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June 24, 2009

Board of Directors
Workforce Development Services, Inc.
840 Broadway, 3rd Floor
Gary, IN 46402

We have reviewed the audit report prepared by Wipfli, LLP, Independent Public Accountants, for the period July 1, 2006 to June 30, 2007. 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 Workforce Development Services, Inc., as of June 30, 2007, 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

**Workforce Development
Services, Inc.**

Gary, Indiana

Financial Statements and Additional Information
Year Ended June 30, 2007

Workforce Development Services, Inc.

Financial Statements and Additional Information

Year Ended June 30, 2007

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Independent Auditor's Report

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

We have audited the accompanying statement of financial position of Workforce Development Services, Inc. (a nonprofit organization) as of June 30, 2007, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of Workforce Development Services, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States 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 audit provides 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 Workforce Development Services, Inc. as of June 30, 2007, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2008, on our consideration of Workforce Development Services, 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 and 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.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Workforce Development Services, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards and other financial assistance, Schedule A-1 to A-2, which includes the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Wipfli LLP

Wipfli LLP

March 28, 2008
Madison, Wisconsin

Workforce Development Services, Inc.

Statement of Financial Position

June 30, 2007

<i>Assets</i>	
Current assets:	
Cash	\$ 32,771
Grants receivable	354,980
Prepaid expenses	4,184
TOTAL ASSETS	\$ 391,935

<i>Liabilities and Net Assets</i>	
Current liabilities:	
Accounts payable	\$ 231,846
Accrued payroll and related expenses	110,920
Grant funds received in advance	33,689
Total current liabilities	376,455
Unrestricted net assets	15,480
TOTAL LIABILITIES AND NET ASSETS	\$ 391,935

Workforce Development Services, Inc.

Statement of Activities

Year Ended June 30, 2007

Revenue:

Grant revenue	\$ 3,507,653
Other	95,224

Total revenue	3,602,877
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Expenses:

Program activities:

Job training	2,788,176
Child care	343,869
Other	42,899

Total program expenses	3,174,944
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Supportive services:

Management and general	411,548
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Total expenses	3,586,492
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Change in unrestricted net assets (deficit)	16,385
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Unrestricted net deficit - June 30, 2006	(905)
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Unrestricted net assets - June 30, 2007	\$ 15,480
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Workforce Development Services, Inc.

Statement of Cash Flows

Year Ended June 30, 2007

Increase (decrease) in cash:	
Cash flows from operating activities:	
Change in unrestricted net assets (deficit)	\$ 16,385
Adjustments to reconcile change in unrestricted net assets (deficit) to net cash provided by operating activities:	
Bad debt expense	37,947
Changes in operating assets and liabilities:	
Grants receivable	286,734
Prepaid expenses	1,133
Accounts payable	(110,332)
Accrued payroll and related expenses	(18,904)
Grant funds received in advance	(102,846)
Net cash provided by operating activities	110,117
Cash flows from financing activities:	
Decrease in cash overdraft	(77,346)
Net cash used in financing activities	(77,346)
Change in cash	32,771
Cash - June 30, 2006	0
Cash - June 30, 2007	\$ 32,771

See accompanying notes to financial statements.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 **Summary of Significant Accounting Policies**

Nature of Operations

Workforce Development Services, Inc. (the "Organization") was organized as a nonprofit corporation in 2003. The Organization was formed to assist in meeting the training and employment needs of workers and employers throughout northwest Indiana. The Organization is primarily supported through federal and state government grants. Approximately 85% of the funding is federal and state pass-through funds received from The Center of Workforce Innovations, Inc.

Basis of Presentation

All financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States.

Classification of Net Assets

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets - Net assets that are not subject to donor-imposed stipulations or where donor-imposed stipulations are met in the year of the contribution.

Temporarily Restricted Net Assets - Net assets subject to donor-imposed stipulations that may or may not be met, either by actions of the Organization and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Currently, the Organization does not have any temporarily restricted net assets.

Permanently Restricted Net Assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by the Organization. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes. Currently, the Organization does not have any permanently restricted net assets.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Revenue Recognition

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized.

All other contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and nature of any donor restrictions.

Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

Grants are either recorded as contributions or exchange transactions based on criteria contained in the grant award.

A. Grant Awards that are Contributions

Grants that qualify as contributions are recorded as invoiced to the funding sources. Revenue is recognized in the accounting period when the related allowable expenses are incurred. Amounts received in excess of expenses are reflected as grant funds received in advance.

B. Grant Awards that are Exchange Transactions

Exchange transactions reimburse based on a predetermined rate for services performed. The revenue is recognized in the period the service is performed.

Income Taxes

The Organization is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and Indiana income taxes.

Property and Equipment

Property and equipment purchased with grant funds are held in trust by the Organization for the benefit of the People of the State of Indiana while used in the program for which they were purchased or in other future authorized programs and, therefore, not recorded in these financial statements. Their disposition, as well as the ownership of any proceeds therefrom, is subject to funding source regulations. The cumulative cost of equipment purchased with grant funds is \$812,154.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies (Continued)

Cost Allocation

The Organization utilizes cost allocation methods to distribute certain direct and indirect costs to its various programs. Costs, which are common to more than one program, have been identified and classified into cost pools. These cost pools have been allocated to the programs based on formulas developed by the Organization for each pool.

Note 2 Grants Receivable

Grants receivable at June 30, 2007, consisted of the following:

The Center of Workforce Innovations, Inc.	\$ 285,982
Indiana Department of Workforce Development	17,715
Other	51,283
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Total	\$ 354,980

Note 3 Operating Leases

The Organization leases various facilities for operation of its programs. Rent expense for the year ended June 30, 2007, was \$102,726. The future minimum lease payments on leases having terms beyond June 30, 2007, are as follows:

2008	\$ 64,421
2009	10,131
<hr/>	
Total	\$ 74,552

Note 4 Grant Awards

At June 30, 2007, the Organization had received future funding commitments under various grants of approximately \$126,000. These commitments are not recognized in the accompanying financial statements as revenue and receivables as they are conditional awards.

Note 5 Concentration of Credit Risk

The Organization maintains its cash balance at one bank. Accounts at the financial institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. At June 30, 2007, all amounts were federally insured.

Workforce Development Services, Inc.

Notes to Financial Statements

Note 6 Retirement Plan

The Organization maintains a retirement plan that covers all employees who have completed one year of service or 1,000 service hours and are 21 years old. The retirement benefits are fully vested with the employee at the time of contribution. The Organization contributes 5% of the annual compensation of the participating employees. The contribution for the year ended June 30, 2007, was \$80,658.

Additional Information

Workforce Development Services, Inc.

Schedule A-1 Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2007

CFDA Number	Grant Number	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE						
Department of Labor						
17.225	IS-4179	Unemployment Insurance	Indiana DWD	07/01/06-06/30/07	\$ 30,800	\$ 25,680
17.207	IS-4179	Wagner-Peyser	Indiana DWD	07/01/06-06/30/07	30,011	25,054
17.804	IS-4179	Local Veterans Employment Program	Indiana DWD	07/01/06-06/30/07	1,179	1,013
17.801	IS-4179	Disabled Veterans Outreach Program	Indiana DWD	07/01/06-06/30/07	705	599
Subtotal Cluster CFDA #17.207, #17.804, and #17.801						
17.258	WP-2179	Navigator	Center of Workforce Innovations, Inc.	07/01/06-06/30/07	45,456	19,181
17.258	WIA-5179	WIA Adult Program	Center of Workforce Innovations, Inc.	07/01/06-06/30/07	1,836,125	1,521,174
17.258	N/A	Transition	Indiana DWD	07/01/06-08/31/06	21,481	21,481
Subtotal #17.258						
17.259	WIA-5179	WIA Youth Activities	Center of Workforce Innovations, Inc.	07/01/06-06/30/07	1,232,851	1,088,739
17.259	N/A	Transition	Indiana DWD	07/01/06-08/31/06	25,926	25,926
Subtotal #17.259						
17.260	WIA-5179	Nash Finch Rapid Response	Center of Workforce Innovations, Inc.	05/14/07-07/31/07	8,000	8,000
17.260	WIA-5179	WIA Dislocated Worker	Center of Workforce Innovations, Inc.	07/01/06-06/30/07	285,699	285,699
17.260	WIA-5179	Rapid Response	Center of Workforce Innovations, Inc.	07/01/06-06/30/07	164,045	108,724
17.260	N/A	Transition	Indiana DWD	07/01/06-08/31/06	26,666	26,666
Subtotal #17.260						
Subtotal Cluster CFDA #17.258, #17.259, and #17.260						
17.261	N/A	Career Advancement Accounts	Center of Workforce Innovations, Inc.	01/01/07-06/30/08	2,000	2,000
17.266	WI-14228-04-60	Navigator	U.S. Department of Labor	07/01/04-06/30/06	200,000	3,848

See Independent Auditor's Report.

Workforce Development Services, Inc.

Schedule A-2 Schedule of Expenditures of Federal Awards and Other Financial Assistance Year Ended June 30, 2007

CFDA Number	Grant Number	Program Name	Program Name	Grantor Agency	Program Period	Program or Award Amount	Expenditures
ASSISTANCE PROGRAMS AS IDENTIFIED IN THE CATALOG OF FEDERAL DOMESTIC ASSISTANCE (Continued)							
Department of Health and Human Services							
93.596	N/A	Child Care Programs for Lake, Porter, and Laporte	Indiana Association of Child Care Resource and Referral	10/01/06-09/30/07	299,555	203,876	
93.596	N/A	Child Care Programs for Lake, Porter, and Laporte	Indiana Association of Child Care Resource and Referral	10/01/05-09/30/06	276,647	74,665	
93.596	N/A	Indiana Non-Formal Child Development Associate CDA Project Grant	Indiana Assoc. for the Education of Young Children, Inc.	10/01/05-09/30/06	78,080	17,577	
93.596	N/A	Indiana Non-Formal Child Development Associate CDA Project Grant	Indiana Child Care Fund of Young Children, Inc.	10/01/06-09/30/07	78,080	47,751	
						<u>343,869</u>	
						<u>3,507,653</u>	
Total Federal Programs							
STATE AND LOCAL PROGRAMS							
N/A	N/A	Be Like Me	Lake County Drug Free Alliance	05/23/06-05/31/07	5,448	4,286	
N/A	N/A	Engineering Program	Foundations of East Chicago	05/22/06-05/22/07	30,000	21,493	
N/A	N/A	Supplemental Education Services	Gary Community School Corporation	07/01/06-06/30/07	10,356	84	
N/A	N/A	Community Orientation Re-entry Program	Edgewater Systems for Balanced Living, Inc.	02/15/06-02/14/07	25,000	2,763	
N/A	N/A	ACT-SO Program	ACT-SO	07/01/06-06/30/07	N/A	7,961	
N/A	N/A	KW Works, Inc.	KW Works, Inc.	07/01/06-06/30/07	N/A	6,162	
N/A	N/A	Discretionary activities	N/A	07/01/06-06/30/07	N/A	150	
Total State and Local Programs						<u>42,899</u>	
TOTAL						<u>\$ 3,550,552</u>	

Note to Schedule of Expenditures of Federal Awards and Other Financial Assistance

This schedule includes the federal, state, and local grant activity of Workforce Development Services, Inc. and is prepared 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 the schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Independent Auditor's 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*

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

We have audited the financial statements of Workforce Development Services, Inc. (a nonprofit organization) as of and for the year ended June 30, 2007, and have issued our report thereon dated March 28, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States 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 Workforce Development Services, 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Workforce Development Services, Inc.'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 Workforce Development Services, Inc.'s ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Workforce Development Services, Inc.'s financial statements that is more than inconsequential will not be prevented or detected by Workforce Development Services, Inc.'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 presented or detected by Workforce Development Services, Inc.'s internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Workforce Development Services, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within Workforce Development Services, Inc., 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.

Wipfli LLP

Wipfli LLP

March 28, 2008
Madison, Wisconsin



Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

Board of Directors
Workforce Development Services, Inc.
Gary, Indiana

Compliance

We have audited the compliance of Workforce Development Services, Inc. (a nonprofit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. Workforce Development Services, 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 Workforce Development Services, Inc.'s management. Our responsibility is to express an opinion on Workforce Development Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Workforce Development Services, 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 on Workforce Development Services, Inc.'s compliance with those requirements.

In our opinion, Workforce Development Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of Workforce Development Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to major federal programs. In planning and performing our audit, we considered Workforce Development Services, Inc.'s 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Workforce Development Services, Inc.'s internal control over compliance.

A control deficiency in an organization's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program 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 over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Directors, others within Workforce Development Services, Inc., federal awarding agencies, and pass-through entities and is not intended to be and should not be issued by anyone other than these specified parties.

Wipfli LLP

Wipfli LLP

March 28, 2008
Madison, Wisconsin

Workforce Development Services, Inc.

Schedule of Findings and Questioned Costs

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Workforce Development Services, Inc.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's 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*.
3. No instances of noncompliance material to the financial statements of Workforce Development Services, Inc. were disclosed during the audit.
4. No significant deficiencies were disclosed during the audit of the major federal award programs as reported in the Independent Auditor's Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Workforce Development Services, Inc. expresses an unqualified opinion.
6. There were no audit findings relative to the major federal award programs for Workforce Development Services, Inc.
7. The programs tested as major programs were the Department of Labor, Workforce Investment Act, CFDA Cluster #17.258, #17.259, and #17.260, and the Department of Health and Human Services, Child Care Mandatory and Matching Funds of the Child Care and Development Fund, CFDA #93.596.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Workforce Development Services, Inc. was determined to not be a low-risk auditee.

B. Findings - Financial Statements Audit

Finding: None

C. Findings and Questioned Costs - Major Federal Award Programs Audit

Questioned Costs: None

Finding: None