

**Rocky Mountain SER/Jobs For Progress, Inc**

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**Financial Statements  
For The Year Ended June 30, 2011**

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## **INDEPENDENT AUDITORS' REPORT**

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

We have audited the accompanying statement of financial position of Rocky Mountain SER/ Jobs for Progress, Inc. (a nonprofit organization) as of June 30, 2011 and the related statements of activities, functional expenses, and cash flows for the year 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 audit.

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. 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 The Rocky Mountain SER/ Jobs for Progress, Inc. as of June 30, 2011 and the change in its net assets and cash flows for the 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 December 20, 2011, on our consideration of Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 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. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Denver, Colorado  
December 20, 2011

**PROFESSIONAL CORPORATION**

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

## STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2011 AND 2010

	<u>2011</u>	<u>(Memo Only)</u> <u>2010</u>
<b>ASSETS:</b>		
Cash	\$ 358,602	\$ 231,791
Grant receivables	604,884	667,234
Other receivables	57,298	-
Work in process	51,697	99,805
Prepaid expenses	-	<u>95,942</u>
Total Current Assets	<u>1,072,481</u>	<u>1,094,772</u>
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Buildings	5,514,199	5,694,541
Leasehold improvements	2,935,875	2,949,569
Land	2,192,173	2,129,774
Furniture, fixtures and equipment	2,097,230	1,403,078
Vehicles	<u>965,279</u>	<u>951,518</u>
	13,704,756	13,128,480
Less accumulated depreciation	<u>(6,768,394)</u>	<u>(6,192,120)</u>
Net Property and Equipment	<u>6,936,362</u>	<u>6,936,360</u>
<b>OTHER ASSETS:</b>		
Investment in RMCDC	100,000	-
Loan costs, net of accumulated amortization	9,335	15,558
Deposits	<u>1,912</u>	<u>7,262</u>
Total Other Assets	<u>111,247</u>	<u>22,820</u>
<b>Total Assets</b>	<b><u>\$ 8,120,090</u></b>	<b><u>\$ 8,053,952</u></b>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 140,201	\$ 354,647
Accrued expenses:		
Employee benefits	628,675	774,720
Wages	-	5,024
Line of Credit	-	25,000
Unearned Income	35,650	-
Other payables	72,987	-
Notes payable, financial institutions	<u>189,381</u>	<u>181,289</u>
Total Current Liabilities	1,066,894	1,340,680
Notes payable, financial institutions, net of current	<u>2,976,974</u>	<u>3,173,973</u>
Total Liabilities	<u>4,043,868</u>	<u>4,514,653</u>
<b>NET ASSETS:</b>		
Unrestricted	2,980,236	2,514,891
Temporarily restricted	<u>1,095,986</u>	<u>1,024,408</u>
Total Net Assets	<u>4,076,222</u>	<u>3,539,299</u>
<b>Total Liabilities and Net Assets</b>	<b><u>\$ 8,120,090</u></b>	<b><u>\$ 8,053,952</u></b>

See accompanying Notes to Financial Statements

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

## STATEMENTS OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011			(Memo only) 2010
	Unrestricted	Temporarily Restricted	Total	Total
<b>REVENUES AND OTHER SUPPORT:</b>				
Grant revenues	\$ 17,395,320	1,490,629	\$ 18,885,949	\$ 18,804,382
In-kind contributions	4,016,388	-	4,016,388	3,786,265
Contributions	227,411	-	227,411	225,799
Program Service fees	634,951	-	634,951	667,230
(Loss) Gain on disposal of fixed assets	-	-	-	(24,709)
Interest income	89	-	89	-
Net assets released from restrictions	<u>1,456,051</u>	<u>(1,456,051)</u>	<u>-</u>	<u>-</u>
Total Revenues and Other Support	<u>23,730,210</u>	<u>34,578</u>	<u>23,764,788</u>	<u>23,458,967</u>
<b>PROGRAM SERVICES:</b>				
Vocational education and training	1,780,120	-	1,780,120	2,725,009
Children's education and family support	<u>19,521,492</u>	<u>-</u>	<u>19,521,493</u>	<u>18,183,582</u>
Total Program Services	<u>21,301,612</u>	<u>-</u>	<u>21,301,613</u>	<u>20,908,591</u>
<b>SUPPORTING SERVICES:</b>				
Management and general	<u>1,926,253</u>	<u>-</u>	<u>1,926,252</u>	<u>2,276,038</u>
Total Supporting Services	<u>1,926,253</u>	<u>-</u>	<u>1,926,252</u>	<u>2,276,038</u>
Total Expenses	<u>23,227,865</u>	<u>-</u>	<u>23,227,865</u>	<u>23,184,629</u>
CHANGE IN NET ASSETS	502,345	34,578	536,923	274,338
NET ASSETS, BEGINNING OF YEAR	2,514,891	1,024,408	3,539,299	3,264,961
PROPERTY AND EQUIPMENT RECLASS	<u>(37,000)</u>	<u>37,000</u>	<u>-</u>	<u>-</u>
NET ASSETS, END OF YEAR	<u>\$ 2,980,236</u>	<u>\$ 1,095,986</u>	<u>\$ 4,076,222</u>	<u>\$ 3,539,299</u>

See accompanying Notes to Financial Statements.

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

## STATEMENTS OF FUNCTIONAL EXPENSES FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010

	2011				(Memo Only) 2010	
	Program Services					
	Vocational Education And Training	Children's Education and Family Support	Total Program Services	Management and General	Total Expenses	Total Expenses
<b>Personnel Costs:</b>						
Salaries and wages	\$ 777,283	\$ 8,905,127	\$ 9,682,410	\$ 934,205	\$ 10,616,615	\$ 10,040,862
Payroll taxes and fringe benefits	176,981	1,914,267	2,091,248	228,601	2,319,849	2,686,707
Education and retention	-	544,016	544,016	27,781	571,797	220,601
<b>Total Personnel Costs</b>	<b>954,264</b>	<b>11,363,411</b>	<b>12,317,674</b>	<b>1,190,587</b>	<b>13,508,261</b>	<b>12,948,170</b>
<b>Direct Participant Costs:</b>						
Program supplies	16,011	1,272,933	1,288,944	-	1,288,944	1,387,002
Job training and tuition costs	399,084	-	399,084	-	399,084	690,887
Participant support	131,745	190,814	322,559	-	322,559	396,269
<b>Total Direct Participant Costs</b>	<b>546,840</b>	<b>1,463,747</b>	<b>2,010,587</b>	<b>-</b>	<b>2,010,587</b>	<b>2,474,158</b>
<b>Other Operating Expenses:</b>						
Rent and utilities	90,207	718,460	808,667	28,685	837,352	921,186
Contract services	4,965	248,931	253,896	61,671	315,567	406,323
Depreciation and amortization	-	308,855	308,855	278,185	587,040	616,329
Audit, insurance and other services	59,313	366,550	425,863	205,148	631,011	579,127
Travel	57,894	66,074	123,968	85,728	209,696	267,302
Equipment rental and maintenance	8,628	112,323	120,951	44,284	165,235	222,955
Communications	24,279	135,520	159,799	51,055	210,854	199,767
Office supplies	10,142	84,340	94,482	24,368	118,850	164,148
Building repairs and maintenance	152	569,287	569,439	33,024	602,463	210,175
Other expenses	17,518	21,627	39,145	183,230	222,375	96,856
Vehicle costs	5,914	30,576	36,490	5,203	41,693	43,079
<b>Total Other Operating Expenses</b>	<b>279,012</b>	<b>2,662,543</b>	<b>2,941,555</b>	<b>1,000,581</b>	<b>3,942,136</b>	<b>3,727,247</b>
<b>Other Expenses:</b>						
In-kind contributions	-	4,016,388	4,016,388	-	4,016,388	3,786,265
interest, taxes and penalties	4	15,404	15,408	234,727	250,135	187,945
Board expenses	-	-	-	46,740	46,740	53,709
Reclassification of temp fixed assets	-	-	-	(553,312)	(553,312)	-
Contributions	-	-	-	6,930	6,930	7,135
<b>Total Other Expenses</b>	<b>4</b>	<b>4,031,792</b>	<b>4,031,796</b>	<b>(264,915)</b>	<b>3,766,881</b>	<b>4,035,054</b>
<b>Total Expenses</b>	<b>\$ 1,780,120</b>	<b>\$ 19,521,493</b>	<b>\$ 21,301,613</b>	<b>\$ 1,926,253</b>	<b>\$ 23,227,865</b>	<b>\$ 23,184,629</b>

See accompanying Notes to Financial Statements

**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.****STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEARS ENDED JUNE 30, 2011 AND 2010**

	<b>2011</b>	<b>(Memo Only) 2010</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 536,923	\$ 274,338
Adjustments to reconcile change in net cash from operating activities:		
Depreciation and amortization	582,497	616,329
Loss on sale/disposal of fixed assets	-	18,337
Non cash contributions		(58,500)
Net (increase) decrease in assets:		
Receivables	5,052	67,151
Work in process	48,108	(99,805)
Other receivables	-	(6,912)
Prepaid expenses	95,942	12,473
Deposits	5,350	-
Net Increase (decrease) in liabilities:		
Accounts payable	(214,446)	(262,724)
Accrued expenses	(78,083)	236,614
Deferred revenue	<u>35,650</u>	<u>-</u>
Net cash provided by operating activities	<u>1,016,992</u>	<u>797,301</u>
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</b>		
Investment in RMCDC	(100,000)	-
Purchase of property and equipment	(576,274)	(142,654)
Proceeds from the sale of fixed assets	<u>-</u>	<u>(457)</u>
Net cash (used for) investing activities	<u>(676,274)</u>	<u>(143,111)</u>
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</b>		
Principal payments on notes payable	(188,907)	(207,895)
Proceeds from line of credit	-	25,000
Principal payments on line of credit	<u>(25,000)</u>	<u>(250,000)</u>
Net cash (used for) financing activities	<u>(213,907)</u>	<u>(432,895)</u>
<b>NET INCREASE IN CASH</b>	<b>126,810</b>	<b>221,295</b>
<b>CASH, BEGINNING OF YEAR</b>	<u><b>231,791</b></u>	<u><b>10,496</b></u>
<b>CASH, END OF YEAR</b>	<u><b>\$ 358,602</b></u>	<u><b>\$ 231,791</b></u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 157,126</u>	<u>\$ 167,775</u>
<b>NON-CASH TRANSACTIONS:</b>		
Purchase of property and equipment with loan proceeds	<u>\$ -</u>	<u>\$ 178,224</u>

See accompanying Notes to Financial Statements.

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

## **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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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.



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

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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

**Basis of Accounting:**

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

**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, 2011 and accordingly these financials do not reflect any activity related to this class of net assets for the fiscal year ended June 30, 2011.

**Cash and cash equivalents**

For purpose 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 relating to depreciable asset classes of Furniture, fixtures, and equipment; Vehicles; Buildings; and Leasehold Improvements.

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, 2011

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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 contribution at their estimated fair values at the date of donation. Donated facilities recorded at June 30, 2011 was \$632,191. The organization reports all In Kind facilities on a calendar year basis due to grant reporting requirements. Therefore the In Kind was reported as of calendar year 2010. The organization believes this appropriate and consistent with prior years and the net effects of the financial statements are immaterial.

**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, 2011. These services are used by Vocational Education and Training and Children's Education Family Support. The total In Kind Services recorded for June 30, 2011 was \$2,862,094. These services include \$714,670 in Special Education; \$ 834,691 in Professional Services; \$1,084,399 in Parent Volunteers; \$183,472 in Community Volunteers; and \$508,309 in Supplemental Services.

All donated services have been recorded at their estimated fair market value. The organization reports all In Kind services on a calendar year basis due to grant reporting requirements. Therefore the In Kind was reported as of calendar year 2010. The organization believes this appropriate and consistent with prior years and the net effects of the financial statements are immaterial.

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

NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE  
OF OPERATIONS (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 certain reported amounts and disclosures. For significant estimates it is at least reasonably possible that the estimates will change within one year of the date of the financial statements due to one or more confirming events. 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, 2011 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.

**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 10.30%.

**Income Taxes**

The Organization is a 501(c)3 entity and 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). The Organization did not report any unrelated business income tax as of June 30, 2011. Information returns for fiscal years prior to 2007 are no longer subject to audit by taxing authorities.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 2      ACCOUNTS RECEIVABLE**

Accounts receivable represents monies due to the Organization at June 30, 2011 and are recording using the accrual basis of accounting. As of June 30, 2011 Receivables consisted of \$662,183. Receivables include \$57,299 in account receivables; and \$604,884 in grant receivables.

It is the policy of the Organization to maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on an analysis of outstanding aged accounts receivables; historical collection and bad debt experience; and evaluations of specific accounts based on discussions with the department that originated the sale resulting in the receivable.

It is the policy of the Organization to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the accounting department. If an account receivable is deemed uncollectible, the appropriate approvals by upper management are required.

**NOTE 3      PREPAID EXPENSES**

Prepaid expenses consist of advance payments made by the Organization as of June 30, 2011. 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/JOB FOR PROGRESS, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

A summary of property and equipment follows:

	<b>Unrestricted Fixed Assets</b>	<b>Temporarily Restricted Fixed Assets</b>	<b>Total Fixed Assets</b>
<b>Nondepreciable:</b>			
Land	\$ <u>2,129,774</u>	\$ <u>62,399</u>	\$ <u>2,192,173</u>
<b>Total Nondepreciable:</b>	<u>2,129,774</u>	<u>62,399</u>	<u>2,192,173</u>
<b>Depreciable:</b>			
Buildings	5,260,051	254,148	5,514,199
Leasehold Improvements	406,542	2,529,333	2,935,875
Furniture, fixtures and equipment	139,603	1,957,627	2,097,230
Vehicles	<u>355,831</u>	<u>609,448</u>	<u>965,279</u>
<b>Total Depreciable:</b>	<u>6,162,027</u>	<u>5,350,556</u>	<u>11,512,583</u>
Less accumulated depreciation	<u>(2,345,998)</u>	<u>(4,422,396)</u>	<u>(6,768,394)</u>
<b>Total Net Depreciable</b>	<u>3,816,029</u>	<u>928,160</u>	<u>4,744,189</u>
<b>Total Property and Equipment</b>	<u>\$5,945,803</u>	<u>\$ 990,559</u>	<u>\$ 6,936,362</u>

Depreciation expense for the fiscal year ended June 30, 2011 was \$587,040.

### **NOTE 5 LOAN COSTS**

Closing costs of \$31,116 were incurred and paid with unrestricted funds to secure financing with JP Morgan 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.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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		<b><u>Outstanding Balance as of June 30, 2011</u></b>
<b>NOTE 6</b>	<b><u>LINE OF CREDIT, BANK</u></b>	
	Line of credit to JPMorgan Chase Bank NA, Principal balance of \$250,000 due April 2012, interest rate equal to the LIBOR Rate plus 5.0%, interest rate of 5.35088% at June 30, 2011. The unused line of credit as of June 30, 2011 is \$250,000 The line of credit is collateralized by all the Organization's business assets.	<u>\$ -</u>
	Total interest incurred and charged to expense for the fiscal year ended June 30, 2011 on the line of credit, bank was \$0.	
		<b><u>Outstanding Balance as of June 30, 2011</u></b>
<b>NOTE 7</b>	<b><u>NOTES PAYABLE, FINANCIAL INSTITUTIONS</u></b>	
	Original amount of Note Payable was \$3,220,000 issued on January 2, 2008 Note payable to JPMorgan Chase Bank, NA due January 1, 2013, interest rate of 4.55% at June 30, 2011 (NOTE 8). Principal and interest of \$18,105 due monthly. The note is collateralized by all the Organization's business assets.	\$ 2,958,948
	Original amount of Note Payable was \$299,000 issued on August 11, 2008. Note payable to JPMorgan Chase Bank, NA due August 11, 2012, interest rate of 4.00% at June 30, 2011. Principal and interest of \$6,999 due monthly. The note is collateralized by all the Organization's business assets.	73,375
	Original amount of Note Payable was \$42,770 issued on October 28, 2009. Note payable to Ally Automotive Financing due November 2015, Interest at a rate of 9.99% at June 30, 2011. Principal and interest of \$795 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$38,944.	33,861

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

	<b>Outstanding Balance</b>
<b>NOTE 7</b>	<b><u>as of June 30, 2011</u></b>
<b><u>NOTES PAYABLE, FINANCIAL INSTITUTIONS (Continued)</u></b>	
Original amount of Note Payable was \$33,024 issued on June 8, 2010. Note payable to Ally Automotive Financing due June 2015, bearing interest at a rate of 0.00% at June 30, 2011. Principal and interest of \$550 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$28,345.	26,420
Original amount of Note Payable was \$33,200 issued on May 28, 2010. Note payable to Ally Automotive Financing due June 2015, bearing interest at a rate of 0.00% at June 30, 2011. Principal and interest of \$553 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$28,483.	26,560
Original amount of Note Payable was \$29,699 issued on November 20, 2009. Note payable to Ally Automotive Financing due December 2014, Interest at a rate of 10.79% at June 30, 2011. Principal and interest of \$645 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$20,294.	22,483
Original amount of Note Payable was \$27,500 issued on January 9, 2010. Note payable to Ally Automotive Financing due January 2015, interest at a rate of 9.99% at June 30, 2011. Principal and interest of \$587 due monthly. The note is collateralized by the vehicle financed by this note with a carrying value net of depreciation of \$23,206.	20,959
Original amount of Note Payable was \$24,999 issued on February 21, 2007 Notes payable to Ford Credit due July 2012, bearing interest at a rate of 0.00% at June 30, 2011. Principal and interest of \$417 due monthly. The note is collateralized by a vehicle financed by this note with a carrying value net of depreciation of \$2,289.	<u>3,750</u>
<b>Total</b>	<b><u>\$ 3,166,356</u></b>

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Total interest incurred and charged to expense for the fiscal year ended June 30, 2011 on the notes payable, financial institutions was \$149,859.

The interest effect for those notes payable with a 0% interest rate is considered immaterial to the financial statements.

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

June 30, 2012	\$ 189,381
June 30, 2013	115,112
June 30, 2014	2,826,089
June 30, 2015	27,826
June 30, 2016	<u>7,951</u>
Total	<u>\$ 3,166,356</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 (CHGA) 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 totaling \$1,095,986 consist of the net book value of temporarily restricted fixed assets of \$990,559 (NOTE 4) and unspent Child and Adult Care Food Program (CACFP) federal grant funds of \$105,426 as of June 30, 2011. During the year ended June 30, 2011, RMSER reclassified certain fixed assets previously included in Unrestricted Net Assets to Temporarily Restricted Net Assets. The net effect of this reclassification was \$37,000. The reclassification was a result of RMSER's analysis of the nature and amount of outstanding fixed asset restrictions.



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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 10      COMMITMENTS**

The Organization has obligations under operating lease agreements for vehicles, office/classroom space and equipment. Rent incurred and charged to expense for the period of June 30, 2011 is \$649,460

The following are the Organization's minimum future lease payments under non-cancelable operating lease agreements:

June 30, 2012	\$ 328,038
June 30, 2013	207,406
June 30, 2014	156,706
June 30, 2015	138,337
June 30, 2016	117,981
Thereafter	<u>65,950</u>
Total	<u>\$ 1,014,417</u>

**NOTE 11      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 Organizations matching contributions are calculated at 3% of the employee's eligible compensation plus 1/2% for each additional 1% contributed by the employee up to 5% for a maximum employer matching contribution of 4%.

The Organization contributed \$113,067 to the plan during the fiscal year ended June 30, 2011.

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, 2011.

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.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 12      CONTINGENCIES**

Management is aware that significant funding sources are contingent on compliance with Federal and State and Local grants. If noncompliance were to occur, expenditure funding could be revoked. As of June 30, 2011 management believes there are no noncompliance issues.

**NOTE 13      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. As of June 30, 2011 the contingent liability is \$115,633.

**NOTE 14      REIMBURSABLE 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

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 14**      **REIMBURSABLE EMPLOYER LIABILITY/STATE UNEMPLOYMENT TAX ACCRUAL**  
**(Continued)**

\$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. As of June 30, 2011 the contingent liability is \$490,062.

**NOTE 15**      **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. 68% of total revenue is earned from this Department. 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 16**      **CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2011, 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 Colorado Rural Workforce Consortium (CRWC). 12% of receivables are due from U.S. Department of Health and Human Services and 77% of total receivables are due from the CRWC.

Significant concentrations of credit risk exist arising from cash deposits in excess of federally insured limits. As of June 30, 2011 there were no cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC). This is due the diversity of banks and the 2010 Dodd-Frank Wall Street Reform and Consumer Protection Act that provides unlimited insurance coverage of noninterest-bearing transaction accounts. This unlimited coverage began for periods ending December 31, 2010 through periods ending December 31, 2012. All noninterest bearing transaction accounts are fully insured regardless of the balance of the account at all FDIC-insured transactions.

The Organization does not currently have a deposit policy to address these credit risks.

**NOTE 17**      **RELATED PARTY TRANSACTIONS**

On June 29, 2011 the Organization paid the non-profit entity Rocky Mountain Community Development Corporation (RMCDC) \$100,000 thereby establishing an Investment in RMCDC as of June 30, 2011. The nature of the payment is assistance in starting up the new entity which is wholly-owned by the Organization.

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

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 18      SUBSEQUENT EVENT**

Management has evaluated the subsequent events for the period from June 30, 2011 through the issuance date of December 20, 2011 which is the date that the financial statements are available for issuance. The Organization received several material federal grants subsequent to year end which will be recognized as grant revenue in the June 30, 2012 year. The grants are a recurring source of funding for the Organization.

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

<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 Formula	17.264	\$ 1,006,920
<b>Total Direct Funding</b>		<b>1,006,920</b>
<b><u>Passed through State of Colorado Department of Labor and Employment:</u></b>		
WIA Adult Program	17.258	418,817
WIA Adult Program-ARRA	17.258	43,243
<b>Total WIA Adult Program</b>	<b>17.258</b>	<b>462,060</b>
WIA Dislocated Workers	17.260	165,428
WIA Dislocated Workers-ARRA	17.260	14,098
<b>Total WIA Dislocated Workers</b>	<b>17.260</b>	<b>179,526</b>
<b>Total WIA Youth Activities</b>	<b>17.259</b>	<b>301,903</b>
<b>Total WIA Cluster</b>		<b>943,489</b>
<b>Total Colorado Department of Labor &amp; Employment</b>		<b>943,489</b>
<b><u>Passed through National SER</u></b>		
WIA-Older Workers Act Title V (Senior Community Service Employment Program)	17.235	16,548
<b>Total National SER</b>		<b>16,548</b>
<b>Total Pass-through Funding</b>		<b>960,037</b>
<b>TOTAL U. S. DEPARTMENT OF LABOR</b>		<b>1,966,957</b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
<b><u>Direct:</u></b>		
Total Head Start- ARRA	93.708	621,004
Total Head Start	93.600	19,331,677
<b>Total Direct Funding</b>		<b>19,952,681</b>
<b>TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<b>19,952,681</b>
<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	871,325
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<b>871,325</b>
<b>TOTAL FEDERAL EXPENDITURES</b>		<b>\$ 22,790,963</b>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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**NOTE 1:      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Rocky Mountain SER/ Jobs of Progress and 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 this schedule may differ from amounts presented in the financial statements.

**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  
Rocky Mountain SER/ Jobs for Progress, Inc,

We have audited the financial statements of Rocky Mountain SER/ Jobs for Progress, Inc. as of and for the year ended June 30, 2011, and have issued our report thereon dated December 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 Rocky Mountain SER/ Jobs for Progress, 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Rocky Mountain SER/ Jobs for Progress, Inc.'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control 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 the 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 certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting. (2011-1) A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention b chose charged with governance.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rocky Mountain SER/ Jobs for Progress, 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 object for 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 certain other matters that we reported to management of Rocky Mountain SER/ Jobs for Progress, Inc. in a separate letter dated December 20, 2011.

Rocky Mountain SER/ Jobs for Progress, Inc.'s responses to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Rocky Mountain SER/ Jobs for Progress, Inc.'s response and, accordingly, we express no opinion on it.

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

Denver, Colorado  
December 20, 2011

**PROFESSIONAL CORPORATION**



**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 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s major federal programs for the year ended June 30, 2011. Rocky Mountain SER/ Jobs for Progress, Inc.'s major federal programs are identified in the summary of auditors' 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s management. Our responsibility is to express an opinion on Rocky Mountain SER/ Jobs for Progress, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Government, 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Rocky Mountain SER/ Jobs for Progress, Inc.'s compliance with those requirements.

In our opinion, Rocky Mountain SER/ Jobs for Progress, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control Over Compliance**

Management of Rocky Mountain SER/ Jobs for Progress, Inc. 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our 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 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 Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over compliance.

*A deficiency in internal control over compliance* exist when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of the Board of Directors, Finance Committee, management, other within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Denver, Colorado  
December 20, 2011

**PROFESSIONAL CORPORATION**

**Rocky Mountain SER/ Jobs for Progress, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2011**

**FINDINGS – FINANCIAL STATEMENT AUDIT**

**2011-01 Grant Management**

**Condition:** During our audit of Rocky Mountain SER/Jobs for Progress, Inc. we noted that the organization lacked several customary federal grant management procedures, including grant accounting procedures and reconciliations, recalculations, preparation of the Schedule of Expenditures of Federal Awards, and monitoring of temporarily restricted net assets.

**Criteria:** The OMB A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance.

**Context:** An objective of internal control is to ensure that transactions are properly recorded and accounted for to permit the preparation of reliable financial statements.

**Effect:** The lack of certain grant management procedures resulted in the following adjustments and waived adjustments to the financial statements:

- Adjusting journal entries were proposed as a result of audit. These adjustments corrected the financial statement presentation of Federal Head Start grant revenue and Temporarily Restricted Federal CACFP grant revenue. These adjustments did not have a direct and material effect on compliance for the Single Audit
- We noted that Indirect Costs charged to Federal Grants are being calculated using a revenue base rather than adjusted direct costs as specified in the Indirect Cost Rate Agreement. The variance in this calculation was immaterial to the financial statements and the Single Audit for the current year.
- We noted an absence of periodic reconciliations of expenditures of federal awards to the general ledger.

**Recommendation:** We recommend that the Organization prepare a periodic interim Schedule of Expenditures of Federal Awards (SEFA) and reconcile federal reports to this SEFA and to the general ledger. We recommend making the adjustment for material amounts of unreimbursed federal expenditures (receivables) or reimbursements in excess of expenditures (temporary restricted net assets) as part of the month end closing process. We recommend an employee independent of the preparation process review all federal reports prior to submission to ensure completeness and accuracy. We recommend the Organization establish a procedure to ensure that indirect costs charged to grants do not differ materially from the requirements of the indirect cost agreement.

**Rocky Mountain SER/ Jobs for Progress, Inc.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**June 30, 2011**

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**Summary of Auditors' Results**

***Financial Statements***

Type of auditors' report issued:

***Unqualified***

Internal control over financial reporting:

- Material weakness 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   no

Type of auditors' 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 OMB Circular A-133?

\_\_\_\_\_ yes      X   no

***Identification of major programs:***

**93.600 Head Start**

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

**\$562,770**

Auditee qualified as low-risk auditee?

\_\_\_\_\_ Yes      X   no

Schedule of Prior Year Audit Findings:

***Included***

**Rocky Mountain SER/ Jobs for Progress, Inc.**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2011**

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

During our review of internal controls we did not come across this unique transaction during the June 30, 2011 audit. We did not note any significant internal control issues related to the nature of this transaction. This appeared to be an isolated situation. We did review the Organization' s Policy and Procedure Manual to see if the Grantee did follow-through with their response and we could not find updates addressing this issue. Grantee explained this change will be an addendum to the current Policy and Procedure Manual and are in the process of re-writing the manual to reflect this change.