

***ROCKY MOUNTAIN SER/  
JOB FOR PROGRESS, INC.***

***FINANCIAL STATEMENTS***

***FOR THE YEAR ENDED JUNE 30, 2010***

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

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**INDEPENDENT AUDITORS' REPORT**

Board of Directors and Finance Committee  
Rocky Mountain SER / Jobs for Progress, Inc.

We have audited the accompanying statement of financial position of Rocky Mountain SER/Jobs for Progress, Inc. (RMSER), (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of RMSER's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the RMSER June 30, 2009 financial statements and, in our report dated September 30, 2009; we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with generally accepted 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 the significant estimates made by management, as well as evaluating the overall financial statements 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 RMSER as of June 30, 2010, and the changes in its net assets and its cash flows for the fiscal year 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 20, 2011 on our consideration of RMSER's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 conducted for the purpose of forming an opinion on the financial statements 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 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 taken as a whole.

*May Jackson Hendrick, LLC*

Parker, Colorado  
January 20, 2011

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>(Memo Only) 2009</b>
<b>ASSETS:</b>		
Cash	\$ 231,791	\$ 10,496
Accounts receivable	667,234	734,385
Work in process	99,805	-
Prepaid expenses	95,942	108,415
Total Current Assets	<u>1,094,772</u>	<u>853,296</u>
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Buildings	5,694,541	5,694,541
Leasehold improvements	2,949,569	2,938,188
Land	2,129,774	2,129,774
Furniture, fixtures and equipment	1,403,078	1,360,256
Vehicles	951,518	902,913
	<u>13,128,480</u>	<u>13,025,672</u>
Less accumulated depreciation	<u>6,192,120</u>	<u>5,840,703</u>
Net Property and Equipment	<u>6,936,360</u>	<u>7,184,969</u>
<b>OTHER ASSETS:</b>		
Loan costs, net of accumulated amortization	15,558	21,781
Deposits	7,262	350
Total Other Assets	<u>22,820</u>	<u>22,131</u>
<b>Total Assets</b>	<u><u>\$ 8,053,952</u></u>	<u><u>\$ 8,060,396</u></u>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 354,647	\$ 617,371
Accrued expenses:		
Employee benefits	774,720	458,820
Interest	-	43,495
Wages	5,024	40,816
Line of credit	25,000	250,000
Notes payable, financial institutions	181,289	170,598
Total Current Liabilities	<u>1,340,680</u>	<u>1,581,100</u>
Notes payable, financial institutions, net of current	<u>3,173,973</u>	<u>3,214,335</u>
Total Liabilities	<u>4,514,653</u>	<u>4,795,435</u>
<b>NET ASSETS:</b>		
Unrestricted	2,514,891	2,134,966
Temporarily restricted	1,024,408	1,129,995
Total Net Assets	<u>3,539,299</u>	<u>3,264,961</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$ 8,053,952</u></u>	<u><u>\$ 8,060,396</u></u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.****STATEMENTS OF ACTIVITIES****FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010			(Memo Only) 2009
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND OTHER SUPPORT:</b>				
Grant revenues	\$ 18,431,478	\$ 372,904	\$ 18,804,382	\$ 15,345,092
In-kind contributions	3,786,265	-	3,786,265	3,402,110
Contributions	225,799	-	225,799	83,055
Program service fees	667,230	-	667,230	348,081
(Loss) Gain on disposal of fixed assets	(24,709)	-	(24,709)	1,301
Net assets released from restrictions	478,491	(478,491)	-	-
Total Revenues and Other Support	<u>23,564,554</u>	<u>(105,587)</u>	<u>23,458,967</u>	<u>19,179,639</u>
<b>PROGRAM SERVICES:</b>				
Vocational education and training	2,725,009	-	2,725,009	2,751,486
Children's education and family support	18,183,582	-	18,183,582	15,774,642
Total Program Services	<u>20,908,591</u>	<u>-</u>	<u>20,908,591</u>	<u>18,526,128</u>
<b>SUPPORTING SERVICES:</b>				
Management and general	2,276,038	-	2,276,038	2,474,330
Total Supporting Services	<u>2,276,038</u>	<u>-</u>	<u>2,276,038</u>	<u>2,474,330</u>
Total Expenses	<u>23,184,629</u>	<u>-</u>	<u>23,184,629</u>	<u>21,000,458</u>
<b>CHANGE IN NET ASSETS</b>	379,925	(105,587)	274,338	(1,820,819)
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>2,134,966</u>	<u>1,129,995</u>	<u>3,264,961</u>	<u>10,312,338</u>
<b>PRIOR PERIOD ADJUSTMENT</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,226,558)</u>
<b>ADJUSTED NET ASSET, BEGINNING OF YEAR</b>	<u>2,134,966</u>	<u>1,129,995</u>	<u>3,264,961</u>	<u>5,085,780</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 2,514,891</u>	<u>\$ 1,024,408</u>	<u>\$ 3,539,299</u>	<u>\$ 3,264,961</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	2010					(Memo) 2009
	PROGRAM SERVICES				Total Expenses	Total Expenses
	Vocational Education and Training	Children's Education and Family Support	Total Program Services	Management and General		
<b>Personnel Costs:</b>						
Salaries and wages	\$ 1,108,057	8,054,803	\$ 9,162,860	\$ 878,002	\$ 10,040,862	\$ 8,888,541
Payroll taxes and fringe benefits	320,163	2,174,654	2,494,817	191,890	2,686,707	2,445,486
Education and retention	(215)	194,741	194,526	26,075	220,601	183,424
Total Personnel Costs	<u>1,428,005</u>	<u>10,424,198</u>	<u>11,852,203</u>	<u>1,095,967</u>	<u>12,948,170</u>	<u>11,517,451</u>
<b>Direct Participant Costs:</b>						
Program supplies	14,308	1,372,694	1,387,002	-	1,387,002	1,064,956
Job training and tuition costs	690,887	-	690,887	-	690,887	595,731
Participant support	183,517	212,752	396,269	-	396,269	306,582
Total Direct Participant Costs	<u>888,712</u>	<u>1,585,446</u>	<u>2,474,158</u>	<u>-</u>	<u>2,474,158</u>	<u>1,967,269</u>
<b>Other Operating Expenses</b>						
Rent and utilities	133,056	753,337	886,393	34,793	921,186	903,707
Contract services	10,346	305,577	315,923	90,400	406,323	691,827
Depreciation and amortization	-	369,140	369,140	247,189	616,329	837,502
Audit, insurance and other services	31,472	300,616	332,088	247,039	579,127	458,380
Travel	103,174	95,787	198,961	68,341	267,302	182,961
Equipment rental and maintenance	28,539	142,575	171,114	51,841	222,955	229,299
Communications	30,313	119,463	149,776	49,991	199,767	201,120
Office supplies	48,463	81,394	129,857	34,291	164,148	96,119
Building repairs and maintenance	601	168,618	169,219	40,956	210,175	91,592
Other expenses	21,088	9,872	30,960	65,896	96,856	114,334
Vehicle costs	1,240	21,344	22,584	20,495	43,079	37,304
Total Other Operating Expenses	<u>408,292</u>	<u>2,367,723</u>	<u>2,776,015</u>	<u>951,232</u>	<u>3,727,247</u>	<u>3,844,145</u>
<b>Other Expenses</b>						
In-kind contributions	-	3,786,265	3,786,265	-	3,786,265	3,402,110
Interest, taxes and penalties	-	19,950	19,950	167,995	187,945	216,684
Board expenses	-	-	-	53,709	53,709	47,453
Contributions	-	-	-	7,135	7,135	5,346
Total Other Expenses	<u>-</u>	<u>3,806,215</u>	<u>3,806,215</u>	<u>228,839</u>	<u>4,035,054</u>	<u>3,671,593</u>
<b>Total Expenses</b>	<u>\$ 2,725,009</u>	<u>\$ 18,183,582</u>	<u>\$ 20,908,591</u>	<u>\$ 2,276,038</u>	<u>\$ 23,184,629</u>	<u>\$ 21,000,458</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.****STATEMENTS OF CASH FLOWS****FOR THE FISCAL YEARS ENDED JUNE 30, 2010 AND 2009**

	<b>2010</b>	<b>(Memo Only) 2009</b>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>		
Increase/(Decrease) in net assets	\$ 274,338	\$ (1,820,819)
Adjustments to reconcile change in net cash from operating activities:		
Depreciation and amortization	616,329	837,502
Loss on sale/disposal of fixed assets	18,337	6,770
Non cash contributions	(58,500)	-
Change in accounting principle	-	(5,226,558)
Net (increase) decrease in assets:		
Accounts receivable	67,151	(576,636)
Promise to give	-	7,125,218
Work in process	(99,805)	-
Other receivables	(6,912)	32,566
Prepaid expenses	12,473	(31,820)
Net increase (decrease) in liabilities:		
Accounts payable	(262,724)	(214,031)
Accrued expenses	236,614	123,155
Deferred revenue	-	(406,236)
Net cash from (used for) operating activities	<u>797,301</u>	<u>(150,889)</u>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	(142,654)	(14,094)
Proceeds from the sale of fixed assets	(457)	6,492
Net cash used for investing activities	<u>(143,111)</u>	<u>(7,602)</u>
<b>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</b>		
Principle payments on notes payable	(207,895)	(197,556)
Proceeds from line of credit	25,000	250,000
Principal payments on line of credit	(250,000)	-
Net cash (used for) from financing activities	<u>(432,895)</u>	<u>52,444</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	221,295	(106,047)
<b>CASH, BEGINNING OF YEAR</b>	10,496	116,543
<b>CASH, END OF YEAR</b>	<u>\$ 231,791</u>	<u>\$ 10,496</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 161,775</u>	<u>\$ 156,921</u>
<b>NON-CASH TRANSACTIONS:</b>		
Purchase of property and equipment with loan proceeds	<u>\$ 178,224</u>	<u>\$ -</u>
Refinancing of existing debt	<u>\$ -</u>	<u>\$ 297,290</u>



**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

Rocky Mountain SER/Job for Progress, Inc. is a Colorado nonprofit corporation established in 1980. The Organization's primary function is to serve individuals residing in Colorado who have physical, social, emotional or economic needs by aiding in the development of self-sufficiency and growth. The Organization also serves as a resource to other community organizations that are working with those people. A primary goal of the Organization is to address the fundamental service needs of people while not duplicating the efforts of other agencies. Primary funding for such services is provided through grants and contracts with the State of Colorado, Office of Rural Job Training, the U.S. Department of Labor, and the U.S. Department of Health and Human Services. Additional funding is provided through grants from state and local government agencies and private donations.

The Organization's major activities and programs are described below:

**Programs:**

**Vocational Education and Training:** Adult and youth vocational education and training includes all costs associated with classroom vocational training as well as on-site job training and all necessary support structure costs including, but not limited to, the following: basic education, GED preparation, English as a second language (ESL), emergency transportation, child-care, tools and work clothes financial assistance.

**Children's Education and Family Support:** Programs for childhood education, health, and safety. This program includes all costs associated with pre-school programs, children's health and safety programs and family support programs designed to maximize childhood education, health and safety.

**Supporting Services:**

**Management and General:** Direct and indirect costs associated with the management and administration of the organization.

**Basis of Accounting**

The Organization's financial statements are prepared on the accrual basis and accordingly reflect all significant receivables, payables and other liabilities.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**Basis of Presentation**

The financial statements are presented in accordance with the requirements established under the Not-for-Profit Entities - Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this topic, 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. No permanently restricted assets were held during the fiscal year ended June 30, 2010 and accordingly, these financials do not reflect any activity related to this class of net assets for the fiscal year ended June 30, 2010.

**Cash and cash equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Property, Equipment and Depreciation**

The Organization records property and equipment at cost if purchased or fair value if contributed and charges depreciation over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives of assets range from three to thirty nine years.

The Organization's capitalization policy was established to be in conformity with federal requirements; these requirements dictate that all property and equipment purchased with federal funds in excess of \$5,000 be capitalized and depreciated. Purchases made with unrestricted funds in excess of \$1,000 are to be capitalized and depreciated.

**Restricted and Unrestricted Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**In-Kind Donations**

**Facilities:** Donated facilities are recorded as contributions at their estimated fair values at the date of donation.

**Property and Equipment:** Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Services:** Volunteers assisting the Organization with specific assistance to programs and various committee assignments all performed donated services; these services meet the requirements for recognition under SFAS No. 116. Therefore, the financials reflect donated services as in-kind contributions under both revenue and expenses for the fiscal year ended June 30, 2010. All donated services have been recorded at their estimated fair market value.

**Use of Estimates**

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

**Fair Values of Financial Instruments**

The Organization has a number of financial instruments, consisting primarily of cash, accounts and note receivable, accounts and notes payable, accrued expenses, and the line of credit. None of the financial instruments are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2010 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated value of the financial instruments was based upon the short-term nature of the financial instruments and the fact that the interest rate on the line of credit fluctuates with the prime interest rate.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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

**Functional Expense Allocation**

Whenever possible, the Organization charges expenses directly to the benefiting program or support service based upon reasonable and allocable bases, such as direct salaries and square footage. When this is difficult or impractical, costs are allocated to programs and support services based upon the Organization's indirect rate of 10.10%.

**Income Taxes**

The Organization is exempt from federal and state income taxes under the applicable provisions of the Internal Revenue Code and the Colorado Income Tax Act of 1964 (as amended).

**NOTE 2      ACCOUNTS RECEIVABLE**

Accounts receivable represents monies due to the Organization at June 30, 2010.

**NOTE 3      PREPAID EXPENSES**

Prepaid expenses consist of advance payments made by the Organization as of June 30, 2010. With the passage of time, the advance payments will gradually expire and the expired portion will be expensed accordingly.

**NOTE 4      PROPERTY AND EQUIPMENT**

Property and equipment acquired with certain grant funds are recorded as temporarily restricted upon the purchase of the equipment. The Organization is subject to restrictions on sale or other disposition of the property as specified by the various grantor agencies. Also, should the grantor discontinue funding, all property acquired with the grant funds may be recovered by the grantor.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 4 PROPERTY AND EQUIPMENT (Continued)**

A summary of property and equipment follows:

	Unrestricted Fixed Assets	Temporarily Restricted Fixed Assets	Total Fixed Assets
Buildings	\$ 5,262,337	\$ 432,204	\$5,694,541
Leasehold improvements	351,148	2,598,421	2,949,569
Land	2,067,375	62,399	2,129,774
Furniture, fixtures and equipment	321,186	1,081,892	1,403,078
Vehicles	683,030	268,488	951,518
Total property and equipment	8,685,076	4,443,404	13,128,480
Less accumulated depreciation	2,400,220	3,791,900	6,192,120
Net property and equipment	\$ 6,284,856	\$ 651,504	\$6,936,360

Depreciation expense for the fiscal year ended June 30, 2010 was \$610,106.

**NOTE 5 LOAN COSTS**

Closing costs of \$31,116 were incurred and paid with unrestricted funds to secure financing with JPMorgan Chase Bank, NA (NOTES 7 and 8). The closing costs are amortized over the life of the loan of five years.

Amortization expense for the fiscal year ended June 30, 2010 was \$6,223.

**NOTE 6 LINE OF CREDIT, BANK**

Line of credit to JPMorgan Chase Bank NA, principal balance of \$250,000, due April 2011, interest rate equal to the LIBOR Rate plus 5.0%, interest rate of 5.35088% at June 30, 2010. The line of credit is collateralized by all the Organization's business assets.

\$ 25,000

Total interest expense for the fiscal year ended June 30, 2010 on the line of credit, bank was \$8,083.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**NOTE 7      NOTES PAYABLE, FINANCIAL INSTITUTIONS**

Note payable to JPMorgan Chase Bank, NA due January 1, 2013, interest rate of 4.55% at June 30, 2010 (NOTE 9). Principal and interest of \$18,105 due monthly. The note is collateralized by commercial real estate.	\$    3,037,713
Note payable to JPMorgan Chase Bank, NA due August 11, 2012, interest rate of 4.00% at June 30, 2010. Principal and interest of \$6,999 due monthly. The note is collateralized by all the Organization's business assets.	152,634
Note payable to GMAC due November 2015, interest at a rate of 9.99% at June 30, 2010. Principal and interest of \$795 due monthly. The note is collateralized by a vehicle.	39,731
Note payable to GMAC due June 2015, bearing interest at a rate of 0.00% at June 30, 2010. Principal and interest of \$553 due monthly. The note is collateralized by a vehicle.	33,200
Note payable to GMAC due June 2015, bearing interest at a rate of 0.00% at June 30, 2010. Principal and interest of \$550 due monthly. The note is collateralized by a vehicle.	33,024
Note payable to GMAC due December 2014, interest at a rate of 10.79% at June 30, 2010. Principal and interest of \$645 due monthly. The note is collateralized by a vehicle.	27,445
Note payable to GMAC due January 2015, interest at a rate of 9.99% at June 30, 2010. Principal and interest of \$587 due monthly. The note is collateralized by a vehicle.	25,664

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 7**      **NOTES PAYABLE, FINANCIAL INSTITUTIONS (Continued)**

Note payable to Ford Credit due July 2012, bearing interest at a rate of 0.00% at June 30, 2010. Principal and interest of \$417 due monthly. The note is collateralized by a vehicle. 8,334

Total \$ 3,357,745

Total interest expense for the fiscal year ended June 30, 2010 on the notes payable, financial institutions was \$153,691.

The following are the maturities of notes payable, financial institutions for the next five years and thereafter:

June 30, 2011	\$ 181,289
June 30, 2012	197,689
June 30, 2013	117,478
June 30, 2014	2,827,768
June 30, 2015	29,639
Thereafter	<u>3,882</u>
Total	<u>\$ 3,357,745</u>

**NOTE 8**      **NOTE PAYABLE, JPMORGAN CHASE BANK, NA**

The note payable, JPMorgan Chase Bank, NA (NOTE 7), is the result of the Colorado Housing and Finance Authority (CHFA) issuing a tax exempt obligation evidenced by an Issuer Note to JPMorgan Chase Bank, NA in the amount of \$3,220,000; the proceeds from the Issuer Note were used to make a loan to RMSER. At the completion of the financing, CHFA assigned all of its rights to JPMorgan Chase Bank, NA; therefore, the tax exempt obligation and note payable are non-recourse to CHFA.

**NOTE 9**      **RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of the net book value of the temporarily restricted fixed assets of \$651,504 (NOTE 4) and grants receivable of \$372,904 for a total of \$1,024,408 as of June 30, 2010.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**NOTE 10 PRIOR PERIOD ADJUSTMENT**

The June 30, 2009 comparative financial statements include a prior period adjustment due to the Organization implementing a change in accounting principle in the method of recording promises to give. The June 30, 2009 grant revenue and net assets were reduced by \$3,078,035 and \$5,226,558, respectively, to reflect the accrual to cash adjustment which removed the promise to give receivable. As a result, grant revenue does not include the accrual of grants awarded and not earned. As of June 30, 2010, all grants awarded and not earned will be disclosed in the footnotes as conditional promises to give (see NOTE 12).

**NOTE 11 CONDITIONAL PROMISES TO GIVE**

The Organization had the following conditional promises to give:

<u>Federal Grantor</u>	<u>Amount</u>
U.S. Department of Health and Human Services	\$ 7,693,402
U.S. Department of Labor and Employment	<u>100,000</u>
Total	<u>\$ 7,793,402</u>

All conditional promises to give will be awarded when the Organization incurs allowable costs as required by the reimbursable grant agreement.

**NOTE 12 COMMITMENTS**

The Organization has obligations under operating lease agreements for vehicles, office/classroom space and equipment.

The following are the Organization's minimum future lease payments:

June 30, 2011	\$ 355,822
June 30, 2012	224,306
June 30, 2013	125,179
June 30, 2014	86,549
June 30, 2015	<u>85,346</u>
Total	<u>\$ 877,202</u>



# **ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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### **NOTE 13      EMPLOYEE BENEFIT PLAN**

The Organization has a qualified tax sheltered annuity plan for its employees established under Section 401(k) of the Internal Revenue Codes. All employees are eligible to participate in the plan on the first day of each month only after 1,000 hours of service has been performed within a twelve-consecutive-month period of time and the employee is at least 21 years old. Eligible employees can contribute an amount between 1% and 15% of compensation as defined by the Plan, limited by the requirements of the Internal Revenue Code. The Organization matching contributions are calculated at 3% of the employee's eligible compensation, then a 1/2% for each 1% contributed by the employee up to 5% for a maximum employer matching contribution of 4%.

The Organization contributed \$117,102 to the plan during the fiscal year ended June 30, 2010.

The Organization may, at its discretion, make a Profit Sharing contribution to the plan. The Profit Sharing contribution will be allocated in proportion to the sum of eligible compensation plus eligible compensation in excess of 80% of the Social Security Taxable Wage Base. The Organization made no Profit Sharing contributions in the fiscal year ended June 30, 2010.

Participants are fully vested in their individual contributions and the earnings thereon. Participants are also fully vested in their Organization matching contribution and the earnings thereon after three or more years of service.

### **NOTE 14      SELF FUNDED HEALTH INSURANCE**

The Organization funds its own health insurance plan which is administered through a third party. All health insurance claims incurred by covered employees and their families (when applicable) are paid by the Organization. Claims paid reduce the Organization's health insurance liability which has been established throughout the years from:

- Funds withheld from employee's paychecks representing the employee paid portion and
- An accrued expense representing the Organization's portion of health insurance provided to the employees

The third party administrator determines the Organization's terminal liability which is pre-set cost for claims that protects the Organization from claims that are incurred after termination. The liability reflected within the financial statements, represents the Organization's total terminal liability.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**NOTE 15**      **REIMBURSING EMPLOYER LIABILITY/STATE UNEMPLOYMENT TAX ACCRUAL**

Previous to 2010, the Organization paid the state employment tax directly to the State of Colorado based on employee's gross wages and an unemployment rate established by the State. As a result, all unemployment claims were paid by the State on behalf of the Organization. However, beginning in 2010, the Organization elected an alternative method (eligible only for non-profits and political subdivisions) referred to as the reimbursable employer method. This method allows for the Organization to reimburse the Department of Labor (DOL) for unemployment claims awarded to former employees after the claims have been awarded.

The related liability has been estimated by the Organization based on the maximum unemployment benefits the Organization could be responsible for paying to each former employee. Unemployment taxes must be paid on the first \$10,000 in total Colorado gross taxable wages paid to each employee during each calendar year. Wages earned in a calendar year beyond the first \$10,000 are excess wages and are not taxed. As a reimbursable employer, the Organization could be liable for a maximum amount of \$11,000 per employee for unemployment claims. These claims are paid directly to the State of Colorado via quarterly invoices received from the DOL which detail benefits paid by the DOL on behalf of the Organization to former employees. Funds will be set aside in a separate escrow when claims come due; it is anticipated claims will come due beginning in January 2011.

**NOTE 16**      **ECONOMIC DEPENDENCY**

The Organization receives a substantial amount of its total revenues (directly and as pass-through contracts) from the U.S. Department of Health and Human Services and the U.S. Department of Labor. A significant reduction in the level of such support, if this were to occur, may have an adverse affect on the Organization's programs and activities.

**NOTE 17**      **CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2010, a majority of grant related receivables are from two federal agencies (directly and as pass-through contracts); the U.S. Department of Health and Human Services and the U.S. Department of Labor.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**NOTE 18      SUBSEQUENT EVENT**

Subsequent to the fiscal year end of June 30, 2010, the Organization was awarded the following grants:

U.S. Department of Health and Human Services:	
American Recovery and Reinvestment Act:	
Quality Improvement	\$ 60,846
Cost of Living Allowance	7,673
U.S. Department of Labor and Employment	1,001,990
Colorado Department of Labor and Employment:	
Colorado Rural Workforce Consortium	566,550
American Recovery and Reinvestment Act:	
Southeast Region	48,034
South Central Region	<u>60,084</u>
Total	<u>\$ 1,745,177</u>

The grant awards will be recognized as grant revenue in the fiscal year end June 30, 2011.

**SUPPLEMENTARY INFORMATION**

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. DEPARTMENT OF LABOR</u></b>		
<b><u>Direct:</u></b>		
Migrant and Seasonal Farmworkers	17.264	\$ 1,005,169
<b>Total Direct Funding</b>		<u>1,005,169</u>
<b><u>Passed through Colorado Department of Labor and Employment:</u></b>		
WIA Adult Program	17.258	496,650
WIA Adult Program - ARRA	17.258.001	279,672
WIA Youth Activities	17.259	500,989
WIA Dislocated Workers	17.260	91,158
WIA Dislocated Workers - ARRA	17.260.002	203,784
<b>Total WIA Cluster</b>		<u>1,572,253</u>
<b>Total Colorado Department of Labor and Employment</b>		<u>1,572,253</u>
<b><u>Passed through National SER:</u></b>		
WIA - Older Workers Act Title V (SCSEP)	17.235	70,107
WIA - Older Workers Act Title V (SCSEP) - ARRA	17.235.001	328,068
<b>Total National SER</b>		<u>398,175</u>
<b>TOTAL U. S. DEPARTMENT OF LABOR</b>		<u>2,975,597</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
<b><u>Direct:</u></b>		
Headstart	93.600	14,818,295
Headstart - ARRA	93.708	436,062
<b>Total Direct Funding</b>		<u>15,254,357</u>
<b>TOTAL U.S. DEPART. OF HEALTH AND HUMAN SERVICES</b>		<u>15,254,357</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
<b><u>Passed through Colorado Dept. of Public Health &amp; Environment:</u></b>		
Child and Adult Care Food Program	10.558	837,717
Child and Adult Care Food Program - ARRA	10.558	402
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>838,119</u>
<b>TOTAL FEDERAL EXPENDITURES</b>		<u>\$ 19,068,073</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of RMSER 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 basis financial statements.

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

**Board of Directors and Finance Committee  
Rocky Mountain SER/Jobs for Progress, Inc.**

We have audited the financial statements of Rocky Mountain SER/Jobs for Progress, Inc. (RMSER); (a nonprofit organization) as of and for the fiscal year ended June 30, 2010, and have issued our report thereon dated January 20, 2011. 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 RMSER'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 RMSER'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 the internal control over financial reporting 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 financial reporting that might be deficiencies, 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. However, we identified one deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency in internal control over financial reporting (06-30-10-1). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether RMSER'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*.

We noted other matters that we reported to management of RMSER in a separate letter dated January 20, 2011.

This report is intended solely for the information and use of management, the Board of Directors, the Finance Committee, others within the entity, 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.

*May Jackson Hendrick, LLC*  
*Certified Public Accountants*

Parker, Colorado  
January 20, 2011



**INDEPENDENT AUDITORS' 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**

Board of Directors and Finance Committee  
Rocky Mountain SER/Jobs for Progress, Inc.

### Compliance

We have audited Rocky Mountain SER/Jobs for Progress, Inc.'s (RMSER) 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 RMSER's major federal programs for the year ended June 30, 2010. RMSER'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 RMSER's management. Our responsibility is to express an opinion on RMSER'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 RMSER'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 RMSER's compliance with those requirements.

In our opinion, RMSER 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, 2010.

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## **Internal Control Over Compliance**

Management of RMSER 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 RMSER'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 RMSER's internal control over compliance.

*A deficiency in internal control* 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, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Directors, the Finance Committee, others within the entity, 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.

***May Jackson Hendrick, LLC***  
***Certified Public Accountants***

Parker, Colorado  
January 20, 2011

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

***Unqualified***

Internal control over financial reporting:

\* Material weaknesses identified? \_\_\_\_\_ yes  X  no

\* Significant deficiencies identified that are not considered to be material weaknesses?  X  yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:

\* Material weaknesses identified? \_\_\_\_\_ yes  X  no

\* Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes  X  none reported

Type of auditor's report issued on compliance for major programs:

***Unqualified***

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? \_\_\_\_\_ yes  X  no

Identification of major programs:

***93.600 Head Start***

***17.258, 17.259, 17.260 Workforce Investment Act***

***17.264 Migrant and Seasonal Farmworkers***

***17.235 Workforce Investment Act Title V (SCSEP)***

Dollar threshold used to distinguish between Type A and Type B programs:

***\$ 572,042***

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes  X  no

Schedule of Prior Audit Findings

***None***

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

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**Financial Statement Findings**

**Significant Deficiency**

**06-30-10-1 Internal Controls**

*Condition and Criteria:* The Board of Directors reviewed and approved a single transaction at a time when the position of the Chief Financial Officer of the Organization was temporarily vacant. As a result, certain unique accounting aspects of the transaction were not documented when the transaction was communicated to the Organization's accounting staff.

*Effect:* The unique accounting aspects of the transaction were not fully communicated to or understood by the Organization's accounting staff. This caused the staff to record the transaction in a manner that did not conform with GAAP. The error went undetected until the audit.

*Auditor's Recommendation:* The Policy and Procedures Manual should be updated to ensure that transactions which may have unique accounting aspects are reviewed by the Organization's Chief Financial Officer to ensure that all Board of Director approved transactions are adequately communicated to and understood by management and the accounting staff. The procedures should include: (i) the requirement that all Board of Director approved transactions be reviewed by the Chief Financial Officer (or person of similar experience if the position of Chief Financial Officer is vacant) to analyze the accounting treatment of the transaction; and, (ii) that such transactions are properly documented and communicated to those within the Organization who are responsible for recording the transaction so that reliable financial reporting can occur. In addition, RMSER is encouraged to contact their auditor throughout the year to discuss the recording of unique transactions.

*Grantee's Response:* Management and the Board of Directors of the Organization has reviewed the circumstances involved and notes that this is: (i) an isolated transaction; (ii) does not indicate a lack of internal controls concerning Board approved transactions; and (iii) involved an immaterial amount. To strengthen the control environment, the Organization's Policy and Procedures Manual will be updated to include the above recommended procedures to be followed when reviewing, documenting and communicating the Board approved transactions to the accounting staff.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

*None*