



STATE OF INDIANA
AN EQUAL OPPORTUNITY EMPLOYER

B34402

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513

Fax: (317) 232-4711

Web Site: www.in.gov/sboa

May 22, 2009

Board of Directors
JobWorks, Inc.
201 E. Rudisill Blvd.
Fort Wayne, IN 46806

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

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

STATE BOARD OF ACCOUNTS

JobWorks, Inc.

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



Certified Public Accountants

JOBWORKS, INC.
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BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

Independent Auditor's Report

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

We have audited the accompanying statements of financial position of JobWorks, Inc. (a nonprofit organization) as of June 30, 2008 and 2007, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2009 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, grants agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

January 2, 2009

JOBWORKS, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2008 AND 2007

ASSETS		<u>2008</u>	<u>2007</u>
CURRENT ASSETS:			
Cash		\$ 703,929	\$ 266,582
Investments		73,669	74,378
Grants receivable		1,728,391	2,535,423
Accounts receivable		49,040	41,115
Prepaid expenses		93,492	91,369
Total current assets		<u>2,648,521</u>	<u>3,008,867</u>
FIXED ASSETS:			
Vehicles		98,194	95,729
Furniture and equipment		112,186	99,893
		210,380	195,622
Less accumulated depreciation		<u>(127,972)</u>	<u>(114,984)</u>
Total fixed assets, net		<u>82,408</u>	<u>80,638</u>
Total assets		<u>\$ 2,730,929</u>	<u>\$ 3,089,505</u>
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable		\$ 1,569,193	1,929,219
Accrued payroll taxes and related expenses		813,392	439,210
Line of credit - Tower Bank		-	264,990
Unearned revenue		9,828	56,011
Current portion - long term debt		20,714	20,920
Total current liabilities		<u>2,413,127</u>	<u>2,710,350</u>
LONG TERM DEBT, NET OF CURRENT PORTION		<u>26,119</u>	<u>26,962</u>
Total liabilities		<u>2,439,246</u>	<u>2,737,312</u>
NET ASSETS:			
Unrestricted		<u>291,683</u>	<u>352,193</u>
Total liabilities and unrestricted net assets		<u>\$ 2,730,929</u>	<u>\$ 3,089,505</u>

See accompanying notes to financial statements.

JOBWORKS, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2008 AND 2007

	2008		Total
	Unrestricted	Temporarily Restricted	
REVENUE AND OTHER SUPPORT			
Grant revenue	\$ -	17,063,015	\$ 17,063,015
Corporate revenue	62,311	-	62,311
Net assets released from restriction through satisfaction of program restrictions	17,063,015	(17,063,015)	-
Total revenue and other support	17,125,326	-	17,125,326
OPERATING EXPENSES			
General fund	74,649	-	74,649
Profiling	51,454	-	51,454
Adult	6,345,387	-	6,345,387
Dislocated worker	2,539,654	-	2,539,654
Youth	4,432,540	-	4,432,540
TANF and food stamps	323,905	-	323,905
Reed Act	14,979	-	14,979
Veterans	455,768	-	455,768
Fee for service	68,569	-	68,569
Other	825,726	-	825,726
Management and general	2,053,205	-	2,053,205
Total operating expenses	17,185,836	-	17,185,836
INCREASE (DECREASE) IN NET ASSETS	(60,510)	-	(60,510)
NET ASSETS - BEGINNING OF YEAR	352,193	-	352,193
NET ASSETS - END OF YEAR	<u>\$ 291,683</u>	<u>\$ -</u>	<u>\$ 291,683</u>

See accompanying notes to financial statements.

2007

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
\$ -	\$ 14,129,946	\$ 14,129,946
169,561	-	169,561
<u>14,129,946</u>	<u>(14,129,946)</u>	<u>-</u>
<u>14,299,507</u>	<u>-</u>	<u>14,299,507</u>
121,932	-	121,932
101,884	-	101,884
3,588,695	-	3,588,695
3,867,122	-	3,867,122
2,909,504	-	2,909,504
563,807	-	563,807
-	-	-
483,921	-	483,921
27,225	-	27,225
793,694	-	793,694
1,735,213	-	1,735,213
<u>14,192,997</u>	<u>-</u>	<u>14,192,997</u>
106,510	-	106,510
245,683	-	245,683
<u>\$ 352,193</u>	<u>\$ -</u>	<u>\$ 352,193</u>

JOBWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Profiling</u>	<u>Adult</u>	<u>Dislocated Worker</u>	<u>Youth</u>
OPERATING EXPENSES					
Wages and benefits	\$ 20,188	\$ 25,634	\$ 3,224,636	\$ 1,493,214	\$ 2,031,591
Travel and staff development	24,742	1,876	58,322	30,357	105,856
Facility costs	100	56	54,888	47,388	178,046
Equipment and depreciation	12,622	302	60,733	43,714	35,697
Communications	2,022	657	51,145	34,680	69,786
Supplies, postage and printing	1,167	414	34,924	28,718	63,106
Professional fees and dues	13,808	22,515	116,497	104,128	73,737
Client benefits	-	-	2,732,446	757,455	1,826,735
Subcontractors	-	-	11,796	-	47,986
Total operating expenses	<u>\$ 74,649</u>	<u>\$ 51,454</u>	<u>\$ 6,345,387</u>	<u>\$ 2,539,654</u>	<u>\$ 4,432,540</u>

See accompanying notes to financial statements.

<u>TANF & Food Stamps</u>	<u>Reed Act</u>	<u>Veterans</u>	<u>Fee For Service</u>	<u>Other</u>	<u>Management & General</u>	<u>Total</u>
\$ 205,192	\$ 11,256	\$ 151,179	\$ 37,827	\$ 342,961	\$ 1,243,088	\$ 8,786,766
2,450	-	7,166	2,819	14,003	103,886	351,477
20,534	-	2,137	72	5,803	306,235	615,259
2,000	-	70	355	11,135	32,475	199,103
3,419	3,685	1,420	526	3,122	106,064	276,526
3,902	-	4,250	5,495	11,791	59,735	213,502
41,397	38	5,419	21,475	74,852	201,722	675,588
45,011	-	284,127	-	362,059	-	6,007,833
-	-	-	-	-	-	59,782
<u>\$ 323,905</u>	<u>\$ 14,979</u>	<u>\$ 455,768</u>	<u>\$ 68,569</u>	<u>\$ 825,726</u>	<u>\$ 2,053,205</u>	<u>\$ 17,185,836</u>

JOBWORKS, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2007

	<u>General</u>	<u>Profiling</u>	<u>Adult</u>	<u>Dislocated Worker</u>	<u>Youth</u>
OPERATING EXPENSES					
Wages and benefits	\$ 43,080	\$ 20,414	\$ 1,469,021	\$ 2,070,785	\$ 1,572,353
Travel and staff development	22,816	3,569	29,608	57,279	79,464
Facility costs	200	42	100,609	170,747	109,714
Equipment and depreciation	20,137	411	165,309	147,788	43,631
Communications	2,259	1,253	25,131	49,428	34,212
Supplies, postage and printing	1,420	675	43,493	67,786	54,633
Professional fees and dues	19,268	75,520	125,249	162,155	78,360
Client benefits	12,752	-	1,611,459	1,139,154	892,822
Subcontractors	-	-	18,816	2,000	44,315
Total operating expenses	<u>\$ 121,932</u>	<u>\$ 101,884</u>	<u>\$ 3,588,695</u>	<u>\$ 3,867,122</u>	<u>\$ 2,909,504</u>

See accompanying notes to financial statements.

<u>TANF & Food Stamps</u>	<u>Reed Act</u>	<u>Veterans</u>	<u>Fee For Service</u>	<u>Other</u>	<u>Management & General</u>	<u>Total</u>
\$ 381,525	\$ -	\$ 159,564	\$ 20,006	\$ 290,133	\$ 1,064,297	\$ 7,091,178
4,654	-	4,528	205	9,860	124,916	336,899
37,919	-	3,056	75	5,611	175,237	603,210
4,146	-	918	424	3,538	25,632	411,934
5,522	-	1,224	1,037	3,216	39,641	162,923
8,222	-	3,306	3,534	20,616	53,904	257,589
41,982	-	11,953	1,944	70,468	251,586	838,485
79,837	-	299,372	-	390,252	-	4,425,648
-	-	-	-	-	-	65,131
<u>\$ 563,807</u>	<u>\$ -</u>	<u>\$ 483,921</u>	<u>\$ 27,225</u>	<u>\$ 793,694</u>	<u>\$ 1,735,213</u>	<u>\$ 14,192,997</u>

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

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	\$ (60,510)	\$ 106,510
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation expense	32,906	27,905
Net unrealized (gain) loss on investments	4,289	(3,000)
Increase (decrease) in cash from changes in:		
Grants receivable	807,032	(530,302)
Accounts receivable	(7,925)	31,229
Prepaid expenses	(2,123)	(77,401)
Accounts payable	(360,026)	419,268
Accrued payroll and payroll taxes	374,182	62,830
Unearned revenue	(46,183)	19,285
	<u>741,642</u>	<u>56,324</u>
Net cash provided by (used in) operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of fixed assets	(35,884)	(18,254)
Proceeds from sale of investments	-	19,789
Purchase of investments	(3,581)	(20,770)
	<u>(39,465)</u>	<u>(19,235)</u>
Net cash provided by (used in) investing activities		
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments against notes payable	(28,799)	(19,776)
Proceeds from notes payable	28,959	-
Payments against line of credit	(264,990)	(15,000)
	<u>(264,830)</u>	<u>(34,776)</u>
Net cash provided by (used in) financing activities		
NET INCREASE IN CASH	437,347	2,313
CASH, BEGINNING OF YEAR	<u>266,582</u>	<u>264,269</u>
CASH, END OF YEAR	<u>\$ 703,929</u>	<u>\$ 266,582</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 11,094</u>	<u>\$ 31,261</u>

See accompanying notes to financial statements.

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

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 Adams, Allen, Cass, Dekalb, Elkhart, Fulton, Grant, Howard, Huntington, Kosciusko, LaGrange, Lake, LaPorte, Marion, Marshall, Miami, Noble, Porter, St. Joseph, Steuben, Tipton, Wabash, Wells and Whitley counties in Indiana and Auglaize, Hardin, Mercer and Van Wert counties in Ohio. The organization is primarily supported through federal and state government grants.

BASIS OF ACCOUNTING

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

FINANCIAL STATEMENT PRESENTATION

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

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

INCOME TAX STATUS

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

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

REVENUE RECOGNITION

The Organization receives grants from the State of Indiana (State) 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.

ACCOUNTS RECEIVABLE

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

PROPERTY AND EQUIPMENT

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. 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 \$32,906 and \$27,905 for the years ended June 30, 2008 and 2007, 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.

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

CONTRIBUTED SERVICES

Contributions of services are recognized as revenue at their estimated fair value only when the services received create or enhance non-financial assets or require specialized skills possessed by the individuals providing the service and the service would typically need to be purchased if not donated. No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However, many individuals volunteer their time and perform a variety of tasks that assist the Organization with specific assistance programs, solicitations, and various committee assignments.

COST ALLOCATION

Joint costs are allocated to benefiting programs 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 direct expenditures of each region and direct staff time.

Training cost pool

Training costs are allocated based on a two-step process involving direct expenditures of each region and 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.

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 \$100,000. The balance in excess of \$100,000 is collaterally secured by the bank with Treasury Bills. At June 30, 2008 and 2007, bank balances were \$739,940 and \$414,803, respectively, in excess of FDIC coverage.

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 – INVESTMENTS

Investments at June 30, 2008 and 2007 are summarized as follows:

	Cost or Original Donated Value	Market Value	Gross Unrealized Gain (loss)
As of June 30, 2008:			
Stocks and mutual funds	<u>\$ 72,836</u>	<u>\$ 73,669</u>	<u>\$ 833</u>
As of June 30, 2007:			
Stocks and mutual funds	<u>\$ 69,256</u>	<u>\$ 74,378</u>	<u>\$ 5,122</u>

The cumulative unrealized gain since the inception of these investments was \$833 and \$5,122 at June 30, 2008 and 2007, respectively. The net unrealized loss for the one year period ended June 30, 2008 was \$4,289 and the net unrealized gain for the one year period ended June 30, 2007 was \$3,000. These net unrealized gains and losses are included in the corporate revenue balance in the statements of activities.

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 4 - STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (SFAS) - NO. 144

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

NOTE 5 – GRANTS RECEIVABLE

Grants receivable consisted of the following:

As of June 30,:	<u>2008</u>	<u>2007</u>
Indiana Department of Workforce Development	\$1,426,345	\$2,230,219
Indiana Family and Social Service Administration	12,800	100,775
Fee for service and local grants	289,246	204,429
	<u>\$1,728,391</u>	<u>\$2,535,423</u>

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

NOTE 6 – OPERATING LEASES

JobWorks, Inc. leases various facilities and a vehicle for use in the operation of its programs. Lease expense for the year ended June 30, 2008 and 2007 was \$522,790 and \$542,756, respectively. Future minimum lease payments on leases having non-cancelable terms beyond June 30, 2008 are as follows:

2009	\$ 1,021,193
2010	465,631
2011	340,721
2012	221,068
2013	42,854
Thereafter	-0-
	<u>\$ 2,091,467</u>

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 7 – RETIREMENT PLAN

JobWorks, Inc. maintains a 401(k) profit sharing plan. Employees who have completed one month of service and are 21 years old are eligible for the 401(k) portion of the plan, and employees who have completed 90 days of service and are 21 years of age are eligible for the profit sharing portion of the plan. The employee contributions are 100% vested, and employer matching contributions vest over a five-year period with vesting occurring 20% per year after one year and 20% per year thereafter. Employees may contribute a portion of their salary (15% with a dollar limit), and the Organization will contribute either a matching amount or discretionary amount. The contribution for the year ended June 30, 2008 and 2007 was \$256,452 and \$212,346, respectively.

NOTE 8 – 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 timely fashion Form 990 for the short year July 1, 2002 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 9 – LINES OF CREDIT – BANK

The Organization at June 30, 2008 and 2007, had available a secured line of credit with Tower Bank. As of June 30, 2008 and 2007, the line had a credit limit of \$500,000. The line of credit had an outstanding balance of zero and \$264,990 as of June 30, 2008 and 2007 respectively. Interest is at the bank's prime rate plus 1%. The interest rate was 8.25% at June 30, 2007. The line of credit is secured by assets of the Organization.

NOTE 10 – RECLASSIFICATIONS

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

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

NOTE 11 – LONG-TERM DEBT

Long-term debt consists of the following as of June 30,:	<u>2008</u>	<u>2007</u>
Note payable – 4.79% payable in monthly payments of \$430.45 including interest. The agreement was entered into on August 2, 2004 and matures on August 1, 2009. Note collateralized by a vehicle.	\$ -0-	\$ 10,576
Note payable – 5.75% payable in monthly payments of \$515.49 including interest. The agreement was entered into on September 12, 2005 and matures on March 12, 2009. Note collateralized by a vehicle.	4,529	10,267
Note payable – 5.75% payable in monthly payments of \$557.68 including interest. The agreement was entered into on September 12, 2005 and matures on March 12, 2009. Note collateralized by a vehicle.	4,900	11,107
Note payable – 5.50% payable in monthly payments of \$419.19 including interest. The agreement was entered into on December 23, 2005 and matures on December 22, 2010. Note collateralized by a vehicle.	11,698	15,932
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.	25,706	-0-

The following are the maturities of the note payable for each of the next five years:

June 30,:	
2009	\$ 20,714
2010	11,966
2011	10,143
2012	<u>4,009</u>
	<u>\$ 46,833</u>

JOBWORKS, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008 AND 2007

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 the 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 – FOR-PROFIT SUBSIDIARY

In June 2007, the Organization formed JobWorks Education & Training Systems, LLC (the "subsidiary") for the purpose of providing training, event planning, and technical assistance services. The 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, 2007, the subsidiary 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, it's 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, 2008 and 2007, no revenue had been earned or expenses incurred by the subsidiary.

SINGLE AUDIT SECTION

JOBWORKS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2008

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	JP405	\$ 51,878
Passed through the Indiana Department of Workforce Development (DWD), the Partners for Workforce Solutions, Inc.:			
WIA Adult Program	17.258	JW5001-2006	3,927,996
WIA Youth Program	17.259	JW5001-2006	2,273,961
WIA Dislocated Worker Program	17.260	JW5001-2006	447,888
Rapid Response	17.260	JW5001-2006	30,000
Tier II	17.260	JW5001-2006	218,145
Navigator	17.258	JW5001-2006	80,248
Career Advancement Account	17.261	JW5001-2006	286,008
Reed Act	17.xxx	JW5001-2006	14,979
Digital Literacy	17.267	JW5001-2006	25,573
			7,304,798
Passed through the Indiana Department of Workforce Development (DWD), the Workforce Development Group, Inc.:			
WIA Adult Program	17.258	7721	213,561
WIA Youth Program	17.259	7725	709,189
WIA Dislocated Workers Program	17.260	7721	648,083
Strategic Skills Initiative	17.xxx	7685	16,211
			1,587,044
Passed through the Indiana Department of Workforce Development (DWD) and the Center of Workforce Innovations, Inc:			
WIA Adult Program	17.258	CWI-06-WIA-AYD-01	61,413
WIA Youth Program	17.259	CWI-06-WIA-AYD-01	731,403
WIA Dislocated Workers Program	17.260	CWI-06-WIA-AYD-01	55,770
Rapid Response	17.260	CWI-06-WIA-AYD-01	2,044
			850,630
Passed through the Indiana Department of Workforce Development (DWD), the Tecumseh Area Partnership			
WIA Adult Program	17.258	WIA6-44	675,426
WIA Youth Program	17.259	WIA6-44	547,633
WIA Dislocated Workers Program	17.260	WIA6-44	208,890
WIA Rapid Response	17.260	WIA6-44	112,000
Tier II	17.260	RRS6-44	63,634
Navigator	17.258	6-44	43,134
			1,650,717

JOBWORKS, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED FOR THE YEAR ENDED JUNE 30, 2008

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), the Mercer County Commissioners WIA Youth Program	17.259		<u>161,723</u>
Passed through the Indiana Department of Workforce Development (DWD) and the Indianapolis Private Industry Council, Inc.			
WIA Adult Program	17.258	001-WAD-05-E	1,387,548
WIA Adult Program	17.258	001-WAD-05-F	1,051,081
WIA Youth Program	17.259	001-WY1-05-Y	88,967
WIA Youth Program	17.259	001-WY1-05-O	522,298
WIA Dislocated Worker	17.260	001-WAD-05-E	389,791
WIA Dislocated Worker	17.260	001-WAD-05-F	644,221
Rapid Response	17.260	001-BC-07	68,000
Homeless Initiative	17.xxx	P101-WD-08-H	219
Hi Growth	17.261	n/a	16,270
Apollo 13	17.261	001-WD-07-X	<u>100,281</u>
			<u>4,268,676</u>
Passed through the Indiana Department of Workforce Development (DWD) and the Interlocal Association: Veteran's Employment Program	17.802	PY07-CR-01-IA	<u>474,760</u>
Total Expenditures of Federal Awards			<u><u>\$ 16,350,226</u></u>

See accompanying note to Schedule of Expenditures of Federal Awards.

JOBWORKS, INC.
NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2008

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Jobworks, Inc. (Jobworks) and is presented on the accrual basis of accounting. The information in this schedule 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.

JOBWORKS, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2008

No findings were noted in the prior year audit report.



COMER
NOWLING AND
ASSOCIATES, P.C.

BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited the financial statements of Jobworks, Inc. (Jobworks) (a nonprofit organization), as of and for the year ended June 30, 2008, and have issued our report thereon dated January 2, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jobworks' 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the Organization's financial statements that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Jobworks' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

January 2, 2009



BUSINESS PLANNING
FINANCIAL STATEMENTS
BUSINESS VALUATIONS
TAX PLANNING
TAX PREPARATION

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

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

Compliance

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

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

Internal Control Over Compliance

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

over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Jobworks' ability to administer a federal program such that there is more than a remote likelihood that the Organization's noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Organization's internal control.

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

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

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

Comer, Nowling And Associates, P.C.

Comer, Nowling And Associates, P.C.

January 2, 2009

JOBWORKS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2008

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- 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 auditors report issued: Unqualified

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

Programs tested as major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
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 Workers Program
17.261	U.S. Department of Labor—Career Advancement Account/Hi Growth

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

Auditee qualified as low-risk auditee? Yes No

Section II – Financial Statement Findings

None.

Section III – Federal Awards Findings

None.