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STATE OF INDIANA

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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, 2011 to June 30, 2012. 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, 2012, 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 federal award 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, 2012 and 2011
(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, 2012 and 2011 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of JobWorks, Inc. and Subsidiaries as of June 30, 2012 and 2011, and the consolidated 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 January 29, 2013 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.
January 29, 2013

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	2012	2011
CURRENT ASSETS:		
Cash	$ 59,721	$ 4,666
Investments	67,423	67,260
Grants receivable	1,874,912	3,146,645
Accounts receivable	9,175	101,237
Prepaid expenses	29,215	63,856
Total current assets	2,040,446	3,383,664
FIXED ASSETS:		
Vehicles	41,393	62,535
Furniture and equipment	113,556	113,556
	154,949	176,091
Less accumulated depreciation	(152,344)	(173,029)
Total fixed assets, net	2,605	3,062
Total assets	$ 2,043,051	$ 3,386,726

LIABILITIES AND NET ASSETS

	2012	2011
CURRENT LIABILITIES:		
Accounts payable	$ 588,811	$ 1,654,583
Accrued payroll taxes and related expenses	352,902	925,036
Funds drawn in excess of bank balance	-	14,953
Line of credit - Tower Bank	461,000	235,000
Unearned revenue	1,779	10,611
Total current liabilities	1,404,492	2,840,183
Total liabilities	1,404,492	2,840,183
NET ASSETS:		
Unrestricted	638,559	546,543
Total liabilities and unrestricted net assets	$ 2,043,051	$ 3,386,726

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, 2012 AND 2011

	2012	2011
REVENUE AND OTHER SUPPORT		
Grant revenue	$ 13,610,082	$ 24,611,100
Corporate revenue	1,631	13,581
Investment income	163	4,610
Total revenue and other support	13,611,876	24,629,291
OPERATING EXPENSES		
Profiling	44,200	9,450
Adult	3,656,607	5,378,296
Dislocated worker	2,900,430	5,923,028
Youth	2,351,337	3,892,935
TANF and food stamps	36,528	353,438
Integrated services	251,359	553,372
Veterans	104,079	344,044
Transitional jobs	374,224	310,805
Fee for service	1,718,698	1,649,461
Other	1,186,501	4,502,330
Management and general	895,896	1,371,313
Subsidiaries	-	1,143
Total operating expenses	13,519,860	24,289,615
INCREASE IN NET ASSETS	92,016	339,676
NET ASSETS - BEGINNING OF YEAR	546,543	206,867
NET ASSETS - END OF YEAR	$ 638,559	$ 546,543

See accompanying notes to financial statements.

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Profiling	Adult	Dislocated Worker	Youth	TANF & Food Stamps	Integrated Services
OPERATING EXPENSES						
Wages and benefits	$ -	$ 2,094,809	$ 1,854,773	$ 1,421,629	$ 6,729	$ -
Travel and staff development	-	55,544	45,789	46,687	1,058	-
Facility costs	-	653,090	570,764	184,828	2,557	205,584
Equipment and depreciation	-	29,431	24,305	15,936	1	808
Communications	-	98,813	61,128	36,055	67	44,198
Supplies, postage and printing	-	31,506	23,664	31,763	526	770
Other administrative costs	-	-	-	-	-	-
Professional fees and dues	44,200	42,954	52,658	41,813	147	-
Regional support	-	161,953	41,880	77,775	-	-
Client benefits	-	488,508	225,469	488,832	25,442	-
Subcontractors	-	-	-	6,020	-	-
Total operating expenses	$ 44,200	$ 3,656,607	$ 2,900,430	$ 2,351,337	$ 36,528	$ 251,359

See accompanying notes to financial statements.

Veterans	Transitional Jobs	Fee For Service	Other	Management & General	Subsidiaries	2012 Total
$ 34,443	$ 93,075	$ 1,685,745	$ 812,432	$ 615,925	$ -	$ 8,619,560
677	1,481	3,290	23,427	33,126	-	211,080
81	4,200	4,365	103,001	53,729	-	1,782,199
8	-	639	11,229	19,444	-	101,801
76	197	3,435	16,178	16,920	-	277,064
6	-	822	11,592	15,367	-	116,016
-	-	-	-	20,831	-	20,831
455	5,050	20,403	10,880	117,825	-	336,386
-	-	-	27,646	-	-	309,254
68,333	270,222	-	170,116	2,730	-	1,739,651
-	-	-	-	-	-	6,020
$ 104,079	$ 374,224	$ 1,718,698	$ 1,186,501	$ 895,896	$ -	$ 13,519,860

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	$ 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

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase in net assets	$ 92,016	$ 339,676
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Depreciation	456	14,123
Net unrealized (gain) loss on investments	(130)	(3,418)
Gain on sale of fixed assets	(3,525)	(10,349)
Increase (decrease) in cash from changes in:		
Grants receivable	1,271,733	(5,145)
Accounts receivable	92,062	(74,227)
Prepaid expenses	34,641	49,910
Accounts payable	(1,065,772)	(919,076)
Accrued payroll and payroll expenses	(572,134)	15,989
Funds drawn in excess of bank balance	(14,953)	14,953
Unearned revenue	(8,832)	(4,214)
Net cash used in operating activities	(174,438)	(581,778)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Receipts on notes receivable	4,666	-
Proceeds from sale of fixed assets	3,526	15,030
Purchase of investments	(33)	(1,090)
Net cash provided by investing activities	8,159	13,940
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments against notes payable	(4,666)	(14,152)
Proceeds from (payments on) line of credit	226,000	(255,000)
Net cash provided by financing activities	221,334	(269,152)
NET INCREASE (DECREASE) IN CASH	55,055	(836,990)
CASH, BEGINNING OF YEAR	4,666	841,656
CASH, END OF YEAR	$ 59,721	$ 4,666
Supplemental disclosures of Cash Flow Information:		
Cash paid during the year for interest	$ 18,065	$ 18,285

See accompanying notes to financial statements.

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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 Cass, Clark, Crawford Floyd, Harrison Howard, Jasper, Lake, LaPorte, Miami, Newton, Porter, Pulaski, Scott, Starke, Tipton, and Washington 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 ceased operation 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, 2012 and 2011.

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, 2012 and 2011, 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, 2012 and 2011, 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 $456 and $14,123 for the years ended June 30, 2012 and 2011, 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, 2012 and 2011. For the years ended June 30, 2012 and 2011, there were no provisions for income taxes due to the losses incurred by each Subsidiary.

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 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:

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

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

<u>Other joint costs</u>
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 January 29, 2013, 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, 2012 and 2011. At June 30, 2012 and 2011, bank balances were not in excess of FDIC coverage in place for those years.

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, 2012 and 2011, had available a secured line of credit with Tower Bank. For the years ended June 30, 2012 and 2011, the line credit limit was $1,000,000 for both years. The line of credit had an outstanding balance of $461,000 and $235,000 at June 30, 2012 and 2011. Interest is at the bank's prime rate plus 1%. The interest rate at June 30, 2012 and 2011 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 12) and are summarized as follows at June 30, 2012 and 2011:

	Cost or Original Donated Value	Fair Value	Gross Unrealized Gain (loss)
As of June 30, 2012:			
Stocks and mutual funds	$ 76,823	$ 67,423	$ (9,400)
As of June 30, 2011:			
Stocks and mutual funds	$ 76,790	$ 67,260	$ (9,530)

NOTE 4 – INVESTMENTS (continued)

The cumulative unrealized loss since the inception of these investments was $9,400 for the year ended June 30, 2012. The cumulative unrealized loss since the inception of these investments was $9,530 for the year ended June 30, 2011. The net unrealized gain for the one year period ended June 30, 2012 was $130 and the net unrealized loss for the one year period ended June 30, 2011 was $3,418. 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, 2012 and 2011were $108,188 and $302,592, 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,:	2012	2011
Indiana Department of Workforce Development	$ 1,131,753	$ 1,518,623
Fee for service and local grants	15,184	19,210
Other	727,975	1,608,812
	$1,874,912	$ 3,146,645

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, 2012 and 2011 was $1,266,925 and $1,835,299, respectively. Future minimum lease payments on leases having non-cancelable terms beyond June 30, 2012 are a follows:

2013	$ 71,310
2014	40,172
2015	32,976
2016	8,244
2017	-0-
Thereafter	-0-
	$ 152,702

NOTE 10 – RECLASSIFICATIONS

Certain reclassifications have been made to the 2011 financial statements to conform to the 2012 presentation.

NOTE 11 – 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 12 - 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.

NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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.

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, 2012 and 2011 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, 2012 and 2011.

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.
January 29, 2013

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS	2012			
	Parent	Subsidiaries	Eliminations	Consolidated Total
CURRENT ASSETS:				
Cash	$ 59,721	$ -	$ -	$ 59,721
Investments	67,423	-	-	67,423
Grants receivable	1,874,912	-	-	1,874,912
Accounts receivable	9,175	-	-	9,175
Prepaid expenses	29,215	-	-	29,215
Notes receivable	-	-	-	-
Total current assets	2,040,446	-	-	2,040,446
PROPERTY AND EQUIPMENT:				
Vehicles	41,393	-	-	41,393
Furniture and equipment	113,556	-	-	113,556
	154,949	-	-	154,949
Less accumulated depreciation	(152,344)	-	-	(152,344)
Total Property and Equipment	2,605	-	-	2,605
Total assets	$ 2,043,051	$ -	$ -	$ 2,043,051
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES:				
Accounts payable	$ 588,811	$ -	$ -	$ 588,811
Accrued payroll taxes and related expenses	352,902	-	-	352,902
Funds drawn in excess of bank balance	-	-	-	-
Line of credit - Tower Bank	461,000	-	-	461,000
Unearned revenue	1,779	-	-	1,779
Total current liabilities	1,404,492	-	-	1,404,492
LONG-TERM DEBT, NET OF CURRENT PORTION:	-	-	-	-
UNRESTRICTED NET ASSETS	638,559	-	-	638,559
Total liabilities and net assets	$ 2,043,051	$ -	$ -	$ 2,043,051

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

2011			
Parent	Subsidiaries	Eliminations	Consolidated Total
$ -	$ 4,666	$ -	$ 4,666
67,260	-	-	67,260
3,146,645	-	-	3,146,645
101,237	-	-	101,237
63,856	-	-	63,856
25,000	-	(25,000)	-
3,403,998	4,666	(25,000)	3,383,664
62,535	-	-	62,535
113,556	-	-	113,556
176,091	-	-	176,091
(173,029)	-	-	(173,029)
3,062	-	-	3,062
$ 3,407,060	$ 4,666	$ (25,000)	$ 3,386,726
$ 1,654,583	$ -	$ -	$ 1,654,583
925,036	-	-	925,036
14,953	-	-	14,953
235,000	-	-	235,000
10,611	-	-	10,611
2,840,183	-	-	2,840,183
-	25,000	(25,000)	-
566,877	(20,334)	-	546,543
$ 3,407,060	$ 4,666	$ (25,000)	$ 3,386,726

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Parent	**Subsidiaries**	**Eliminations**	**Consolidated Total**
REVENUE AND OTHER SUPPORT				
Grant revenue	$ 13,610,082	$ -	$ -	$ 13,610,082
Corporate revenue	1,631	-	-	1,631
Forgiveness of notes payable	-	20,334	(20,334)	-
Investment income	163	-	-	163
Total revenue and other support	13,611,876	20,334	(20,334)	13,611,876
OPERATING EXPENSES:				
Profiling	44,200	-	-	44,200
Adult	3,656,607	-	-	3,656,607
Dislocated worker	2,900,431	-	-	2,900,431
Youth	2,351,337	-	-	2,351,337
TANF and food stamps	36,528	-	-	36,528
Integrated services	251,359	-	-	251,359
Veterans	104,079	-	-	104,079
Transitional jobs	374,224	-	-	374,224
Fee for service	1,718,698	-	-	1,718,698
Other	1,186,501	-	-	1,186,501
Management and general	916,230	-	(20,334)	895,896
Subsidiaries	-	-	-	-
Total operating expenses	13,540,194	-	(20,334)	13,519,860
Increase (decrease) in unrestricted net assets	71,682	20,334	-	92,016
UNRESTRICTED NET ASSETS AT BEGINNING OF YEAR	566,877	(20,334)	-	546,543
UNRESTRICTED NET ASSETS AT END OF YEAR	$ 638,559	$ -	$ -	$ 638,559

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

2011			
Parent	Subsidiaries	Eliminations	Consolidated Total
$ 24,611,100	$ -	$ -	$ 24,611,100
11,981	1,600	-	13,581
-	-	-	-
4,610	-	-	4,610
24,627,691	1,600	-	24,629,291
9,450	-	-	9,450
5,378,296	-	-	5,378,296
5,923,028	-	-	5,923,028
3,892,935	-	-	3,892,935
353,438	-	-	353,438
553,372	-	-	553,372
344,044	-	-	344,044
310,805	-	-	310,805
1,649,461	-	-	1,649,461
4,502,330	-	-	4,502,330
1,371,313	-	-	1,371,313
-	1,143	-	1,143
24,288,472	1,143	-	24,289,615
339,219	457	-	339,676
227,658	(20,791)	-	206,867
$ 566,877	$ (20,334)	$ -	$ 546,543

JOBWORKS, INC. AND SUBSIDIARIES
CONSOLIDATING STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	2012			
	Parent	Subsidiaries	Eliminations	Consolidated Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Increase in net assets	$ 71,682	$ 20,334	$ -	$ 92,016
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:				
Depreciation	456	-	-	456
Net unrealized gain on investments	(130)	-	-	(130)
Gain on sale of fixed assets	(3,525)	-	-	(3,525)
Forgiveness of note payable	-	(20,334)	-	(20,334)
Bad debt	20,334	-	-	20,334
Increase (decrease) in cash from changes in:				
Grants receivable	1,271,733	-	-	1,271,733
Accounts receivable	92,062	-	-	92,062
Prepaid expenses	34,641	-	-	34,641
Accounts payable	(1,065,772)	-	-	(1,065,772)
Accrued payroll and payroll expenses	(572,134)	-	-	(572,134)
Funds drawn in excess of bank balance	(14,953)	-	-	(14,953)
Unearned revenue	(8,832)	-	-	(8,832)
Net cash used in operating activities	(174,438)	-	-	(174,438)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Proceeds from sale of fixed assets	3,526	-	-	3,526
Receipts on notes receivable	4,666	-	-	4,666
Purchase of investments	(33)	-	-	(33)
Net cash provided by (used in) investing activities	8,159	-	-	8,159
CASH FLOWS FROM FINANCING ACTIVITIES:				
Principal payments against notes payable	-	(4,666)	-	(4,666)
Proceeds from (payments on) line of credit	226,000	-	-	226,000
Net cash provided by (used in) financing activities	226,000	(4,666)	-	221,334
NET INCREASE (DECREASE) IN CASH	59,721	(4,666)	-	55,055
CASH, BEGINNING OF YEAR	-	4,666	-	4,666
CASH, END OF YEAR	$ 59,721	$ -	$ -	59,721
Supplemental disclosures of Cash Flow Information:				
Cash paid during the year for interest	$ 18,065	$ -	$ -	$ 18,065

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

2011			
Parent	Subsidiaries	Eliminations	Consolidated Total
$ 339,219	$ 457	$ -	$ 339,676
14,123	-	-	14,123
(3,418)	-	-	(3,418)
(10,349)	-	-	(10,349)
-	-	-	-
-	-	-	-
(5,145)	-	-	(5,145)
(72,259)	-	(1,968)	(74,227)
49,910	-	-	49,910
(919,076)	(1,968)	1,968	(919,076)
15,989	-	-	15,989
14,953	-	-	14,953
(4,214)	-	-	(4,214)
(580,267)	(1,511)	-	(581,778)
15,030	-	-	15,030
-	-	-	-
(1,090)	-	-	(1,090)
13,940	-	-	13,940
(14,152)	-	-	(14,152)
(255,000)	-	-	(255,000)
(269,152)	-	-	(269,152)
(835,479)	(1,511)	-	(836,990)
835,479	6,177	-	841,656
$ -	$ 4,666	$ -	$ 4,666
$ 18,285	$ -	$ -	$ 18,285

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

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	$ 44,743
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	1,688,859
WIA Dislocated Worker	17.260	CWI-09-WIA-AYD-03	1,008,094
WIA Dislocated Worker	17.278	CWI-09-WIA-AYD-03	149,941
WIA Younger Youth	17.259	CWI-09-WIA-AYD-03	372,877
WIA Older Youth	17.259	CWI-09-WIA-AYD-03	605,537
WIA Younger Youth-JAG	17.259	CWI-09-WIA-AYD-03	171,408
Integrated Services	17.207-.225	CWI-09-WIA-AYD-03	242,831
ICD - Institute for Career Development	17.275	CWI-09-WIA-AYD-03	118,207
ABE	17.258-.260	CWI-09-WIA-AYD-03	12,050
RR OJT	17.260	CWI-09-WIA-AYD-03	79,380
VWIP	17.258-.259, .802	CWI-09-WIA-AYD-03	72,698
JAG Coordinator	17.259	CWI-09-WIA-AYD-03	11,400
JAG CD	17.259	CWI-09-WIA-AYD-03	2,750
			4,536,032
Passed through the Indiana Department of Workforce Development (DWD) and the Tecumseh Area Partnership:			
WIA Adult	17.258	JW-WIA-44-1-04	357,095
WIA Dislocated Worker	17.260	JW-WIA-44-1-04	316,664
WIA Dislocated Worker	17.278	JW-WIA-44-1-04	333,166
WIA In School Youth	17.259	JW-WIA-44-1-04	273,329
WIA Out of School Youth	17.259	JW-WIA-44-1-04	263,597
JAG Coordinator	17.259	JW-JAG-44-0a-04	4,476
JAG Coordinator	17.259	CAP-JAG-54-1-04	12,164
ABE	17.258	JW-ABE-44-0a-04	4,596
NEG-OJT	17.258	JW-NEGOJT-44-1-04	30,115
SE ITA	17.275	JW-SEITA-44-9a-04	1,451
SE OJT	17.275	JW-SEOJT-44-1-04	34,450
Integrated Services	17.207-.225	None	9,070
			1,640,173

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, 2012

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR (continued)			
Passed through the Indiana Department of Workforce Development (DWD) and Region 10 Workforce Investment Board, Inc.			
WIA Adult	17.258	None	272,286
WIA Dislocated Worker	17.278	None	274,811
WIA Youth	17.259	None	16,736
WIA Youth	17.259	None	182,696
Rapid Response OJT	17.260	None	123,850
ABE	17.258-17.260	None	1,310
			871,689
Passed through the Indiana Department of Workforce Development (DWD) and Interlocal Association :			
VWIP	17.802	None	27,513
VWIP	17.258	None	10,482
			37,995
Passed through the Ohio Department of Jobs and Family Services and the Mercer County Commissioners:			
WIA Younger Youth	17.259	10-1105	75,017
WIA Older Youth	17.259	10-1105	57,549
WIA Adult	17.258	10-1105	2,919
WIA Dislocated Worker	17.278	10-1105	7,000
WIA Younger Youth	17.259	11-1001	102,828
WIA Older Youth	17.259	11-1001	77,848
WIA Adult	17.258	11-1001	9,758
WIA Dislocated Worker	17.278	11-1001	16,863
			349,782
Passed through the Ohio Department of Jobs and Family Services and the Defiance County Commissioners:			
Ohio Area 7 - Defiance County	17.259	None	90,340
			90,340
Passed through the Ohio Department of Jobs and Family Services and the Fulton County Commissioners:			
Ohio Area 7 - Fulton County	17.259	None	123,731
			123,731

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, 2012

FEDERAL GRANTOR AGENCY Passthrough Agency Program Title	Federal CFDA Number	Grant or Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF LABOR (continued)			
Passed through the Ohio Department of Jobs and Family Services and the Henry County Commissioners:			
Ohio Area 7 - Henry County	17.259	None	56,487
			56,487
Passed through the Ohio Department of Jobs and Family Services and the Williams County Commissioners:			
Ohio Area 7 - Williams County	17.259	None	115,973
			115,973
Passed through the San Diego Workforce Partnership:			
WIA Adult	17.258	190-04	1,275,597
WIA Dislocated Worker	17.278	190-04	1,441,861
ARRA Adult - Library	17.258	190-04	21,451
ARRA Dislocated Worker - Library	17.260	190-04	22,379
WIA Adult - CET	17.258	190-04	19,022
WIA Dislocated Worker - CET	17.260	190-04	23,999
NEG	17.258	190-04	41,416
Project New Start	17.258	190-04	150,190
Project New Start	17.258	190-04	184,920
Transition	17.258	190-04	102,262
Transition	17.258	190-04	53,505
			3,336,602
Total Expenditures U.S. Department of Labor			11,203,547
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through the Ohio Department of Jobs and Famil Transitional jobs - Exoffender reentry Commissioners:			
Augalize TANF Youth	93.558	11-516	21,351
Mercer TANF Youth	93.558	11-516	5,929
Van Wert TANF Youth	93.558	11-516	11,327
			38,607
Total Expenditures U.S. Department of Health and Human Services			38,607
Total Expenditures of Federal Awards			$ 11,242,154

See accompanying notes to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2012

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, 2012

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.

Auditor's Update: During the 2012 audit, we proposed no adjustments that indicated a lack of internal control over financial reporting.

Section III – Federal Award Findings and Questioned Costs

There were no federal award findings and questioned costs for the year ended June 30, 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, 2012, and have issued our report thereon dated January 29, 2013. 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 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.

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*.

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

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.
January 29, 2013

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, 2012. 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, 2012.

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.

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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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item FA-2012-1. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 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.
January 29, 2013

JOBWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012

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
17.259*	U.S. Department of Labor – Workforce Investment Act, Youth Program
17.260*	U.S. Department of Labor – Workforce Investment Act, Dislocated Worker Program
17.278*	U.S. Department of Labor – Workforce Investment Act, 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	$337,265	
Auditee qualified as low-risk auditee?	Yes ☐	No ☒

JOBWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2012

Section II – Financial Statement Findings

There were no financial statement findings for the current year.

Section III – Federal Award Findings and Questioned Costs

FA-2012-01 – Incorrect documentation regarding Selective Service status

Condition: During the eligibility review of participant files in the TrackOne system, we noted one instance where the Selective Service status was documented as "not required" for a male born after 1959.

Criteria: Per DWD Policy 2007-25 *Eligibility Determination and Data Validation Requirements for Integrated Adult Programs Provided by the WorkOne System:*...Staff must verify that a male participant born after December 31, 1959 is registered with the U.S. Military Selective Service.

Cause: The internal controls over eligibility documentation did not identify and correct the deficiency in a timely manner.

Effect: The documentation requirement of DWD Policy 2007-25 regarding selective service was not met for one participant. After we inquired about this participant, the Organization researched the participant's selective service status and determined that the participant was in compliance.

Recommendation: We recommend that the Selective Service documentation be reviewed as part of the Organization's quality assurance review of participant files. Although the participant was in fact in compliance, the internal control deficiency may result in noncompliance if this instance reoccurs.

Management response: Background: The record referred to above involves a region where eligibility review process was at the Regional Operator level and not a JobWorks funded activity. The applicant eligibility was done by the Regional Operator until July 1, 2012. The client referred to was enrolled (December 2011) prior to the transfer of eligibility review to JobWorks.

Action Taken- As of July 2012, applicant review process takes place at time of WIA enrollment and all associated scanned documents are examined which includes review of selective service for male clients. A secondary level of review is also now in place at time of training entry. The second eligibility review is conducted prior to expenditure of any WIA funds.