WIA-AYD-03	599,699
RROJT-9-01	17.260	CWI-09-WIA-AYD-03	55,444
TAARR-0-01	17.260	CWI-09-WIA-AYD-03	48,358
TAAARRA-0-01	17.260	CWI-09-WIA-AYD-03	85,600
IS-0-01	17.207	CWI-09-WIA-AYD-03	105,127
IS-0-01	17.225	CWI-09-WIA-AYD-03	57,077
VWIP	17.802	CWI-09-WIA-AYD-03	53,845
JAG-9-01, JAG coordinator	17.267	CWI-09-WIA-AYD-03	11,673
JAG Coordinator	17.259	CWI-09-WIA-AYD-03	32,274
JAGCD-0-01	17.259	CWI-09-WIA-AYD-03	5,000
DISC-0-01	17.259	CWI-09-WIA-AYD-03	309,862
SYARRA-9-01	17.259	CWI-09-WIA-AYD-03	22,728
WIA OSY Youth	17.259	CWI-09-WIA-AYD-03	806,883
			4,120,433
Passed through the Indiana Department of Workforce Development (DWD) and the Indianapolis Private Industry Council, Inc.:			
WIA Adult	17.258	S1001-WCF-09-WOI	1,074,952
WIA Dislocated Worker	17.260	S1001-WCF-09-WOI	718,769
WIA Youth	17.259	S1001-WCF-09-WOI	90,593
ARRA Adult	17.258	S1001-WCF-09-WOI	160,250
ARRA Dislocated Worker	17.260	S1001-WCF-09-WOI	641,358
WIA Rapid Response/DW	17.260	S1001-WCF-09-WOI	118,680
VWIP	17.802	S1001-VWI-10	61,664
TAA Staffing - ARRA Rapid Response	17.260	S1003-TAA-10	167,638
ABE	17.260	S1001-ABE-10	11,700
			3,045,604

See accompanying notes to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
Passed through the Indiana Department of Workforce Development (DWD) and the Tecumseh Area Partnership:			
WIA Adult	17.258	JW-09-44	286,630
WIA Dislocated Worker	17.260	JW-09-44	389,558
WIA In School Youth	17.259	JW-09-44	189,817
WIA Out of School Youth	17.259	JW-09-44	208,711
Navigator	17.266	JW-NAV9-44	3,303
WAG Adult	17.258	JW-ARRA 09-44	161,743
WAG Dislocated Worker	17.260	JW-ARRA 09-44	230,708
JAG Coordinator	17.267	JW-JAGII-44	4,431
JAG Coordinator	17.259	JW-JAG00-44	26,933
ARRA Summer Youth	17.259	SYARRA-55-9-04	32,720
ABE-54-04	17.258-.260	JOBWORKS ABE-54-04	44,509
ARRA-OJT	17.260	JW OJT ARRA-9-44	126,736
SESP High Growth	17.275	JobWorks SEOJT-44-04	2,020
TAA-RR	17.260	JW-TAARR-44-04	12,603
TAA-ARRA	17.260	JW-TAAARRA-44-04	220,215
Integrated Services	17.207	JW-IS-004	9,548
ARRA Discretionary	17.260	JW-ARRA 09-44	50,000
			2,000,185
Passed through the Indiana Department of Workforce Development (DWD) and REACH, Inc.			
VWIP - Region 5	17.802	N/A	36,796
VWIP - Region 5	17.258	N/A	24,846
WIA In School Youth - Region 9	17.259	N/A	174,675
JAG - Region 9	17.259	N/A	62,133
JAG Coordinator - Region 9	17.259	N/A	27,778
ARRA Summer Youth - YHCC In School - Region 9	17.259	N/A	2,809
ARRA Summer Youth - YHCC Out of School - Region 9	17.259	N/A	24,617
VWIP - Region 9	17.802	N/A	67,812
WIA Out of School Youth - Region 9	17.259	N/A	125,681
			547,147

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
Passed through the Indiana Department of Workforce Development (DWD) and Alliance for Strategic Growth:			
WIA Adult	17.258	EIRWB-6-10-JW	517,211
WIA Adult Discretionary	17.258-.260	EIRWB-6-10-JW	326,939
WIA Dislocated Worker	17.260	EIRWB-6-10-JW	655,846
WIA Dislocated Worker Discretionary	17.258-.260	EIRWB-6-10-JW	160,882
WIA In School Youth	17.259	EIRWB-6-10-JW	473,136
WIA Out of School Youth	17.259	EIRWB-6-10-JW	562,726
WIA ISY For Use with JAG	17.258-.260	EIRWB-6-10-JW	83,148
Career Advancement Accounts	17.260	CAA 0-06-JW	114,714
Integrated Services	17.207	IS-0-06-JW	215,218
Integrated Services	17.225	IS-0-06-JW	176,202
WAG Adult	17.258	ARRA-0-06-JW	371,099
WAG Dislocated Worker	17.260	ARRA-0-06-JW	410,927
VWIP	17.802	VWIP-0-06-JW	67,012
ARRA Summer Youth - YHCC In School	17.259	SYARRA-9-06	3,195
ARRA Summer Youth - YHCC Out of School	17.259	SYARRA-9-06	8,159
SE-OJT	17.275	SEOJT-9-06-JW	107,670
ARRA-OJT	17.260	RROJTARRA-9-06-JW	206,276
RR-OJT	17.260	RROJT-9-06-JW	122,070
TAA-RR	17.260	TAARR-0-06-JW	78,451
TAA-ARRA	17.260	TAAARRA-0-06-JW	331,149
ABE	17.258-.260	ABE-0-06-JW	95,252
Business Consultant	17.258-.260	BC-0-06-JW	40,000
Business Consultant	17.260	BC-0-06-JW	5,000
VWIP	17.258	VWIP-0-06-JW	14,756
			5,147,038
Passed through the Indiana Department of Workforce Development (DWD) and Workforce Development Associates, Inc.:			
WIA Adult	17.258	N/A	362,990
WIA Dislocated Worker	17.260	N/A	305,264
WIA In School Youth	17.259	N/A	13,371
WIA Out of School Youth	17.259	N/A	289,616
WAG Adult	17.258	N/A	117,996
WAG Dislocated Worker	17.260	N/A	247,020
ARRA Summer Youth - YHCC In School	17.259	N/A	7,108
ARRA Summer Youth - YHCC Out of School	17.259	N/A	31,385
RR OJT	17.260	N/A	16,408
RR ARRA OJT	17.260	N/A	45,469
ABE	17.258-17.260	N/A	9,100
TAA RR	17.260	N/A	23,535
TAA ARRA	17.260	N/A	78,728
			1,547,990

See accompanying notes to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
Passed through the Indiana Department of Workforce Development (DWD) and Interlocal Association :			
VWIP	17.802	PY10-CR-03-IA	23,685
VWIP	17.258	PY10-CR-03-IA	9,772
			33,457
Passed through Institute for Career Development Inc., and The Center of Workforce Innovations, Inc.			
ICD	17.275	CWI-09-WIA-AYD-03	78,801
			78,801
Passed through Indianapolis Private Industry Council:			
Apollo 13	17.261	S1001-WD-07-X	83,772
STEMWorks	17.268	S1001-JWI-09-S	276,659
STEMWorks	17.260	S1001-WCF-09-S	96,887
STEMWorks	17.259	S1001-WCF-09-S	14,726
			472,044
Passed through the Ohio Department of Jobs and Family Services and the Mercer County Commissioners:			
WIA Younger Youth	17.259	09-1078	37,357
WIA Older Youth	17.259	09-1078	29,623
WIA Adult	17.258	09-1078	7,630
WIA Dislocated Worker	17.260	09-1078	2,876
WIA Younger Youth	17.259	10-1105	136,972
WIA Older Youth	17.259	10-1105	154,357
WIA Adult	17.258	10-1105	3,000
WIA Dislocated Worker	17.260	10-1105	12,000
			383,815
Passed through the Ohio Department of Jobs and Family Services and the Defiance County Commissioners:			
WIA Youth Program	17.259	None	151,538
			151,538
Passed through the Ohio Department of Jobs and Family Services and the Fulton County Commissioners:			
WIA Youth Program	17.259	None	177,699
			177,699
Passed through the Ohio Department of Jobs and Family Services and the Henry County Commissioners:			
WIA Youth Program	17.259	None	104,065
			104,065

See accompanying notes to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
Passed through the Ohio Department of Jobs and Family Services and the Williams County Commissioners:			
WIA Youth Program	17.259	None	129,421
			129,421
Passed through the San Diego Workforce Partnership:			
WIA Adult	17.258	190-03	1,503,153
WIA Dislocated Worker	17.260	190-03	1,737,505
Military Spouse	17.260	190-03	7,768
ARRA Adult - Library	17.258	190-03	15,128
ARRA Dislocated Worker - Library	17.260	190-03	30,750
WIA Adult - CET	17.258	190-03	19,257
WIA Dislocated Worker - CET	17.260	190-03	19,487
Navigator - DPN	17.261	190-03	58,913
Navigator - Wagner Peyser	17.207	190-03	124,946
Project New Start	17.258	190-03	74,848
Transitions	17.258	190-03	53,815
			3,645,570
Total Expenditures U.S. Department of Labor			21,594,534
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Ohio Department of Jobs and Family Services and the Mercer County Commissioners:			
Auglaize ARRA TANF	93.714	10-651	103,774
Mercer ARRA TANF	93.714	10-651	54,138
Van Wert TANF	93.714	10-651	137,679
			295,591
Passed through the Ohio Department of Jobs and Family Services and the Henry County Commissioners:			
ARRA TANF	93.714	None	66,911
			66,911
Total Expenditures U.S. Department of Health and Human Services			362,502

See accompanying notes to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
FOR THE YEAR ENDED JUNE 30, 2011

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE			
Passed through the City of Indianapolis			
Transitional jobs - Exoffender reentry	16.803	RFP-10-7548	323,493
			323,493
Total Expenditures U.S. Department of Justice			323,493
Total Expenditures of Federal Awards			$ 22,280,529

JOBWORKS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2011

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of JobWorks, 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.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule Expenditures of Federal Awards are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations,* wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

JOBWORKS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS
YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

Finding 2010-01 Approval of Journal Entries

Condition: During the audit it was noted no formal reviews of journal entries are being performed by a member of the Organization's management prior to posting to the Organization's accounting system. It should be noted that all journal entries were adequately documented.

Criteria: Journal entries entered into the Organization's accounting system should be approved.

Context: The lack of approval or oversight of journal entries is an internal control deficiency that could affect the financial statements.

Cause: Processes outlined in the Organization's Accounting Policies and Procedures do not include approval and oversight of journal entries.

Effect: As a result, material errors could result and not be identified in a timely manner.

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by a member of the Organization's management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individual and to ensure the accuracy of general ledger and program posting. In addition, all journal entries should be accompanied by full explanation and by reference to adequate supporting data.

Management's Corrective Action: All journal entries as of July 1, 2010 that are entered into the accounting system are being reviewed and approved. This approval process will be documented in the updated fiscal policies and procedures manual that is discussed in Finding 2010-04.

Auditor's Update: Per review of a sample of journal entries during the audit for the year ended June 30, 2011, the journal entries were adequately reviewed and approved.

Finding 2010-02 Internal Controls Over Gas and Gift Cards

Condition: Approximately $15,000 of Gas and Gift cards to be used by consumers cannot be accounted for. The majority of these funds (approximately $13,000) can be attributed to the Organization's Indianapolis offices. However, there are no questioned costs because no federal funds were used to fund the purchase of these cards.

Criteria: According to Indiana Department of Workforce Development Policy 2008-34, "Grant recipients are required to keep records including participant records and documentation that Indiana Department of Workforce Development (IDWD) deems sufficient to permit the preparation of reports required by federal and state funding sources and to permit the tracing of funds to a level of expenditure adequate to ensure that funds have not been spent unlawfully."

JOBWORKS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings (continued)

Finding 2010-02 Internal Controls Over Gas and Gift Cards (continued)

In addition, internal controls should be sufficient enough to ensure the accurate tracking, allocation and use of Gas and Gift cards.

Context: The lack of internal controls over Gas and Gift cards represents a deficiency that could affect the financial statements of the Organization as well as the availability of these incentives to clients served.

Cause: The Organization's individual offices submit internet orders for Gas and Gift cards. The Organization's fiscal department reviews these orders and compares them to the previous history of the requester office to ensure the need. Cards are not disbursed without a signed authorization sheet which the client signs. In addition, employees sign for the cards as they are distributed throughout offices. Different types of cards are distributed to different regions. The Organization's fiscal department uses these signature sheets to determine the usage of the cards and ultimately the ending perpetual inventory. At the time of purchase of the cards, the cards are paid for out of the unrestricted corporate funds of the Organization. As the signature sheets are received and the inventory of cards decreases, the Organization recognizes the expenses against Federal funds.

Although this process appears to be working, there are still approximately $15,000 in Gas and Gift cards which cannot be accounted for, therefore controls were not adequate enough during the year to ensure the safeguarding of the cards.

Effect: As a result, material errors could result and not be identified in a timely manner.

Recommendation: We recommend the implementation of a quarterly review process which encompasses sight visits and detail Gas and Gift card cycle counts including a perpetual to physical inventory process.

Management's Corrective Action: JobWorks' senior management team met to discuss this issue. After a full review, the management team made the decision to return to using mileage reimbursement as the primary form of transportation assistance for clients. Gas cards are still available for use in emergency type situations. While a gas card may been given for the first two weeks of assistance, JobWorks' case managers are required to switch the client to transportation reimbursement immediately upon assessing the client's need for transportation assistance. JobWorks will continue to disburse gas cards to clients on a limited basis to ensure the client can complete necessary travel for job search or training. However, it is expected that gas cards will be used on an emergency basis only and within two weeks of determining the need for transportation assistance, the client is to be switched to transportation reimbursement. This type of assistance takes place after travel occurs and requires supporting documentation for the travel before reimbursement is provided. Gas card orders are restricted to a total of 10 cards per office. The signature sheet has been revised to include a statement which holds the staff member receiving the cards financially responsible if cards disbursed to the staff member are missing or improperly documented in the delivery of the supportive service. JobWorks has made the decision to return to use of cash (checks) for incentive payments. The use of gift cards for incentive awards has been discontinued. In the past, JobWorks' staff have estimated the number of card required for incentives and ordered the cards in advance. This switch will

Section II – Financial Statement Findings (continued)

Finding 2010-02 Internal Controls Over Gas and Gift Cards (continued)

allow for incentives to be issued to those clients only after the incentive has been earned and will eliminate the possibility of misplaced or lost gift cards.

Auditor's Update: Per review of a sample of disbursements for gas cards, the disbursements were adequately supported for the year ended June 30, 2011. The use of gift cards for incentive awards has been discontinued.

Finding 2010-03 Year-End Payroll Accrual

Condition: It was noted that five (5) days of payroll for clients and ten (10) days of payroll for staff were not accrued for as of June 30, 2010 resulting in a material misstatement of the accrued salary and wage balance. However, all funding sources were notified by the Organization and the appropriate close-out reports amended to correctly report expenditures for the fiscal year. As a result, there are no questioned costs because expenditures for the year were initially understated.

In addition, it was noted that the Organization prepared their initial payroll accrual from estimated payroll data taken from the last full pay period of the month of June 2010 instead of preparing the accrual from the actual payroll information posted for the first pay period in July 2010. As with the comment above, the Organization contacted all funding sources and made the appropriate amendments to their year-end close-out reports for the fiscal year. As a result, there are no questioned costs because expenditures for the year were initially understated.

Criteria: OMB Circular A-122, ATTACHMENT A, addresses the general cost principles applicable to expenditures of federal awards. The following citations of those principles are relevant to Finding 2010-3:

A. <u>Basic Considerations</u>

2. <u>Factors affecting allowability of costs.</u> To be allowable under an award, costs must meet the following general criteria:

   a. Be reasonable for the performance of the award and be allocable thereto under these principles…

   d. Be accorded consistent treatment.

   e. Be determined in accordance with generally accepted accounting principles (GAAP)…

3. <u>Reasonable Costs.</u> A cost is reasonable if, in its nature or amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the costs…consideration shall be given to:

Section II – Financial Statement Findings (continued)

Finding 2010-03 Year-End Payroll Accrual (continued)

a. Whether the cost is of a type generally recognized as ordinary and necessary for the operation of the organization or the performance of the award...

d. Significant deviations from the established practices of the organization which may unjustifiably increase the award costs.

Context: The lack of internal controls over month-end and year-end accrual adjustments could affect the financial statements of the Organization.

Cause: Although the Organization has year-end accounting procedures in place, no formal review was performed of the number of days used in the year end payroll accrual entry. In addition, the Organization has a two (2) week holdback period for payroll making it difficult to delay month-end payroll accrual adjustments until the actual payroll data is received in the following month.

Effect: As a result, material errors could result and not be identified in a timely manner.

Recommendation: We recommend the addition of a year-end closing checklist to the Organization's current accounting procedures and adding analytical procedures which would allow the Fiscal Department personnel to prioritize the analysis of balances with significant variances from one year to the next. In addition, we recommend that the Organization move to a one (1) week holdback period and contact its payroll service provider regarding the possibility of obtaining payroll uploads on a more timely basis.

Management's Corrective Action: Personnel changes were made within JobWorks' Fiscal and HR/payroll teams. Supervision of five fiscal assistants was transferred from Lori Rice, Vice President of Finance, to Becky Springer, Assistant Vice President of Finance. This change will provide Ms. Rice with more time to focus on higher level issues and processes. Supervision of Lisa Conrad, the HR/Payroll Team Leader, has been moved under the finance department. Ms. Conrad is now supervised directly by Ms. Rice. This change has established direct authority and control between the HR/Payroll and Fiscal Teams. Rather than receiving work products from the HR/Payroll team, Ms. Rice now direct processes and parameters used to develop those work products. In addition, accruals are now subject to additional quality reviews. The accrual generated by the HR/Payroll Assistant is now reviewed by the HR/Payroll Team Leader, the Assistant Vice President of Finance and the Vice President of Finance. This approval process will be documented in the updated fiscal policies and procedures manual that is discussed in Finding 2010-04.

JobWorks' senior management team met to discuss the following aspects of the accrual issue:

a. The nature of the issue
b. How the issue came about
c. The implications of the issue
d. How the issue can be resolved
e. Ways to prevent the issue from occurring again

Section II – Financial Statement Findings (continued)

Finding 2010-03 Year-End Payroll Accrual (continued)

JobWorks' senior management held an internal meeting with fiscal and HR/payroll staff to discuss the aspects of the accrual issue. As a result of the meetings, JobWorks' senior management implemented monthly meetings to review current processes, identify needs, and develop ways to improve the efficient and accuracy of all fiscal and HR/Payroll processes. JobWorks will involve our audit firm as needed to review our processes and identify ways to improve them. Also, JobWorks has continued to work with ADP, our payroll processor, to ensure that all reports are received in the most timely manner.

Auditor's Update: The year-end payroll accrual was adequately recorded for the year ended June 30, 2011.

Finding 2010-04, Development of Comprehensive Accounting Policies and Procedures

Condition: The Organization's accounting policies and procedures are not consistently written with sufficient detail to enable employees to read them and understand significant financial and accounting processes from initiation to completion. Some example areas of the manual in need of improvement are: Accounts Receivable and Accounts Payable, Accrued Liabilities, Payroll, Notes Payable, Leases, Revenue Recognition, Federal Award Management, Fixed Asset Management and Capitalization Thresholds, Entry and Approval of Journal Entries, Financial Reporting, Investment policies, and Budgeting processes.

Criteria: OMB Circular A-110, Subpart C: Post-Award Requirements, Section 21 – Standards for financial management systems states "Recipients' financial management systems shall provide for accurate, current, and complete disclosure of the financial results of each federally-sponsored project or program in accordance with Section 52 – Financial Reporting."

Context: Insufficient Accounting Policies and Procedures is an internal control deficiency that may affect the financial statements and allowability of costs being reimbursed by federal awards.

Cause: There is a lack of oversight to ensure the current accounting policies and procedures are sufficiently detailed and reflect the procedures actually in use by employees.

Effect: Lack of written procedures, instructions, and assignments of duties may result in increased misunderstandings, errors, inefficient or wasted effort, duplicated or omitted procedures, and other situations that can result in inaccurate financial results or disallowed costs being reimbursed by federal awards.

Recommendation: We recommend that management establish a standard accounting procedures manual outlining policies to be followed. The preparation and maintenance of written standard procedures is very useful to reduce errors, train new employees, and provide the Organization with a source of information that will not be lost if key personnel leave.

Section II – Financial Statement Findings (continued)

Finding 2010-04, Development of Comprehensive Accounting Policies and Procedures (continued)

Management's Corrective Action: JobWorks' senior management made the decision that HR policies and procedures were a priority. That review and update of these processes and procedures is slated to be completed in early January. Work on the accounting policies and procedures will begin at that time. This work is scheduled to begin in mid January 2011. The updated accounting policies and procedures are expected to be completed in April 2011.

Auditor's Update: The Organization updated the accounting policies and procedures manual during the year ended June 30, 2011.

Section III – Federal Award Findings and Questioned Costs

Finding 2010-01 Approval of Journal Entries – See Detailed Finding in Financial Statements Findings Section II Above

Condition: During the audit it was noted no formal reviews of journal entries are being performed by a member of the Organization's management prior to posting to the Organization's accounting system. It should be noted that all journal entries were adequately documented.

Recommendation: We recommend the adoption of a policy whereby all journal entries will be approved by a member of the Organization's management. All entries should be initialed by the preparer and the individual approving them in order to attribute responsibility to the appropriate individual and to ensure the accuracy of general ledger and program posting. In addition, all journal entries should be accompanied by full explanation and by reference to adequate supporting data.

Management's Corrective Action: All journal entries as of July 1, 2010 that are entered into the accounting system are being reviewed and approved. This approval process will be documented in the updated fiscal policies and procedures manual that is discussed in Finding 2010-04.

Finding 2010-02 Internal Controls Over Gas and Gift Cards – See Detailed Finding in Financial Statement Findings Section II Above

Condition: Approximately $15,000 of Gas and Gift cards to be used by consumers cannot be accounted for. The majority of these funds (approximately $13,000) can be attributed to the Organization's Indianapolis offices. However, there are no questioned costs because no federal funds were used to fund the purchase of these cards.

Recommendation: We recommend the implementation of a quarterly review process which encompasses sight visits and detail Gas and Gift card cycle counts including a perpetual to physical inventory process.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2010-02 Internal Controls Over Gas and Gift Cards – See Detailed Finding in Financial Statement Findings Section II Above (continued)

Management's Corrective Action: JobWorks' senior management team met to discuss this issue. After a full review, the management team made the decision to return to using mileage reimbursement as the primary form of transportation assistance for clients. Gas cards are still available for use in emergency type situations. While a gas card may been given for the first two weeks of assistance, JobWorks' case managers are required to switch the client to transportation reimbursement immediately upon assessing the client's need for transportation assistance. JobWorks will continue to disburse gas cards to clients on a limited basis to ensure the client can complete necessary travel for job search or training. However, it is expected that gas cards will be used on an emergency basis only and within two weeks of determining the need for transportation assistance, the client is to be switched to transportation reimbursement. This type of assistance takes place after travel occurs and requires supporting documentation for the travel before reimbursement is provided. Gas card orders are restricted to a total of 10 cards per office. The signature sheet has been revised to include a statement which holds the staff member receiving the cards financially responsible if cards disbursed to the staff member are missing or improperly documented in the delivery of the supportive service. JobWorks has made the decision to return to use of cash (checks) for incentive payments. The use of gift cards for incentive awards has been discontinued. In the past, JobWorks' staff have estimated the number of card required for incentives and ordered the cards in advance. This switch will allow for incentives to be issued to those clients only after the incentive has been earned and will eliminate the possibility of misplaced or lost gift cards.

Finding 2010-03 Year-End Payroll Accrual – See Detailed Finding in Financial Statement Findings Section II Above

Condition: It was noted that five (5) days of payroll for clients and ten (10) days of payroll for staff were not accrued for as of June 30, 2010 resulting in a material misstatement of accrued salary and wage balance. However, all funding sources were notified by the Organization and the appropriate close-out reports amended to correctly report expenditures for the fiscal year. As a result, there are no questioned costs because expenditures for the year were initially understated.

In addition, it was noted that the Organization prepared their initial payroll accrual from estimated payroll data taken from the last full pay period of the month of June 2010 instead of preparing the accrual from the actual payroll information posted for the first pay period in July 2010. As with the comment above, the Organization contacted all funding sources and made the appropriate amendments to their year-end close-out reports for the fiscal year. As a result, there are no questioned costs because expenditures for the year were initially understated.

Recommendation: We recommend the addition of a year-end closing checklist to the Organization's current accounting procedures and adding analytical procedures which would allow the Fiscal Department personnel to prioritize the analysis of balances with significant variances from one year to the next. In addition, we recommend that the Organization move to a one (1) week holdback period and contract its payroll service provider regarding the possibility of obtaining payroll uploads on a more timely basis.

JOBWORKS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS (CONTINUED)
YEAR ENDED JUNE 30, 2011

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2010-03 Year-End Payroll Accrual – See Detailed Finding in Financial Statement Findings Section II Above (continued)

Management's Corrective Action: Personnel changes were made within JobWorks' Fiscal and HR/payroll teams. Supervision of five fiscal assistants was transferred from Lori Rice, Vice President of Finance, to Becky Springer, Assistant Vice President of Finance. This change will provide Ms. Rice with more time to focus on higher level issues and processes. Supervision of Lisa Conrad, the HR/Payroll Team Leader, has been moved under the finance department. Ms. Conrad is now supervised directly by Ms. Rice. This change has established direct authority and control between the HR/Payroll and Fiscal Teams. Rather than receiving work products from the HR/Payroll team, Ms. Rice now direct processes and parameters used to develop those work products. In addition, accruals are now subject to additional quality reviews. The accrual generated by the HR/Payroll Assistant is now reviewed by the HR/Payroll Team Leader, the Assistant Vice President of Finance and the Vice President of Finance. This approval process will be documented in the updated fiscal policies and procedures manual that is discussed in Finding 2010-04.

JobWorks' senior management team met to discuss the following aspects of the accrual issue:

a. The nature of the issue
b. How the issue came about
c. The implications of the issue
d. How the issue can be resolved
e. Ways to prevent the issue from occurring again

JobWorks' senior management held an internal meeting with fiscal and HR/payroll staff to discuss the aspects of the accrual issue. As a result of the meetings, JobWorks' senior management implemented monthly meetings to review current processes, identify needs, and develop ways to improve the efficient and accuracy of all fiscal and HR/Payroll processes. JobWorks will involve our audit firm as needed to review our processes and identify ways to improve them. Also, JobWorks has continued to work with ADP, our payroll processor, to ensure that all reports are received in the most timely manner.

Finding 2010-04, Development of Comprehensive Accounting Policies and Procedures – See Detailed Finding in Financial Statement Findings Section II Above

Condition: The Organization's accounting policies and procedures are not consistently written with sufficient detail to enable employees to read them and understand significant financial and accounting processes from initiation to completion. Some example areas of the manual in need of improvement are: Accounts Receivable and Accounts Payable, Accrued Liabilities, Payroll, Notes Payable, Leases, Revenue Recognition, Federal Award Management, Fixed Asset Management and Capitalization Thresholds, Entry and Approval of Journal Entries, Financial Reporting, Investment policies, and Budgeting processes.

Section III – Federal Award Findings and Questioned Costs (continued)

Finding 2010-04, Development of Comprehensive Accounting Policies and Procedures – See Detailed Finding in Financial Statement Findings Section II Above (continued)

Recommendation: We recommend that management establish a standard accounting procedures manual outlining policies to be followed. The preparation and maintenance of written standard procedures is very useful to reduce errors, train new employees, and provide the Organization with a source of information that will not be lost if key personnel leave.

Management's Corrective Action: JobWorks' senior management made the decision that HR policies and procedures were a priority. That review and update of these processes and procedures is slated to be completed in early January. Work on the accounting policies and procedures will begin at that time. This work is scheduled to begin in mid January 2011. The updated accounting policies and procedures are expected to be completed in April 2011.

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
JobWorks, Inc.
Fort Wayne, Indiana

We have audited the financial statements of JobWorks, Inc. (a nonprofit organization), as of and for the year ended June 30, 2011, and have issued our report thereon dated March 28, 2012. 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

Management of JobWorks, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered JobWorks, 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 *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 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.

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. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiency in internal control over financial reporting, as item FS-2011-1. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether JobWorks, 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.*

JobWorks, Inc.'s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit JobWorks, Inc.'s responses and, accordingly, we express no opinion on the responses.

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.
March 28, 2012

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

To the Board of Directors
JobWorks, Inc.
Fort Wayne, Indiana

Compliance

We have audited JobWorks, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of JobWorks, Inc.'s major federal programs for the year ended June 30, 2011. JobWorks, 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 each of its major federal programs is the responsibility of JobWorks, Inc.'s management. Our responsibility is to express an opinion on JobWorks, 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 JobWorks, 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 JobWorks, Inc.'s compliance with those requirements.

In our opinion, JobWorks, Inc. complied, in all material respects, with the 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, 2011.

Internal Control Over Compliance

Management of JobWorks, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered JobWorks, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, 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 JobWorks, Inc.'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.

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 deficiencies, 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 management, board of directors, others within the entity, 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.
March 28, 2012

JOBWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2011

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 ☒
• Significant deficiencies identified?	Yes ☒	No ☐
Noncompliance material to financial statements noted?	Yes ☐	No ☒

Federal Awards
Internal control over major programs:

• Material weakness(es) identified?	Yes ☐	No ☒
• Significant deficiencies identified?	Yes ☐	No ☒

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 ☒

Program tested as major program:

CFDA Number	Name of Federal Program or Cluster
17.258*	U.S. Department of Labor – Workforce Investment Act, Adult Program and ARRA Adult Program
17.259*	U.S. Department of Labor – Workforce Investment Act, Youth Program and ARRA Summer Youth Program
17.260*	U.S. Department of Labor – Workforce Investment Act, Dislocated Worker Program and ARRA Dislocated Worker Program

*Denotes 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 $668,416

Auditee qualified as low-risk auditee?	Yes ☐	No ☒

JOBWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2011

Section II – Financial Statement Findings

FS-2011-1 –Adjusting entries proposed

Condition: During the course of our audit, we proposed journal entries to adjust investment, wages and benefits expense and depreciation expense account balances.

Criteria: The Organization's internal control over financial reporting should ensure that the financial statements include all adjustments necessary to be in conformance with Generally Accepted Accounting Principles (GAAP).

Cause: The Organization's internal control over financial reporting did not identify all required GAAP adjustments.

Effect: Journal entries were proposed to correct misstatements in the financial statements of the Organization taken as a whole.

Recommendation: All financial account balances should be regularly examined by the accounting staff and appropriate adjustments made per GAAP.

Management's Corrective Action: JobWorks is in agreement with the auditor's adjustments to investment, wages and benefits and depreciation. Based upon discussions with the auditors on the above mentioned adjustments, JobWorks will develop and implement procedures for identifying and posting all GAAP based adjustments at month-end and year-end.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended June 30, 2011.