

OFFICE OF PERFORMANCE MANAGEMENT & OVERSIGHT

FISCAL 2012 ANNUAL REPORT

The Office of Performance Management & Oversight (OPMO) measures the performance of all public and quasi-public entities engaged in economic development. All agencies are required to submit an Annual Report. The annual reports of each agency will be published on the official website of the Commonwealth, and be electronically submitted to the clerks of the senate and house of representatives, the chairs of the house and senate committees on ways and means and the house and senate chairs of the joint committee on economic development and emerging technologies.

1) AGENCY INFORMATION

Agency Name	Commonwealth Corporation		
Agency Head	Nancy Snyder	Title	President
Website	www.commcorp.org		
Address	2 Oliver Street, 5 th Floor, Boston, MA 02109		

2) MISSION STATEMENT

Please include the Mission Statement for your organization below.

Commonwealth Corporation strengthens the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organizations. We seek to meet the immediate and emerging needs of businesses and workers so they can thrive in our dynamic economy.

3) OPERATIONS AND ACCOMPLISHMENT DETAILS

Please provide details on the agency's operations and accomplishments for Fiscal Year 2012 as **Attachment A**. Questions 5 through 10 will provide guidance on the type of information required under Chapter 240 of the Acts of 2010.

4) ACCOUNTING

Please provide financial information for your agency. Below please give a summary of *Receipts and*

Expenditures during the fiscal year, and include the *Assets and Liabilities* at the end of the fiscal year. Please include the most recent audited financial report for the agency as **Attachment B**.

		AMOUNT
	Receipts	\$34,436,676
	Expenditures	\$34,436,676
	Assets	\$28,188,752
	Liabilities	\$27,381,626

5) INVESTMENTS OR GRANTS TO BUSINESSES OR INDIVIDUALS

Does your agency make **investments** and/or provide **grants** to businesses or individuals? **Yes x** **No**

If **Yes**, please provide detailed information on investments and/or grants made during FY12 in the Operations and Accomplishments Section of this report. Information should include the number, nature and amounts of investments made and grants awarded by your agency along with job, investment and/or other economic development impact. Please list the name(s) of the investment and/or grant programs offered by your agency in the space provided below:

Grants to businesses are made through the Workforce Training Fund General Program. List of grants is Appendix 1 to Attachment A.

6) DEBT OR EQUITY INVESTMENT DETAILS

Is your agency involved in **debt** or **equity investments** for businesses? **Yes** **No x**

If **Yes**, please provide detailed information on debt and/or equity investments made during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the debit and/or equity investments programs offered by your agency in the space provided below:

[Please enter the debt or equity investment details here.]

7) LOAN DETAILS

Is your agency involved in **real estate loans, working capital loans, or any other type of loan or guarantee**? **Yes** **No x**

If **Yes**, please provide detailed information on loan(s) and/or guarantee(s) made during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the types of loan(s) and/or guarantee(s) offered by your agency in the space provided below:

[Please enter the loan details here.]

8) OTHER FORMS OF FINANCING OR FINANCIAL ASSISTANCE?

If your agency provides any other form of financing or financial assistance please include FY12 details in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the types of other forms of financing offered by your agency in the space provided below:

N/A

9) PATENTS OR PRODUCTS

Does your agency track **patents** or **products** resulting from agency-funded activities? Yes No **X**
If **Yes**, please include details in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the agency-funded activities of your agency that promote patent and product advancement in the space provided below:

[Please enter the details on patents or products here.]

10) TECHNICAL ASSISTANCE

If your agency provides technical assistance, please provide detailed information on technical assistance provided during FY12 in the Operations and Accomplishments Section of this report along with job, investment and/or other economic development impact. Please list the name(s) of the technical assistance programs offered by your agency in the space provided below:

N/A

PLEASE NOTE:

THE FISCAL YEAR 2013 ANNUAL REPORT WILL REQUIRE DETAILS OF ABOVE MENTIONED CATEGORIES AS WELL AS PERFORMANCE TO PLAN AS OUTLINED IN YOUR AGENCY'S FISCAL 2013 BUSINESS PLAN. THE OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT WILL ANNUALLY RE-EVALUATE THE GOALS AND MEASURES ESTABLISHED BY THE AGENCIES. THE OFFICE WILL RECOMMEND CHANGES TO GOALS AND MEASURES AS ARE APPROPRIATE TO ALIGN WITH THE STATEWIDE ECONOMIC DEVELOPMENT POLICY AND PLAN.

FILING INSTRUCTIONS:

THE FISCAL YEAR 2012 REPORT IS DUE NO LATER THAN MONDAY, OCTOBER 1ST. AN ELECTRONIC COPY OF THE REPORT AND ATTACHMENTS A & B SHOULD BE E-MAILED TO ROB.ANDERSON@STATE.MA.US. THE OFFICE OF PERFORMANCE MANAGEMENT AND OVERSIGHT WILL REVIEW REPORTS PRIOR TO FILING WITH LEGISLATURE AND POSTING TO THE WEBSITE.

Attachment A

Commonwealth Corporation

OPMO FY 12 Annual Report

Operations and Accomplishment Details

Commonwealth Corporation's mission is to strengthen the skills of Massachusetts youth and adults by investing in innovative partnerships with industry, education and workforce organizations. We seek to meet the immediate and emerging needs of businesses and workers so they can thrive in our dynamic economy.

Our primary goals are to:

- Build regional industry training partnerships that serve two purposes: 1) to prepare youth and unemployed workers for jobs in-demand leading to higher rates of employment and 2) to upgrade the skills of underemployed workers to meet specific employer skill demands leading to job retention, upgrades and wage gains.
- Increase the share of youth engaged in education and employment pathways preparing them for post-secondary education and careers.

Commonwealth Corporation serves a unique role as a statewide quasi-public organization that creates and strengthens regional training, education and employment pathways for youth and adults to prepare for jobs in demand occupations, meeting the workforce needs of businesses. Commonwealth Corporation does not provide direct services to youth, adults or businesses. We advance our mission and goals through grant-making, technical assistance, research & evaluation that informs practice and policy, and the development and dissemination of tools, resources and models that enhance service delivery and performance.

The following highlights are presented in three sections: Investments in Training, Youth Employment and Pathway Development, and Research and Evaluation products.

Investments in Training

Workforce Training Fund – Commonwealth Corporation manages the General Program grants over \$50,000 on behalf of the Executive Office of Labor and Workforce Development. In the past year Commonwealth Corporation has worked with the Department of Career Services to revamp the program including the development of a rolling application, promotion of consortia applications, and 60-day turnaround of applications. We have also worked with EOLWD and DCS to promote the program to businesses across the Commonwealth Corporation. We provide technical assistance to companies who are interested in the program as well as to those who submitted an application that needed additional work in order to be awarded a grant.

During FY 12, Commonwealth Corporation awarded \$10,032,100 from the Workforce Training Fund General Program to 90 businesses. These grants will support the training of 11,022 workers and result in the creation of 1,595.5 jobs.

A full list of grantees and information about the grants is attached and labeled Appendix 1 to Attachment A.

State Energy Sector Partnership - The State Energy Sector Partnership grant was awarded to the Massachusetts Workforce Investment Board by the US Department of Labor in March 2010, and contracted to Commonwealth Corporation, to prepare new and incumbent workers for jobs in clean energy. Through this grant we work with five –sub-state partnerships and three union training programs to enroll, train and support placements and incumbent worker wage gains. The following highlights reflect cumulative performance measures from March 1, 2010 through June 30, 2012. This program will end June 30, 2013. Therefore outcomes will not be complete until that date.

- Enrolled 1,576 individuals in training; 879 of whom were unemployed at the time of enrollment and 697 of whom were employed at the time of enrollment (incumbent workers receiving skills upgrade training).
- Of the 879 unemployed individuals enrolled in training, 682 have completed training to date and 545 have been placed in employment.
- Of the 697 incumbent participants enrolled in skills upgrade training, 558 have completed training to date and 244 have received a wage increase, averaging \$3.29/hour.

New enrollments in FY12 total 766; new job placements in FY12 total 332, new wage increases in FY12 total 214.

Technical Assistance provided thorough the State Energy Sector Partnership

- Provided technical assistance and guidance to grantees to address any concerns and areas that need improvement as we move into the final year of our grant. This technical assistance included one-on-one meetings with job developers to discuss the status of specific participants and to problem solve and develop strategies to place participants that have not yet secured employment.
- Planned and hosted a Job Development Strategy Session on November 3rd. The target audience was job developers and other project staff responsible for placing SESP participants into clean energy jobs. The goal of the Strategy Session was to review grant requirements and expectations of job placement and development and to facilitate discussions among job developers about challenges, roadblocks, successful strategies and approaches to job placement and development.
- To continue to support this learning community of job developers, we hosted a series of monthly conference calls to engage the job developers in strategy development and refinement and to provide an outlet for sharing of success and challenges. The topics of the monthly conference calls included:
 - Making the Employer Connection
 - Working with Industry Associations
 - Linked in for Job Search
 - Ask the Employer
 - CORI & Job Development

Transitional Employment Programs - EOLWD has invested \$1.35 million in 7 Transitional Employment programs across Massachusetts as part of EOLWD's larger strategy to support those who are unemployed. As a model, Transitional Employment offers a level of support and wrap around services to meet the needs of young people and adults who would have a challenging time obtaining employment, even in a less challenging economy. GED preparation, ESL classes, occupational certifications such as OSHA and ServSafe, financial literacy courses and legal counseling are just a few of the program elements that Transitional Employment Initiative grantees are utilizing to bolster the skills of the hardest to employ. By providing workforce training, quality education and remediation, case management and other supports, subsidized employment and help with advancing into unsubsidized employment, transitional employment clients are much better positioned for long term success.

General:

- The Transitional Employment grant initiative supports 7 programs for Massachusetts residents who are either: 1) youth ages 17 to 24 who are disconnected from school and work or 2) chronically unemployed adults age 25 and older.
- \$1.35 million total funds were awarded to train 259 participants across the state from April 1, 2011 to June 30, 2013.

Transitional Employment Themes:

- The transitional employment model supports individuals with multiple barriers to employment such as lacking education and work history, homelessness, CORIs, etc.
- Experiential training allows participants paid hands-on "practice" of work readiness, occupational and life skills at a job site.
- Wrap-around case management supports such as GED prep/classes, tutoring, childcare, transportation, ESOL/ESL classes, mental health care are consistent throughout the program to assist in long term employment retention.

Youth Employment and Pathway Development

YouthWorks - Commonwealth Corporation administers the YouthWorks program, which is funded through the state budget and subsidizes employment for low-income youth ages 14-21. In FY 12, \$ 8.4 million supported 4,371 youth in summer employment experiences and 602 youth in year-round employment experiences in 25 cities and towns across the state. Required activities for any participating young person included work readiness skills and occupational safety training, in addition to formal employment. The report from the 2011 summer and 2012 year-round program provides detailed information about the demographics of the participating young people and the sectors and occupations in which they worked.

http://www.commcorp.org/resources/documents/YouthWorks%2002-14-2012_final.pdf

Employer Engagement - Commonwealth Corporation conducted training of workforce and youth-serving organizations about strategies and tools to engage employers in youth employment activities. We seeded development of innovative youth employment pilots in North Shore, North Central and Berkshire regions of the state.

Work Readiness - Commonwealth Corporation developed, tested and disseminated the *Empowering Your Future Curriculum* to youth-serving agencies, schools and juvenile justice institutions across the Commonwealth to strengthen the career readiness of young people. <http://64.78.33.48/resources/documents/Empower%20Your%20Future%20-%20Career%20Readiness%20Curriculum%20Guide%202010.pdf>

Teen Employment Study - Commonwealth Corporation partnered with Drexel University Center on Labor Markets and Policy to study the underlying causes of the decline in youth employment rates. In 1999, 53% of all Massachusetts teens were employed and by 2011, only 32% were employed. In order to improve our understanding of this dramatic decline, we surveyed, interviewed or conducted focus groups with nearly 200 employers to identify underlying causes of 12-year decline in teen employment rates. We focused on employers from industries that have historically hired teens, including retail, supermarkets, fast food, banking, and long term care. The study focused on five areas: perceptions of teens’ hard skills, perceptions of teens’ work behaviors, effect on hiring of teen employment laws, factors affecting hiring decisions, employer hiring preferences. We are developing a report that summarizes the study’s findings for release in FY 13.

Juvenile Justice Re-Entry Programs - Commonwealth Corporation is under contract to the Massachusetts Department of Youth Services to provide education services to youth who are in DYS residential programs, and provide career and employability services to youth as they return to their home communities. Commonwealth Corporation’s Bridging the Opportunity Gap initiative provides comprehensive employability services including innovative and high quality career readiness, vocational and work-based training, industry certifications and subsidized employment experiences. There are three different programs delivered under the BOG approach:

- A BOG Summer Employment program, focusing on summer jobs for youth who are in DYS custody but who have been released to the community;
- A BOG year-round program that provides career development and subsidized employment in the after-school hours; and
- a Community Reentry Grant component that provides financial literacy, arts and cultural programming, socio-emotional programs, career exploration, entrepreneurship, educational programming and the piloting of smaller employability programs that do not have the same requirements as the larger, more structured, BOG programs.

Program participation is summarized in the table below.

Program	Number of Grantees	# DYS Youth Served
Summer youth employment	9	117

BOG year-round	12	192
Community re-entry grants	6	134
Totals all programs	27	396

Complete details about participation and outcomes are included in Commonwealth Corporation's BOG evaluation report, which will be posted on the Commonwealth Corporation website after October 1, 2012.

Research Products and Convening

Skills Gap: Supply and Demand in the Massachusetts Economy - Commonwealth Corporation is partnering with the Federal Reserve Bank of Boston's New England Public Policy Center to develop 8 regional Labor Market Profiles and the release of those profiles at events across the state called Skills Gap: Supply and Demand in the Massachusetts Economy. We launched the series in June 2012 with an event and release of the MetroSouth/West Labor Market Profile. The intent of the Skills Gap series is to identify areas in which labor demand and supply from training and post-secondary education programs are not well aligned. The data and convening's intended to regional workforce development planning activities. The labor market profiles document ten-year trends in the demographic composition of the region's labor force, employment trends and the pipeline of graduates from post-secondary institutions in the region.

http://www.commcorp.org/resources/documents/MetroSouthWest_06.2012.pdf

http://www.commcorp.org/resources/documents/Berkshire_09.2012.pdf

The Increased Presence of Older Workers in the Massachusetts Labor Market - Commonwealth Corporation commissioned this report from the Drexel University Center on Labor Markets and Policy to document the aging of the Massachusetts workforce, looking at the demographic trends by region, industry and occupational area. We released this report at an event in July 2011, featuring a panel of experts on aging and disability in the workplace and older worker retention

strategies. [http://www.commcorp.org/resources/documents/Increased%20Presence%20of%20Older%20Workers%20\(print%20version\)%207.2011.pdf](http://www.commcorp.org/resources/documents/Increased%20Presence%20of%20Older%20Workers%20(print%20version)%207.2011.pdf)

Retaining Older Workers: Practical Strategies for Workforce Development Leaders - Commonwealth Corporation released this report that featured the lessons learned from seven pilots to develop plans to retain older workers in 3 health care, 2 manufacturing and 2 higher education employers in the Commonwealth. This report highlights the process used to engage older workers in the planning process, identification of issues raised by older workers and the strategies identified in each pilot site. This report was also released at the July

convening. [http://www.commcorp.org/resources/documents/Retaining%20Older%20Workers%20\(print%20version\)%207.2011.pdf](http://www.commcorp.org/resources/documents/Retaining%20Older%20Workers%20(print%20version)%207.2011.pdf)

Measuring Business Impact – Commonwealth Corporation released a report and guidebook in November 2011 at a convening of workforce and education professionals. The MBI report cites lessons learned as well as case studies about how investments from the Workforce Competitiveness Trust Fund benefited employers through sector partnerships. The Guidebook is a how-to document for workforce professionals that provides a step-by-step description of how to identify, agree upon and measure business impact goals in workforce development programs. <http://www.commcorp.org/resources/documents/Measuring%20Business%20Impact%20-%20Lessons%20Learned%2009.20111.pdf>

http://www.commcorp.org/resources/documents/MBI_Guidebook_1215.pdf

Regional Workforce Investment Profiles – the Workforce Profiles report provides information about how workforce development resources are allocated by region of the state and by emerging, transitional or incumbent worker programs. <http://www.commcorp.org/resources/documents/FY2011%20Workforce%20Investment%20Profiles%20final%20revised%200510212.pdf>

ATTACHMENT A, APPENDIX 1: FY12 Workforce Training Fund Program Grants

#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
1	Abbott-Action Inc.	CANTON	\$ 69,140	83	5	4/1/2012
2	Affordable Interior Systems, Inc.	Hudson	\$242,100	268	43	10/1/2011
3	AHEARN EQUIPMENT INC	Spencer	\$ 58,855	33	8	10/1/2011
4	Alden Research Laboratory Inc.	Holden	\$119,700	78	5	3/1/2012
5	American Alarm & Communication	Arlington	\$ 56,805	147	6	11/3/2011
6	ANDERSON POWER PRODUCTS INC	STERLING	\$ 69,300	72	25	7/1/2011
7	ARMetallizing, Ltd (formerly Scholle Corporation,dba- Vacumet Corp)	Franklin	\$134,200	97	4	11/1/2011
8	ARROW INTERVENTIONAL INC (DBA Teleflex Medical)	Everett	\$139,545	120	10	11/28/2011
9	ASTRO CHEMICALS INC	SPRINGFIELD	\$ 51,705	49	0	11/8/2011
10	Atlas Water systems, Inc.	Waltham	\$ 70,395	64	10	9/1/2011
11	AUTOPART INTERNATIONAL INC	NORTON	\$248,744	395	40	8/15/2011
12	Axel Photonics	Marlborough	\$ 80,200	38	9	3/15/2012
13	BEAVER VISITEC	WALTHAM	\$ 96,714	129	15	2/1/2012
14	BERN OPTICS, INC.	WESTFIELD	\$ 82,500	46	4	5/21/2012
15	Black Duck Software	Burlington	\$78,550	85	55	2/15/2012
16	BLUE COD TECHNOLOGIES, INC.	MARLBOROUGH	\$ 82,091	71	50	4/15/2012

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#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
17	Brainin Advance Industries LLC	Attleboro	\$128,400	160	12	10/6/2011
18	BRIDGE ENERGY GROUP INC	MARLBOROUGH	\$ 51,505	30	40	7/1/2011
19	BRIDGEWATER GODDARD PARK MED ASSOC INC	BROCKTON	\$164,470	327	12	9/1/2011
20	BRISTOL COUNTY SAVINGS BANK	TAUNTON	\$227,069	252	8	11/1/2011
21	CAMBRIDGE TRUST COMPANY	Cambridge	\$128,260	145	13	6/6/2012
22	Candela Corporation	Wayland	\$114,775	89	10	1/1/2012
23	CELL SIGNALING TECHNOLOGY INC	DANVERS	\$ 81,425	69	31	11/1/2011
24	Central Massachusetts WIB (Consortium Lead)	Worcester	\$103,675	115	12	6/14/2012
25	CITY OF BOSTON CREDIT UNION	BOSTON	\$ 58,825	51	5	6/18/2012
26	Classic Envelope, Inc.	Douglas	\$ 51,675	80	6	10/3/2011
27	Communications & Power Industries	Beverly	\$243,400	260	30	10/1/2011
28	Crescent Credit Union	Brockton	\$ 67,076	119	6	3/1/2012
29	DARN IT ! CO INC	NEW BEDFORD	\$ 90,000	50	17	8/8/2011
30	dataCon, Inc.	Burlington	\$131,500	45	0	9/1/2011
31	Delta Electronics Mfg. Corp.	Beverly	\$144,000	131	10	10/1/2011
32	DION LABEL PRINTING INC	WESTFIELD	\$ 60,902	60	4	7/1/2011

ATTACHMENT A, APPENDIX 1: FY12 Workforce Training Fund Program Grants

#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
33	Dunkin Donuts Northeast Distribution Center	Bellingham	\$167,620	388	20.5	5/1/2012
34	E.A. Dion, Inc.	Attleboro	\$168,600	93	10	8/25/2011
35	Emond Plumbing & Heating	TAUNTON	\$ 97,536	110	110	4/15/2012
36	ENE SYSTEMS INC	CANTON	\$100,550	135	10	9/1/2011
37	EnerNOC INC	BOSTON	\$249,498	180	100	9/15/2011
38	Enterprise Bank and Trust Company	Lowell	\$ 29,051	202	30	10/1/2011
39	FETCO HOME DECOR INC	RANDOLPH	\$ 64,395	71	10	7/13/2011
40	Garlock Printing & Converting Corporation	Gardner	\$201,900	285	20	10/1/2011
41	GEORGE H DEAN	BRAINTREE	\$124,150	47	3	5/21/2012
42	GFA Federal Credit Union	Gardner	\$ 69,165	92	10	9/1/2011
43	HOLMED CORP.	SOUTH EASTON	\$ 59,500	55	5	4/12/2012
44	HTP INC	EAST FREETOWN	\$162,925	160	14	9/23/2011
45	INTEGRATED IT SOLUTIONS INC	WALTHAM	\$ 75,129	42	2	7/1/2011
46	ITT Cleveland Motion Controls	Billerica	\$ 99,610	35	4	6/1/2012
47	Jacqueline's Wholesale Bakery Inc.	SALEM	\$ 85,818	73	13	6/25/2012
48	Kayem Foods, Inc.	Chelsea	\$114,280	433	0	10/3/2011
49	KIVA SYSTEMS	North Reading	\$ 82,640	50	40	11/7/2011
50	Kripalu Center for Yoga & Health	Stockbridge	\$144,700	169	5	1/1/2012

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#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
51	LIGHT TOWER MANAGEMENT INC (DBA LIGHTTOWER FIBER NETWORKS)	BOXBOROUGH	\$ 93,349	110	50	3/1/2012
52	LONGWOOD EVENTS INC	BROOKLINE	\$ 99,500	100	50	7/15/2011
53	LYTRON INC	WOBURN	\$106,800	171	8	11/1/2011
54	MASS PARK INC	Springfield	\$ 80,125	190	6	8/1/2011
55	Massachusetts Restaurant Association	Southborough	\$104,088	40	0	8/1/2011
56	McCourt Construction	Boston	\$ 91,978	130	0	5/1/2012
57	McNairn Packaging, Inc.	WESTFIELD	\$ 92,800	111	10	7/1/2011
58	MCS Laser Services Inc.	Westford	\$61,200	32	4	4/16/2012
59	METALOR TECHNOLOGIES USA CORP	N ATTLEBORO	\$ 86,400	52	10	1/1/2012
60	Metro South Chamber of Commerce	Brockton	\$249,234	70	20	4/2/2012
61	Metropolitan Property & Casualty Insurance Co.	Lowell	\$ 50,940	104	0	8/1/2011
62	MICROGROUP INC	MEDWAY	\$ 70,035	150	3	11/28/2011
63	MicroTest Laboratories Inc.	Agawam	\$134,982	84	10	7/13/2011
64	NEW ENGLAND BIOLABS INC	IPSWICH	\$ 55,450	262	10	10/1/2011
65	Northstar Recycling Group	Springfield	\$ 92,050	45	4	5/1/2012
66	ONBRAND24 INC	BEVERLY	\$ 95,700	50	0	7/11/2011
67	ONYX SPECIALTY PAPERS, INC.	SOUTH LEE	\$136,587	54	8	8/15/2011
68	Optometrics Corporation	Ayer	\$ 70,504	44	10	8/15/2011

ATTACHMENT A, APPENDIX 1: FY12 Workforce Training Fund Program Grants

#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
69	PASCAL INDUSTRIES INC (DBA E Y Technologies)	Fall River	\$ 74,500	48	0	7/23/2011
70	Polartec, LLC	Lawrence	\$104,940	60	2	10/17/2011
71	R H WHITE COMPANIES INC	AUBURN	\$125,625	145	25	10/1/2011
72	SENSITECH INC	BEVERLY	\$ 98,024	144	10	8/15/2011
73	SERACARE LIFE SCIENCES INC	MILFORD	\$160,300	109	6	11/1/2011
74	SIDEKIM FOODS LLC	LYNN	\$ 72,000	40	6	11/14/2011
75	SIE COMPUTING SOLUTIONS INC	Brockton	\$120,692	80	10	11/1/2011
76	SMC LTD	STERLING	\$149,675	115	10	11/28/2011
77	Smithers Viscient (formerly SPRINGBORN SMITHERS LABORATORIES LLC)	WAREHAM	\$100,000	28	13	4/1/2012
78	SOUNDBITE COMMUNICATIONS INC	BEDFORD	\$ 55,000	82	2	2/1/2012
79	SPECTRUM LIGHTING INC	FALL RIVER	\$ 58,810	117	10	3/14/2012
80	STELLAR RESTAURANT GROUP (DBA BOLOCO)	BOSTON	\$130,900	247	67	10/25/2011
81	SULLIVAN & MCLAUGHLIN ELEC. CONTRACTORS INC.	DORCHESTER	\$177,376	200	29	7/15/2011
82	TECOMET INC	WILMINGTON	\$150,208	198	50	10/21/2011
83	UNIVERSAL TECHNICAL INSTITUTE OF AZ INC (DBA Universal Technical Institute)	Norwood	\$126,175	83	5	10/1/2011
84	Verdasys Inc.	Waltham	\$ 75,600	90	8	5/1/2012

ATTACHMENT A, APPENDIX 1: FY12 Workforce Training Fund Program Grants

#	Grantee Name	City	Award	# to be trained	# of Projected New Jobs (FTE)	Contract Start
85	VISTAPRINT USA INC	LEXINGTON	\$172,375	375	125	10/11/2011
86	VOLCANO CORP	Billerica	\$125,542	130	48	12/1/2011
87	WADDINGTON NORTH AMERICA INC	CHELMSFORD	\$216,558	210	6	8/1/2011
88	WEBSTER FIRST FEDERAL CREDIT UNION	WORCESTER	\$129,902	162	25	11/1/2011
89	WSI CORPORATION	ANDOVER	\$149,509	160	20	11/7/2011
90	ZEPTOMETRIX CORP	Franklin	\$ 62,100	22	4	9/19/2011
TOTAL			\$10,032,100	11,022	1,595.5	

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

**FINANCIAL STATEMENTS AND
MANAGEMENT'S DISCUSSION AND ANALYSIS**

JUNE 30, 2011 AND 2010



COMMONWEALTH CORPORATION

Financial Statements

June 30, 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Commonwealth Corporation
Boston, Massachusetts

We have audited the accompanying statements of net assets of Commonwealth Corporation as of June 30, 2011 and 2010 and the related statements of revenues, expenses, and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of Commonwealth Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Commonwealth Corporation as of June 30, 2011 and 2010, and its changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2011, on our consideration of Commonwealth Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 audits.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information beginning on page 3 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Commonwealth Corporation's basic financial statements. The accompanying combining schedule of net assets as of June 30, 2011 and combining schedule of revenue, expenses and changes in net assets for the year then ended, are presented for purposes of additional analysis and are not a required part of the basic 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 also not a required part of the basic financial statements. The combining schedule of net assets, combining schedule of revenue, expenses, and changes in net assets and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate 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 basic 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 basic financial statements as a whole.

O'Connor & Drew, P.C.

Certified Public Accountants

October 27, 2011

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis

For the Year Ended June 30, 2011

(Unaudited)

Commonwealth Corporation's financial analysis provides an overview of the corporation's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with Commonwealth Corporation's financial statements and related footnotes, which begin on page 17.

Basic Financial Statements

This annual report consists of a series of financial statements. In accordance with *Governmental Accounting Standard Board Statement No. 34 Basic Financial Statement - Management's Discussion and Analysis - for State and Local Governments* (GASB No. 34), Commonwealth Corporation is considered a quasi-public entity that engages in only business type activities. In accordance with GASB No. 34, Commonwealth Corporation issues a Statement of Net Assets, a Statement of Revenues, Expenses, and Changes in Net Assets and a Statement of Cash Flows. These statements provide information about the financial activities of Commonwealth Corporation, as a whole. Combining schedules showing the consolidation of restricted and unrestricted funds are included as supplemental information and presented after the notes to the financial statements.

The Corporation as a Whole

Commonwealth Corporation is a quasi-public agency established by the Commonwealth of Massachusetts ("the Commonwealth") and signed into law by the Governor on August 13, 1996. Commonwealth Corporation is the result of a merger on July 1, 1996 of the former Industrial Services Program (ISP) and the former Bay State Skills Corporation, quasi-public agencies of the Commonwealth. Commonwealth Corporation is governed, and its corporate powers exercised, by a Board of Directors whose members are appointed for a fixed term by the Governor of the Commonwealth. Commonwealth Corporation is a component unit of the Commonwealth and, as such, its financial statements are included in the Commonwealth's financial statements.

Commonwealth Corporation's mission statement reads:

"To build upward mobility pathways for youth and adults to prepare for high demand jobs, in concert with regional and state partners."

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

Commonwealth Corporation advances its mission through four priorities:

- ❖ to close the skills gap,
- ❖ to enhance the youth pipeline,
- ❖ to build a high performance workforce system, and
- ❖ to build a strong and healthy organization.

The work is carried out in four primary ways:

- **Grant Management:** We design, fund and manage programs that address regional challenges with public dollars.
- **Convening and Technical Assistance:** We bring regional leaders together to shape strategies to address critical workforce challenges including expanding educational capacity to meet regional skill demands, increasing teen employment opportunities and building pathways for at-risk youth to attain a high school credential.
- **Research:** We provide high quality data to state and regional leaders that highlight critical labor market trends and workforce challenges.
- **Evaluation and Performance Accountability:** We evaluate workforce programs that are funded with public dollars and produce performance accountability reports that include an annual performance accountability report and Regional Workforce Profiles.

Commonwealth Corporation is organized into three specific program divisions:

- ❖ Youth Pathways: The Youth Pathways Division works to expand learning and career development opportunities for youth, to help young people make successful transitions to adulthood and become vital contributors to their communities. The division focuses on serving those who are at risk of not completing high school, entering post-secondary education or training, or acquiring the skills necessary for success in the demanding, high-skills economy of the twenty-first century.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

The division encompasses a number of programs and initiatives, including (a) YouthWorks (summer and year-round subsidized employment); (b) multiple education and employment pathways (planned sequences of learning and work experiences for youth); and (c) the Commonwealth of Massachusetts, Department of Youth Services (DYS) Partnership (a comprehensive education and workforce development system for young people who are placed in DYS custody by the juvenile courts).

- ❖ *Sector & Regional Strategies:* Sector & Regional Strategies provides technical assistance and support to partnerships between businesses, educational institutions, community-based organizations and workforce-development organizations that design and manage programs to prepare the Commonwealth's residents for high demand jobs in key industry sectors. The Sector & Regional Strategies team manages the Workforce Competitiveness Trust Fund, the Extended Care Career Ladder Initiative, Workforce Investment Act discretionary workforce development funds, the State Energy Sector Partnership and targeted programs in partnership with other state agencies, such as the Learn At Work Grants, which are co-designed and managed with the Department of Elementary and Secondary Education, Division of Adult and Community Learning Services.

- ❖ *Applied Research & Evaluation:* Applied Research & Evaluation carries out a number of research, evaluation and performance accountability projects. These projects include evaluation activities measuring the success of the Workforce Competitiveness Trust Fund, the Extended Care Career Ladder Initiative and Department of Youth Services' re-entry programs, evaluations for workforce programs operated by other state agencies and the production of two annual reports: The Performance Accountability Report and The Regional Workforce Profiles. The Applied Research & Evaluation Team also carries-out research to inform workforce development and youth pathway policies, strategies and programs.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets include all assets, liabilities, revenue, and expenses of the Corporation, as a whole. This activity is recorded using the economic resources measurement focus and the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Under the accrual basis of accounting, all revenue and expenses are recognized when incurred regardless of when the cash is paid or received. Additionally, these statements report net assets and changes in them. The Corporation's net assets, the difference between assets and liabilities, represents one way to measure Commonwealth Corporation's financial health and its financial position. Over time, increases or decreases in a corporation's net assets are one indicator of whether a corporation's financial health is improving or declining. You will also need to consider other non-financial factors when considering the overall financial health of Commonwealth Corporation.

The combining Schedule of Revenues, Expenses, and Changes in Net Assets shown within this report accounts for two basic fund groups, the Unrestricted Fund and the Restricted Fund. The Unrestricted Fund has two components entitled the General Fund and the Indirect Cost Pool. The Restricted Fund has one component entitled Grants/Contracts Fund. Brief explanations of these fund categories are as follows:

- ❖ **Unrestricted Fund**: This fund group is unrestricted in nature, and the assets of this fund have no external restrictions imposed upon the use of these assets.
 - **General Fund**: This component accounts for unrestricted financial activity that is not specific to other funds.
 - **Indirect Cost Pool**: This component includes costs that are not identifiable with a particular cost objective but are necessary to the general operation of the corporation. Commonwealth Corporation's four indirect cost pools are Corporate General and Administrative (G&A), Field (sub-contract) G&A, Facilities and Information Technology.
- ❖ **Restricted Funds**: This fund group includes resources that are to be expended for specified purposes as determined by grantor agreements, contractual terms & conditions, and donor/foundation requirements.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

- Grant/Contract Funds: These types of funds are restrictive in nature and make up the largest source of financial support to Commonwealth Corporation. Grant/Contract funding comes from agencies of the Commonwealth of Massachusetts, the Federal Government, and from private sources such as foundations and donors.

**The Statement of Net Assets:
Condensed Financial information**

- ❖ The Statement of Net Assets shows the reader comparative financial data from the current and previous fiscal years. By reviewing the Statement of Net Assets you will see:
 - Total assets increased by approximately \$6.60 million dollars bringing the amount to \$18.24 million dollars;
 - Total liabilities increased by approximately \$6.56 million dollars bringing the amount to \$17.37 million dollars;
 - The net assets balance of \$875,887 increased slightly by \$6,016. This increase is from MMDT interest.
- ❖ During fiscal year 2011, there was a corresponding increase within the groupings of the Statement of Net Assets – Total Assets and Total Liabilities. This 1-for-1 trend is the result of either new funding initiatives or utilization of existing contracts.
 - Funding sources for new initiatives:
 - The Commonwealth of Massachusetts,
 - A major new source of revenue awarded to Commonwealth Corporation during fiscal year 2011, was the Workforce Training Fund (WTF).
 - The Federal Government,
 - Boston Foundation,
 - Fee-for-service.
- ❖ The approximate \$6.60 million dollar increase in total assets of \$18.24 million dollars comes primarily from increases in “Cash and equivalents” of approximately \$6.64 million dollars.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

- As mentioned above, the major addition to cash is from receipt of \$10.50 million dollars for the WTF grant. At June 30, 2011, the cash balance for this grant equaled approximately \$10.44 million dollars.
 - The Workforce Competitive Trust Fund (WCTF) had a reduction in cash of approximately \$2.79 million dollars,
 - The Clean Energy Workforce Training Capacity Building grant had a reduction in cash of approximately \$697,000,
 - The Extended Care Career Ladder Initiative (ECCLI) had a reduction in cash of approximately \$554,000,
 - The Summer Jobs – Youth-at-Risk program had an increase in cash of approximately \$416,000,
 - Private revenue sources had reduction in cash of approximately \$178,000,
 - Other grants had an increase in cash of approximately \$2,000.
- ❖ The total liabilities of approximately \$17.37 million dollars are a 1-for-1 increase of approximately \$6.60 million dollars over total assets. Total liabilities increased due to the following factors:
- An increase in deferred revenue of approximately \$7.24 million dollars, which comes from:
 - Increase from WTF new funding - approximately \$10.44 million dollars,
 - Decrease from WCTF - approximately \$2.20 million dollars,
 - Decrease from the Clean Energy Workforce Training Capacity Building grant – approximately \$620,000,
 - Decrease from ECCLI – approximately \$468,000
 - Increase from other grants of approximately \$90,000.
 - A decrease of approximately \$664,000 in accounts payable, which comes from:
 - An increase from the American Recovery & Reinvestment Act (ARRA) and the Workforce Investment Act (WIA) of approximately 549,000,
 - A decrease from the Department of Youth Services State and Federal grant of approximately \$389,000,
 - A decrease from the WCTF of approximately \$592,000,
 - Decreases from other State grants of approximately \$223,000.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

The Statement of Revenues, Expenses and Changes in Net Assets along with an Analysis of Significant Variation between Original and Final Budgeted Amounts are discussed below.

The Statement of Revenues, Expenses and Changes in Net Assets (page 18)

Operating Revenues totaling \$34.77 million dollars in fiscal year 2011, increased by \$886,648 as compared to the previous fiscal year's total of \$33.88 million.

Grant revenue is deferred until expenses are recorded. Revenue exceeding or falling short of budget does not necessarily represent actual income or cash flow increases or decreases, but indicates actual expenses exceeding or falling short of budget.

Other income represents deferred fee-for-service revenue.

Interest income represents total fiscal year interest earned.

➤ **Operating Expenses:**

1. Sub-grantee contracts in the amount of \$29.46 million increased by \$964,084 (3.38%) as compared to the \$28.50 million dollars of sub-grantee contracts awarded during fiscal year 2010:

<u>Fund Description</u>	<u>Fund</u>	<u>FY11</u>	<u>FY10</u>	<u>\$ Var.</u>
Workforce Competitive Trust Fund	1234	\$ 1,884,857	\$ 4,754,018	\$ (2,869,161)
Clean Energy Workforce Training Capacity Building	2060	543,087	346,060	197,027
Summer Jobs Programs Youth at Risk	23xx	6,695,708	6,518,962	176,746
Career Ladder Grant Long Term Care (ECCL)	311x	354,436	856,706	(502,270)
DYS Direct Care - Youth State Funds	360x	10,397,712	10,036,794	360,918
DYS Other - Youth State Funds	36xx	826,030	836,465	(10,435)
DYS Other - Youth Federal Funds	66xx	806,606	1,189,043	(382,437)
American Recovery Act – EOPPS-BYRNE	6001	-	2,626,510	(2,626,510)
American Recovery Act – Discretionary WIA	6320	5,734,373	765,627	4,968,746
DHHS Strengthening Communities Fund	6720	122,500	-	122,500
State Energy Sector Partnership (SESP)	6850	2,002,399	-	2,002,399
WIA 10% - Job Guides Development	7010	-	200,000	(200,000)
LF Middle School Laptop Initiative	2531	30,059	130,348	(100,289)
Other Funding Streams – Miscellaneous	xxxx	66,916	240,066	(173,150)
		<u>\$ 29,464,683</u>	<u>\$ 28,500,599</u>	<u>\$ 964,084</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

2. Salaries & wages combined with fringe benefits in the amount of \$3.77 million dollars decreased by \$149,245 (3.81%) as compared to the previous year total of \$3.92 million dollars:
 - Sector Strategies increased salaries/ fringe by \$85,631.
 - New staff was hired to manage the Workforce Training Fund.
 - Youth Pathways reduced salaries/ fringe by \$170,351.
 - Applied Research increased salaries/ fringe by \$5,563.
 - Administration reduced salaries/ fringe by \$70,088
3. Professional Services increased by \$27,661(3.75%).
4. Equipment and facilities decreased by \$178,266 (23.89%) as compared to the previous year:
 - In fiscal year 2011 a \$55,000 lease was discontinued with EDIC of Boston. This was for a DYS funded community school managed by the Boston Public School system.
 - Sub-leasing Mezzanine office space to the Massachusetts Growth Capital Corporation (MGCC) contributed to a rent reduction of \$37,972.
 - The remainder can be accounted for through a general reduction in fiscal year 2011 information technology cost, utilities and telephone expenditures.
5. Office expenses decreased by \$4,444 (4.42%).
6. Travel expenses decreased by \$15,929 (19.17%).
7. Other Program Expenses increased by \$5,378 (19.52%).
 - Additional FY 2011 stipends were paid out to youth program participants.
8. Depreciation increased by \$189 (.69%).
9. Meetings and conferences decreased by \$19,306 (42.10%).
10. Indirect allocation charges to the Economic Stabilization Trust (EST) decreased from \$316,437 in FY 2010 to \$55,754 in FY 2011.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

- The EST and Commonwealth Corporation's previously integrated accounting systems were separated from each other, effective October 1st, 2011. The EST indirect operating expense allocation represents one quarter opposed to a full year indirect cost allocation in FY2010.
- Net Operating Income: The main source of corporate net income is the interest on funds without any interest restrictions. Funds with interest restrictions are Federal funds and any other funds that require any investment earned on the assets of the fund to be credited to the fund.

The unrestricted interest yielded through the Massachusetts Municipal Depository Trust (MMDT) decreased by \$4,157. On June 30th 2010 the thirty day MMDT yield was 0.33%, on June 30th 2011 this yield factor was 0.23%. The cash ratio of unrestricted funding versus restricted funding declined to a lower level in FY2011.

Investment options for Commonwealth Corporation are not favorable, as has been the case for the last few years. A basic guideline in our investment approach is stability. Because of this, MMDT has been selected as our investment vehicle of choice. MMDT was established in 1977 as an alternative investment vehicle for local governments. It allows the State Treasurer to offer participation to agencies, authorities, cities, towns and other public entities within the Commonwealth.

- Net Assets: End of year net assets increased (by the amount of net operating income) from \$869,871 to \$875,887. The table below shows the increases of the end of year net assets over the last seven years:

FY 2011	\$875,887
FY 2010	\$869,871
FY 2009	\$859,698
FY 2008	\$842,043
FY 2007	\$770,049
FY 2006	\$725,768
FY 2005	\$640,169

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

Analysis of Significant Variations between Original and Final Budget Amounts

<u>Corporate Summary</u>	(1)	(2)	(1-2)
<u>Description</u>	<u>June 30th</u>	<u>June 30th</u>	
	<u>Expenses</u>	<u>Budget</u>	<u>\$ Var.</u>
<u>Expenses</u>			
Salaries & Fringe Benefits	\$ 3,771,620	\$ 3,880,605	\$ (108,985)
Travel & Other Employee Cost	78,808	143,450	(64,642)
Professional Services	765,661	1,082,252	(316,591)
Equipment & Facilities	567,953	587,550	(19,597)
Other Direct Costs	171,668	236,790	(65,122)
Sub-Grantee/ Contract Cost	29,464,683	32,555,356	(3,090,673)
EST Allocation	<u>(55,754)</u>	<u>(39,586)</u>	<u>(16,168)</u>
 Total Expenses	 <u>\$ 34,764,639</u>	 <u>\$ 38,446,417</u>	 <u>\$ (3,681,778)</u>
 Total Sub-Contract Expenses	 \$ 29,464,683	 \$ 32,555,356	 (3,090,673)
Total Other/ CommCorp Expenses	<u>5,299,956</u>	<u>5,891,061</u>	<u>(591,105)</u>
	<u>\$ 34,764,639</u>	<u>\$ 38,446,417</u>	<u>\$ (3,681,778)</u>
 Corporate G&A	 \$ 966,864	 \$ 1,084,943	 \$ (118,079)
Corp G&A Rate	10.92%	11.66%	
Field G&A Rate	1.53%	1.50%	
Fringe Benefit Rate	29.53%	30.00%	

Note: This budget excludes the first quarter of Economic Stabilization Trust operational expenditures.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

An analysis of significant actual to budget variances:

➤ Expenses

Corporate budgeted revenue and expenditures for fiscal year 2011 totaled \$38.49 million, while actual expenditures amounted to \$34.82 million dollars, a decrease of \$3.67 million dollars (9.53%) from budget.

- Almost eighty-five percent (84.32%) of this decrease can be attributed to a shortfall in pass-through sub-grantee expenditures budgeted at \$32.56 million dollars; actual sub-grantee expenditures amounted to \$29.46 million dollars, which resulted in a variance of \$3.10 million dollars.

The following table shows actual and budgeted sub-contract expenses by funding source:

<u>Fund Description</u>	<u>6/30/2011 YTD Actual</u>	<u>Annual Budget</u>	<u>\$ Variance</u>
Workforce Competitive Trust Fund (WCTF)	\$ 1,884,857	\$ 2,741,727	\$ 856,870
Clean Energy Workforce Training Capacity Building	543,087	603,940	60,853
Summer Jobs Program Youth at Risk	6,695,708	6,917,316	221,608
Career Ladder Grant Long Term Care (ECCLI)	354,436	1,048,000	693,564
DYS Direct Care - Youth State Funds	10,397,712	9,948,477	(449,235)
DYS Other - Youth State Funds	826,030	886,000	59,970
DYS Other - Youth Federal Funds	806,606	1,059,000	252,394
American Recovery Act – Discretionary WIA	5,734,373	6,111,597	377,224
DHHS Strengthening Communities Fund	122,500	-	(122,500)
State Energy Sector Partnership (SESP)	2,002,399	1,937,299	(65,100)
WIA10% - Job Guides Development	-	150,000	150,000
Transitional Employment Pilot Project	66,916	330,000	263,084
LF Middle School Laptop Initiative	30,059	30,000	(59)
Learn at Work	-	591,000	591,000
Other Sub-Contracts Miscellaneous	-	201,000	201,000
	<u>\$ 29,464,683</u>	<u>\$ 32,555,356</u>	<u>\$ 3,090,673</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

The emphasis on fiscal year 2011 American Recovery and Reinvestment Act fund (ARRA) sub-contract spending targets resulted in fewer dollars spent in other budgeted multi-year funding streams. This year's sub-contract spending of \$29.46 million dollars compares favorably with the fiscal year 2010 pass through amount of \$28.50 million dollars.

- Salaries & Fringe Benefits totaled \$3.77 million dollars in actual expenditures as compared to a \$3.88 million dollar budget, a difference of \$108,985.
 - Corporate General and Administrative payroll accounted for a reduction of \$94,969.
 - Youth Pathways came in below budget by \$76,947.
 - Sector Strategies exceeded budget by \$68,966.
 - Applied Research came in below budget by \$6,035.

The actual aggregate cost of fringe benefits came in slightly below budget. The standard applied fringe benefit rate over salaries for FY2011 was thirty percent (30%), the actual rate amounted to 29.53%.

- Professional Services totaled \$765,661 as compared to a \$1.08 million dollar budget, a variance of \$316,591.
 - Corporate General and Administrative accounted for a reduction of \$30,381.
 - Youth Pathways came in below budget by \$124,343.
 - Sector Strategies came in below budget by \$198,382.
 - Applied Research exceeded budget by \$36,500.

Corporate G&A budgeted at \$1.08 million dollars amounted to \$966,864, a favorable variance of \$118,079.

- **The applied fiscal year budgeted Corporate G&A rate was 11.66%, with a field G&A rate of 1.50%. The actual fiscal year 2011 Corporate G&A rate calculated at 10.92%, with a field rate of 1.53%.**

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

Current Known Facts, Decisions, and Conditions

During fiscal year 2012 Commonwealth Corporation (CommCorp) will continue to focus on the Corporation's ability to manage cost through effective financial management. The Finance Department will continue to manage revenue, expenses, costs, cash flow and all other relevant financial indicators to ensure the continuance of a stable financial corporate environment.

American Recovery and Reinvestment Act (ARRA) funding which had a major impact on the fiscal year 2011 budget will not have a similar impact during fiscal year 2012. Two ARRA funds still exist in the new fiscal year:

- The three-year State Energy Sector Partnership Clean Energy Grant with a \$2.2 million dollar budget in fiscal year 2012.
- The new current year Youth-at-Risk Executive Office of Public Safety and Security-Byrne Grant in the amount of \$1.85 million dollars.

Available Workforce Investment Act (WIA) 15% funding has been reduced by the Federal Government. This will have an impact on fiscal year 2012 but is forecasted to have a major impact during fiscal year 2013. The portion of the formula grants that Governors may reserve for statewide activities has been reduced by ten percentage points, from 15% to 5%.

The Workforce Training Fund (WTF) is a new funding stream. The administration of the General Program segment (Grants over \$50,000), as directed by the Executive Office of Labor and Workforce Development, moved to CommCorp in fiscal year 2011. An initial transfer of \$10.50 million dollars was obligated during fiscal year 2011 and will be expended during fiscal year 2012 and fiscal year 2013. A second fund replenishment in the amount of \$11.41 million dollars has been scheduled for the first half of fiscal year 2012.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Management's Discussion and Analysis - Continued

For the Year Ended June 30, 2011

(Unaudited)

Contacting Commonwealth Corporation's Financial Management

This financial report is designed to provide the reader with a general overview of Commonwealth Corporation's finances and to show the accountability for the funds it receives. If you have questions about this report or need additional financial information, please contact the Finance Office of Commonwealth Corporation.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Statements of Net Assets

June 30, 2011 and 2010

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Statements of Net Assets

June 30,

Assets

	<u>2011</u>	<u>2010</u>
Current Assets:		
Cash and equivalents	\$ 14,227,221	\$ 7,588,286
Grants and other receivables	3,839,434	3,884,359
Prepaid expenses	<u>29,520</u>	<u>27,498</u>
Total Current Assets	<u>18,096,175</u>	<u>11,500,143</u>
Non Current Assets:		
Capital assets - net	73,379	101,051
Other assets	<u>75,000</u>	<u>75,000</u>
Total Non Current Assets	<u>148,379</u>	<u>176,051</u>
Total Assets	<u>\$ 18,244,554</u>	<u>\$ 11,676,194</u>

The accompanying notes are an integral part of the financial statements.

Liabilities and Net Assets

	<u>2011</u>	<u>2010</u>
Current Liabilities:		
Accounts payable	\$ 3,099,243	\$ 3,763,126
Accrued payroll and compensated absences	280,650	299,317
Deferred revenue	<u>13,988,774</u>	<u>6,743,880</u>
Total Current Liabilities	<u>17,368,667</u>	<u>10,806,323</u>
Total Liabilities	<u>17,368,667</u>	<u>10,806,323</u>
Net Assets:		
Unrestricted net assets	<u>875,887</u>	<u>869,871</u>
Total Liabilities and Net Assets	<u>\$ 18,244,554</u>	<u>\$ 11,676,194</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Statements of Revenues, Expenses and Changes in Net Assets

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Operating Revenues:		
Grant revenues	\$ 34,697,335	\$ 33,795,534
Other income	47,063	41,342
Interest income	<u>26,257</u>	<u>47,131</u>
 Total Operating Revenues	 <u>34,770,655</u>	 <u>33,884,007</u>
 Operating Expenses:		
Sub-grantee contracts	29,464,683	28,500,599
Salaries and wages	2,911,576	3,004,501
Fringe benefits	860,044	916,364
Professional services	765,661	738,000
Equipment and facilities	567,953	746,219
Office expenses	96,156	100,600
Travel	67,169	83,098
Other program expenses	32,924	27,546
Depreciation	27,672	27,483
Meetings and conferences	26,555	45,861
Indirect operating expense allocation to Economic Stabilization Trust	<u>(55,754)</u>	<u>(316,437)</u>
 Total Operating Expenses	 <u>34,764,639</u>	 <u>33,873,834</u>
 Net Operating Income (Loss)	 <u>6,016</u>	 <u>10,173</u>
 Change In Net Assets	 6,016	 10,173
 Net Assets, Beginning of Year	 <u>869,871</u>	 <u>859,698</u>
 Net Assets, End of Year	 <u>\$ 875,887</u>	 <u>\$ 869,871</u>

The accompanying notes are an integral part of the financial statements.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Statements of Cash Flow

For the Years Ended June 30,

	<u>2011</u>	<u>2010</u>
Cash Flows from Operating Activities:		
Receipts from grantors and affiliate	\$ 42,034,217	\$ 28,173,411
Collections of interest income from depository institutions	26,257	47,131
Payments to employees	(2,907,220)	(3,032,813)
Payments of employee benefits	(883,067)	(942,424)
Payments to subrecipients	(30,132,433)	(30,086,873)
Payments to vendors and suppliers	<u>(1,498,819)</u>	<u>(1,480,814)</u>
Net Cash Provided by (Applied To) Operating Activities	<u>6,638,935</u>	<u>(7,322,382)</u>
Cash Flows from Capital and Related Financing Activities:		
Payments for capital assets	<u>-</u>	<u>(44,494)</u>
Net Increase (Decrease) in Cash and Equivalents	6,638,935	(7,366,876)
Cash and Equivalents, Beginning of Year	<u>7,588,286</u>	<u>14,955,162</u>
Cash and Equivalents, End of Year	<u>\$ 14,227,221</u>	<u>\$ 7,588,286</u>
Reconciliation of Change in Net Assets to Net Cash		
Provided by (Applied to) Operating Activities:		
Change in net assets	\$ 6,016	\$ 10,173
Adjustments to reconcile change in net assets to net cash provided by (applied to) operating activities:		
Depreciation	27,672	27,483
Changes in assets and liabilities:		
Grants and other receivables	44,925	298,594
Prepaid expenses	(2,022)	12,214
Accounts payable	(663,883)	(1,654,415)
Accrued payroll and compensated absences	(18,667)	(54,372)
Deferred revenue	<u>7,244,894</u>	<u>(5,962,059)</u>
Net adjustments	<u>6,632,919</u>	<u>(7,332,555)</u>
Net Cash Provided by (Applied to) Operating Activities	<u>\$ 6,638,935</u>	<u>\$ (7,322,382)</u>

The accompanying notes are an integral part of the financial statements.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies**

Organization

Commonwealth Corporation (the "Corporation") is a quasi-public agency established by the Commonwealth of Massachusetts (the "Commonwealth") and signed into law by the Governor on August 13, 1996. Formerly known as Corporation for Business, Work and Learning, Commonwealth Corporation changed its name through legislation approved in October 2004. Commonwealth Corporation is the result of a merger on July 1, 1996 of the former Industrial Services Program ("ISP") and the former Bay State Skill Corporation ("BSSC"), quasi-public agencies of the Commonwealth. Commonwealth Corporation is governed, and its corporate powers exercised, by a Board of Directors whose members are appointed for a fixed term by the Governor of the Commonwealth.

Commonwealth Corporation is focused on building upward mobility pathways for youth and adults to prepare for high demand jobs, in concert with state and local partners.

Affiliated Organization

During the year ended June 30, 2011, the Commonwealth Corporation Foundation (the "Foundation") was created under section 501(c)(3) of the Internal Revenue Code. During the year ended June 30, 2011, the Corporation paid for legal expenses on behalf of the Foundation and provided a \$10,000 loan to assist the Foundation in meeting its start up costs. As of the date of these financial statements, it has yet to be determined whether the Foundation meets the requirements for it to be treated as a component unit of the Corporation.

Financial Reporting

Commonwealth Corporation's financial statements are presented in accordance with reporting standards for business-type activities as promulgated by the *Government Accounting Standards Board* (GASB), as well as *Financial Accounting Standards Board* (FASB) pronouncements issued after November 30, 1989 that do not conflict with GASB pronouncements. Although the Corporation has the option to apply FASB pronouncements issued after that date, it has chosen not to do so. Commonwealth Corporation is a component unit of the Commonwealth and, as such, is included in the Commonwealth's financial statements.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Basis of Presentation and Accounting

The Corporation's financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America, as prescribed by the Governmental Accounting Standards Board (GASB). Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The Corporation has determined that it functions as a business type activity, as defined by GASB. The effect of interfund activity has been eliminated from these financial statements. The basic financial statements and required supplementary information for general purpose governments consist of management's discussion and analysis and basic financial statements.

All revenue, except for appropriations from the Commonwealth, is considered to be used for operations and has been classified as operating revenue on the statement of revenues, expenses, and changes in net assets. Revenue from grants with related constraints imposed by grantors is classified as restricted revenue.

Grant revenue (including state and federal grants received through the Commonwealth) is earned in compliance with the grant agreement as expenses are incurred. Unexpended restricted grants are classified as deferred revenue when received. Support and revenue, in the form of unrestricted grants, is recorded when the funds are received. Appropriations from the Commonwealth are recorded when the funds are received. Interest, fees earned, and other income are recognized on an accrual basis when earned. Expenses are recorded when incurred.

Net Assets

Resources are classified for accounting purposes into the following three net asset categories:

Restricted - nonexpendable: Net assets subject to externally imposed conditions that must be maintained in perpetuity.

Restricted - expendable: Net assets subject to externally imposed conditions that can be fulfilled by the actions of the Corporation or by the passage of time.

Unrestricted: All other categories of net assets. Unrestricted net assets may be designated by actions of the Corporation's Board of Directors.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Net Assets - Continued

The Corporation has adopted a policy of generally utilizing restricted - expendable funds, when available, prior to unrestricted funds.

Income Taxes

Commonwealth Corporation is a quasi-public organization and an instrumentality of the Commonwealth of Massachusetts, and is exempt from federal and state income taxes under Internal Revenue Code Section 115.

Capital Assets

Commonwealth Corporation capitalizes assets with a cost of \$5,000 or greater on the statement of net assets. Capital assets are valued at historical cost less accumulated depreciation. Equipment and furniture and fixtures are depreciated on a straight-line basis over their estimated useful lives which range from three to five years. Leasehold Improvements are depreciated on a straight-line basis over the remaining lease term. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Cash and Equivalents

Cash and equivalents include all cash on hand and short-term investments with original maturities of three months or less.

Grants and Other Receivables

Grants and other receivables are presented net of allowance for doubtful accounts. Management's periodic evaluation of the adequacy of the allowance is based on its past experience and receivables are charged off when deemed uncollectible. At June 30, 2011 and 2010, management considers all grants and other receivables to be fully collectible.

Indirect Costs

OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, defines indirect costs as those costs (a) incurred for a common or joint purpose benefiting more than one cost objective, and (b) not readily assignable to the cost objectives specifically benefited, without effort disproportionate to the results achieved. Consistent with OMB Circular A-87, Commonwealth Corporation's indirect costs are cost categories that are not directly charged to programs but, because of complexity of direct charging, are accumulated in cost pools and allocated to programs according to fair and equitable methodologies. These cost pools include some cost categories that are considered program costs such as: occupancy, information technology, and fringe benefits. There are also some administrative cost pool categories included in indirect

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Indirect Costs - Continued

costs such as: accounting, human resources, and payroll. All of these cost pools are totaled and considered indirect costs. The Economic Stabilization Trust ("EST") was a program of Commonwealth Corporation through October 2010 when it was transferred to the Executive Office of Housing and Economic Development in accordance with Massachusetts General Law Chapter 23D in order to establish the Massachusetts Growth Capital Corporation. Accordingly, indirect costs were allocated to EST through the date of its transfer.

Fund Transfers

Administrative expenses on restricted grants are typically limited per terms of the agreement. For multiple year grants, administrative expenses incurred in excess of allowable amounts in a given year are reported as a deficit in the restricted funds until the final year of the agreement. The cumulative or net deficit, if any, is transferred to the unrestricted fund at the end of the final agreement. Restricted fund surpluses are also transferred to the unrestricted fund when there are no further restrictions imposed by funding sources. Commonwealth Corporation did not transfer any restricted fund surpluses or deficits at June 30, 2011 and 2010.

Matching Grants and Funds

Commonwealth Corporation receives grants that require a matching of funds. The Corporation contracts with subrecipients who are required to fulfill the obligation. Because these costs associated with the match are not borne by the Corporation they are not reflected in the accompanying financial statements. Matching grants received under written agreement totaled approximately \$5,620,337 and \$3,987,000 for the years ended June 30, 2011 and 2010, respectively. As of June 30, 2011, total matching funds obligations not yet met by subrecipients was approximately \$801,329.

Compensated Time Off

Compensated time off benefit costs for Commonwealth Corporation employees, including vacation, holiday, sick, and personal time, aggregated approximately \$484,000 and \$498,000 for the years ended June 30, 2011 and 2010. These costs are included within the salaries and wages classification on the statement of revenues, expenses and changes in net assets.

Fair Value of Financial Instruments

Commonwealth Corporation's financial instruments, none of which are held for trading purposes, include cash and equivalents and grants/accounts receivable. Management estimates that the fair value of all financial instruments at June 30, 2011 and 2010 does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying financial statements.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

Use of Estimates

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

Reclassifications

Certain amounts in the 2010 financial statements have been reclassified to conform to the 2011 presentation.

New Governmental Accounting Pronouncements

GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, is required for periods beginning after June 15, 2010. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of resources reported in governmental funds. The initial distinction that it makes is identifying amounts that are considered non-spendable. It also provides for additional classification as restricted, committed, assigned and unassigned based on the relative strength of the constraints that control how specific amounts can be spent. Management has reviewed this statement and determined that it does not apply.

GASBS 60, *Accounting and Financial Reporting for Service Concession Arrangements*, effective for periods beginning after December 15, 2011, establishes accounting requirements for arrangements between a transferor and operator in which (a) the transferor conveys to the operator the right and related obligation to provide services through the use of infrastructure or other public asset in exchange for significant consideration and (b) the operator collects and is compensated by fees from third parties. This statement applies only to arrangements meeting specific criteria determining whether a transferor retains control over the public asset. Management has reviewed this statement and determined that it does not apply.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 1 - **Summary of Significant Accounting Policies - Continued**

New Governmental Accounting Pronouncements - Continued

GASBS 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements 14 and 34*, effective for periods beginning after June 15, 2012, modifies certain requirements for inclusion of component units in the financial reporting entity. Management is in the process of reviewing this statement and its potential effect on their financial reporting, but does not expect any material impact.

GASBS 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective for periods beginning after December 15, 2011, provides financial reporting guidance. Deferred outflows are the consumption of net assets and deferred inflows are the acquisition of net assets, applicable to future reporting periods. Net position is identified by Concepts Statement No. 4 as the residual of all other elements presented in a statement of financial position and requires the incorporation of deferred outflows and inflows into the required components of the residual measure and renaming that measure, known as net assets, as net position. Management is in the process of reviewing this statement and its potential affect upon their financial reporting but does not expect any material impact.

GASBS 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement 53*, effective for periods beginning after June 15, 2011 provides clarification whether an effective hedging relationship continues after the replacement of the swap counterparty or swap counterparty's credit support provider and establishes criteria order to continue or discontinue hedge accounting and the resulting effects of recognition of the deferred outflows or inflows of resources as a component of investment income. Management expects this statement to have no affect on the financial statements.

Note 2 - **Cash and Equivalents**

Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, Commonwealth Corporation would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation (FDIC). Deposits in banks in excess of the insured amount are uninsured and uncollateralized. Commonwealth Corporation maintains its cash accounts at a financial institution and the Massachusetts Municipal

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 2 - Cash and Equivalents - Continued

Depository Trust (MMDT). At June 30, 2011 and 2010, the carrying amount of Commonwealth Corporation's total deposits held, net of deposits and disbursements in transit, were approximately \$14,227,000 and \$7,588,000, respectively. MMDT is an instrumentality of the Office of the Treasurer of the Commonwealth and is not a bank, savings institution or financial institution, and therefore not subject to FDIC insurance. MMDT is an investment vehicle for political sub-divisions of the Commonwealth and was designed as a legal means to invest temporarily available cash in safe, liquid and high-yield investment vehicles by offering participation in a diversified portfolio of high quality money market instruments. The total amount invested with MMDT was approximately \$12,541,000 and \$9,677,000 as of June 30, 2011 and 2010, respectively. Total amounts exposed to custodial risk at June 30, 2011 and 2010 were approximately \$1,436,000 and \$1,031,000, respectively.

Note 3 - Capital Assets

The following schedule presents the changes in the capital assets for the year ended June 30, 2011:

	<u>Balance at July 1, 2010</u>	<u>Additions at Cost</u>	<u>Disposals</u>	<u>Accumulated Depreciation</u>	<u>Balance at June 30, 2011</u>
Equipment	\$ 271,935	\$ -	\$ -	\$ (205,280)	\$ 66,655
Leasehold improvements	91,320	-	-	(84,596)	6,724
Total	<u>\$ 363,255</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (289,876)</u>	<u>\$ 73,379</u>

The following schedule presents the changes in the capital assets for the year ended June 30, 2010:

	<u>Balance at July 1, 2009</u>	<u>Additions at Cost</u>	<u>Disposals</u>	<u>Accumulated Depreciation</u>	<u>Balance at June 30, 2010</u>
Equipment	\$ 227,439	\$ 44,496	\$ -	\$ (190,075)	\$ 81,860
Leasehold improvements	91,320	-	-	(72,129)	19,191
Total	<u>\$ 318,759</u>	<u>\$ 44,496</u>	<u>\$ -</u>	<u>\$ (262,204)</u>	<u>\$ 101,051</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 4 - **Lease Commitments**

The Corporation entered into an operating lease agreement for its main facility in Charlestown, Massachusetts for the period August 2003 through July 2009, and received approximately \$226,000 from the landlord as an inducement at the inception of this lease. This lease was amended in fiscal year 2007 to reduce the square footage of the lease as of January 2007 and extend the lease period through July 2012. Commonwealth Corporation received approximately \$72,000 as an inducement for this amendment. These amounts have been recorded as deferred revenue, approximating \$31,000 and \$59,000 at June 30, 2011 and 2010, respectively. Both inducement amounts are being amortized over the additional years added to the lease through the amendment as reductions to equipment and facilities expense.

The Corporation also entered into an operating lease agreement for a facility in Hadley, Massachusetts for the period December 2008 to November 2014.

Rent expense for the years ended June 30, 2011 and 2010 was approximately \$599,000 and \$650,000, respectively.

Future annual payments for these lease commitments are as follows:

<u>Year ended June 30,</u>	<u>Amount</u>
2012	\$ 600,208
2013	76,815
2014	30,031
2015	<u>12,667</u>
Total	\$ <u>719,721</u>

The Corporation has entered into sub-lease agreements for portions of its operating facilities expiring through July 2012. Amounts received in connection with these agreements approximated \$241,000 and \$162,000 for the years ended June 30, 2011 and 2010, respectively, and are included as reductions of equipment and facilities expense. Amounts due under the remaining sublease expiring in July 2012 are approximately \$106,000.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Financial Statements - Continued

June 30, 2011 and 2010

Note 5 - **Retirement Plans**

Under the terms of the Corporation's Section 401(a) retirement plan, adopted in December 1997, contributions are made on behalf of employees based on their employment date. A minimum contribution of 5.5% of salary plus an optional amount, subject to the Board of Directors approval, of up to 5.7% is made for employees hired after December 31, 1996. These employees do not participate in the federal social security system. This plan does not permit employee contributions.

Employees hired by one of the Corporation's predecessor entities prior to December 1996 participate in the federal social security system. In addition to the required employer match of social security, a retirement plan contribution of between 1.3% and 7% of salary is made by the Corporation.

Contributions to the plan in fiscal years 2011 and 2010 totaled approximately \$309,000 and \$329,000, respectively.

The Corporation also established a Section 457 employee deferred compensation plan, effective December 1, 1997. This is a volunteer plan in which employees who elect to participate can have funds withheld from their pay on a pre-tax basis. All employees are eligible to participate upon their employment commencement date. There is no minimum contribution, and employees are subject to the maximum deferral limits as set by the Internal Revenue Service.

As of June 30, 2011 the Corporation has no other post-employment benefit plans.

Note 6 - **Risks, Concentrations and Contingencies**

Uncertainty

The Corporation is highly dependent upon contracts and grants received from various federal and state agencies. It is always possible that legislative actions, in order to offset the effect of declines in federal and state revenues and tax collections, may have detrimental effects on contracts with, and grants to, organizations that act as service providers on behalf of the federal government and the Commonwealth such as Commonwealth Corporation.

SUPPLEMENTAL INFORMATION

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Combining Schedule of Net Assets

June 30, 2011

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Combining Schedule of Net Assets

June 30, 2011

Assets

	<u>Unrestricted Funds General Fund</u>	<u>Restricted Funds Grant/ Contract Funds</u>	<u>Total</u>
Current Assets:			
Cash and equivalents	\$ 1,042,800	\$ 13,184,421	\$ 14,227,221
Grants and other receivables	17,986	3,821,448	3,839,434
Prepaid expenses	<u>24,453</u>	<u>5,067</u>	<u>29,520</u>
Total Current Assets	<u>1,085,239</u>	<u>17,010,936</u>	<u>18,096,175</u>
Non Current Assets:			
Capital assets - net	73,379	-	73,379
Other Assets	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Total Non Current Assets	<u>148,379</u>	<u>-</u>	<u>148,379</u>
Total Assets	<u>\$ 1,233,618</u>	<u>\$ 17,010,936</u>	<u>\$ 18,244,554</u>

Liabilities and Net Assets

	<u>Unrestricted Funds General Fund</u>	<u>Restricted Funds Grant/ Contract Funds</u>	<u>Total</u>
Current Liabilities:			
Accounts payable	\$ 46,472	\$ 3,052,771	\$ 3,099,243
Accrued payroll and compensated absences	280,650	-	280,650
Deferred revenue	<u>30,609</u>	<u>13,958,165</u>	<u>13,988,774</u>
Total Current Liabilities	<u>357,731</u>	<u>17,010,936</u>	<u>17,368,667</u>
Total Liabilities	<u>357,731</u>	<u>17,010,936</u>	<u>17,368,667</u>
Net Assets:			
Unrestricted net assets	<u>875,887</u>	<u>-</u>	<u>875,887</u>
Total Net Assets	<u>875,887</u>	<u>-</u>	<u>875,887</u>
Total Liabilities and Net Assets	<u>\$ 1,233,618</u>	<u>\$ 17,010,936</u>	<u>\$ 18,244,554</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Combining Schedule of Revenues, Expenses and Changes in Net Assets

June 30, 2011

	<u>Unrestricted Funds</u>		<u>Restricted Funds</u>	<u>Total</u>
	<u>General Fund</u>	<u>Indirect Cost Pool</u>	<u>Grant/Contract Funds</u>	
Operating Revenues:				
Grant revenues	\$ -	\$ -	\$ 34,697,335	\$ 34,697,335
Interest income	6,281	-	19,976	26,257
Other income	-	-	47,063	47,063
Total Operating Revenues	<u>6,281</u>	<u>-</u>	<u>34,764,374</u>	<u>34,770,655</u>
Operating Expenses:				
Sub-grantee contracts	-	-	29,464,683	29,464,683
Salaries and wages	-	630,077	2,281,499	2,911,576
Fringe benefits	233	186,034	673,777	860,044
Professional services	-	169,781	595,880	765,661
Equipment and facilities	-	567,195	758	567,953
Office expenses	-	26,500	69,656	96,156
Travel	-	1,862	65,307	67,169
Other program expenses	-	173	32,751	32,924
Depreciation	-	27,672	-	27,672
Meetings and conferences	-	3,299	23,256	26,555
Indirect operating expense allocation	32	(1,556,839)	1,556,807	-
Indirect operating expense allocation to Economic Stabilization Trust	-	(55,754)	-	(55,754)
Total Operating Expenses	<u>265</u>	<u>-</u>	<u>34,764,374</u>	<u>34,764,639</u>
Net Operating Income	<u>6,016</u>	<u>-</u>	<u>-</u>	<u>6,016</u>
Change in Net Assets	6,016	-	-	6,016
Net Assets, Beginning of Year	<u>869,871</u>	<u>-</u>	<u>-</u>	<u>869,871</u>
Total Net Assets, End of Year	<u>\$ 875,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 875,887</u>

**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***



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

To the Board of Directors of
Commonwealth Corporation
Boston, Massachusetts

We have audited the financial statements of Commonwealth Corporation (a component unit of the Commonwealth of Massachusetts) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 27, 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

Management of Commonwealth Corporation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Commonwealth Corporation'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 Commonwealth Corporation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Commonwealth Corporation'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commonwealth Corporation'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 certain matters that we reported to the management of Commonwealth Corporation in a separate letter dated October 27, 2011.

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

O'Connor & Drew, P.C.

Certified Public Accountants

October 27, 2011

**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**



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD
HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Directors of
Commonwealth Corporation
Boston, Massachusetts

Compliance

We have audited Commonwealth Corporation's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Commonwealth Corporation's major federal programs for the year ended June 30, 2011. Commonwealth Corporation'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 Commonwealth Corporation's management. Our responsibility is to express an opinion on Commonwealth Corporation'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 Commonwealth Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Commonwealth Corporation's compliance with those requirements.

In our opinion, Commonwealth Corporation 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 Commonwealth Corporation 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 Commonwealth Corporation's internal control over compliance with 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 Commonwealth Corporation's internal control over compliance.

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

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

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

O'Connor & Drew, P.C.

Certified Public Accountants

October 27, 2011

**SCHEDULE OF EXPENDITURES
OF FEDERAL AWARDS**

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Federal Grantor (Pass-through Grantor) Program Title	Federal CFDA Number	Grant Number	Amount
U.S. Department of Education			
(Commonwealth of Massachusetts Department of Youth Services)			
Title I Program for Neglected and Delinquent Children	84.013	SCDYS 9636 8 0904063011	\$ 773,984
Career and Technical Education	84.048	SCDYS 9636 8 0904063011	<u>45,000</u>
Subtotal			<u>818,984</u>
U.S. Department of Health and Human Services			
Strengthening Communities Fund (ARRA Funds)	93.711	90SN0022	138,870
Affordable Care Act State Health Care Workforce Development Grant	93.509	SP50HP21216	54,841
(Commonwealth of Massachusetts Executive Office of Health and Human Services)			
Affordable Care Act Personal and Home Care Aide State Training Program	93.512	CT EHS 11 EHSCOMMONWEALTHCLC	90,394
(University of Massachusetts, Worcester)			
Medicaid Infrastructure Grants to Support the Competitive Employment of People with Disabilities	93.768	612030/RFS2011191	<u>22,134</u>
Subtotal			<u>306,239</u>
National Science Foundation			
(Quinsigamond Community College) Education and Human Resources	47.076	NSF-DUE 0703040	<u>13,954</u>
U.S. Department of Labor			
(Commonwealth of Massachusetts Department of Workforce Development)			
Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (ARRA Funds)	17.275	CTEOL 3250 10COMMCORPSESP	<u>2,163,164</u>
(Commonwealth of Massachusetts Division of Career Services)			
Workforce Investment Act Title I:			
Adult Program	17.258	CTEOL 3250 07COMMCORPWIA	46,046
Youth Activities	17.259	CTEOL 3250 07COMMCORPWIA	2,081,009
Dislocated Workers	17.278	CTEOL 3250 07COMMCORPWIA	17,019
Adult Program (ARRA Funds)	17.258	CTEOL 3250 09STIMCOMMCORP	1,119,942
Youth Activities (ARRA Funds)	17.259	CTEOL 3250 09STIMCOMMCORP	2,951,310
Dislocated Workers (ARRA Funds)	17.260	CTEOL 3250 09STIMCOMMCORP	<u>2,252,532</u>
Subtotal			<u>8,467,858</u>
Total Expenditures of Federal awards			<u>\$ 11,770,199</u>

See accompanying notes to the schedule of expenditures of Federal awards.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Notes to the Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2011

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Commonwealth Corporation and is presented on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Therefore, some amounts presented in the Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipients

Of the Federal expenditures presented in the Schedule, Commonwealth Corporation provided Federal awards to subrecipients as follows:

<i>Federal Program Title</i>	<i>Federal CFDA Number</i>	<i>Amount</i>
Title I Program for Neglected and Delinquent Children	84.013	\$ 761,606
Career and Technical Education	84.048	38,586
Strengthening Communities Fund (<i>ARRA Funds</i>)	93.711	122,500
Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (<i>ARRA Funds</i>)	17.275	2,034,219
Workforce Investment Act, Adults (<i>ARRA Funds</i>)	17.258	1,004,929
Workforce Investment Act, Youth (<i>ARRA Funds</i>)	17.259	2,648,224
Workforce Investment Act, Dislocated Workers (<i>ARRA Funds</i>)	17.260	2,021,208
Workforce Investment Act, Youth	17.259	<u>50,153</u>
Total		\$ <u>8,681,425</u>

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2011

I. Summary of Auditors' Results

Financial Statements

Type of audit report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Noncompliance which is material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weakness(es)?	No
Type of auditor's report issued:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	No

Identification of major programs:

<u>Federal CFDA Number</u>	<u>Federal Program Title</u>
84.013	Title I Program for Neglected and Delinquent Children
17.275	Competitive Grants for Worker Training and Placement in High Growth and Emerging Industry Sectors (<i>ARRA Funds</i>)
17.258, 17.259, 17.260 & 17.278	Workforce Investment Act (WIA) Cluster

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

I. Summary of Auditors' Results - Continued

Dollar threshold used to distinguish Between type A and type B programs:	\$353,106
Auditee qualifies as a low-risk auditee?	No

II. Federal Audit Findings and Questioned Costs

None

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs

Finding 2010 - 01

Federal Programs: CFDA No. 16.803 and 84.013

CONDITION

Monitoring of subrecipients did not take place for the Edward Byrne Memorial Justice Assistance Grant (*CFDA No. 16.803*) and the Title I Program for Neglected and Delinquent Children (*CFDA No. 84.013*).

CRITERIA

Office of Management and Budget (OMB) Circular A-133, Part 3, Compliance Requirements, Compliance Requirement M. Subrecipient Monitoring, establishes the criteria for a pass-through entity to monitor its subrecipients.

Included in the criteria are "During-the-Award Monitoring" requirements which includes monitoring the subrecipient's use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved. An additional criteria is "Subrecipient Audits" requiring that pass-through entities must ensure subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year for fiscal years ending after December 31, 2003, as provided in OMB Circular A-133, have met the audit requirements of OMB Circular A-133 and that required audits are completed within 9 months of the end of the subrecipient's audit period; issuing a management decision on audit findings within 6 months after receipt of the subrecipient's audit report and ensuring that the subrecipient takes timely and appropriate corrective action on all audit findings.

CAUSE

The necessary resources were not available to perform monitoring of the subrecipients of these grants.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

EFFECT

Commonwealth Corporation was not in compliance with Compliance Requirement M. Subrecipient Monitoring.

RECOMMENDATION

We recommend implementing policies and procedures to identify subrecipient monitoring requirements at the time of application for a federal awards contract. These requirements should also be communicated to the subrecipients. In light of the ever present budgeting constraints, Commonwealth Corporation should consider exploring partnering with other agencies to share the monitoring requirements.

AUDITEE RESPONSE

The two fiscal reviews mentioned did not take place in a timely manner. Commonwealth Corporation has drafted, in response to this finding, a new fiscal and program monitoring policy that will apply to all subrecipients receiving federal funding:

Commonwealth Corporation Fiscal and Program Monitoring Policy:

OBJECTIVES:

Ensure that organizations receiving federally-funded grants from Commonwealth Corporation:

1. Have the fiscal and program systems needed to meet all relevant federal and state requirements;
2. Meet the terms of the grant award outlined in the contract with Commonwealth Corporation;
3. Provide quality services to program participants; and
4. Expend grant funds only for allowable activities.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

DESIGN PARAMETERS:

1. 1/3 of all programs in each federal funding stream will be monitored each fiscal year.
2. Commonwealth Corporation program and fiscal staff will develop a monitoring plan by the beginning of each fiscal year. This will include:
 - a. The organizations to be monitored
 - b. A monitoring schedule
 - c. The staff assigned to monitoring activities
3. Youth and sector program staff will coordinate monitoring plans for any organization that receives funding managed by both teams.
4. The criteria for selecting organizations to be monitored during any fiscal year will include, but not be limited to:
 - a. The cumulative amount of funds obligated by Commonwealth Corporation to an organization
 - b. Recent history of findings (by Commonwealth Corporation, DWD/DCS or an independent or governmental auditor) related to program operations or fiscal systems/practices
 - c. Whether the organization has undergone monitoring by Commonwealth Corporation or DWD/DCS within the past three years
5. Staff conducting monitoring activities will follow the monitoring protocol provided in Attachment A and summarized below. This protocol is based on the monitoring guides developed by the U.S. Department of Labor and by the Massachusetts Department of Workforce Development/Division of Career Services.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

6. Monitoring activities will take several forms, including off-site and on-site document review, participant database review, classroom/program visits, and participant and staff/vendor phone or in-person interviews.
7. Commonwealth Corporation will not conduct fiscal monitoring for any organization that:
 - a. has been monitored by DWD/DCS within the past fiscal year, and
 - b. for which there is a formal report that does not identify any material findings with respect to fiscal systems or practices.

PROTOCOL SUMMARY:

A. Preparation Activities

1. Review:
 - a. Most recent independent audit.
 - b. Previous monitoring reports (by Commonwealth Corporation, DWD/DCS) and any documents related to actions taken to address findings, if any.
 - c. Contract documents, invoice and payment records, program narrative reports, database records, notes from quarterly review meetings.
2. Prepare monitoring questionnaire, completing as much information as can be determined from documents available to Commonwealth Corporation; request organization to complete monitoring questionnaire; review monitoring questionnaire.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

B. Program Monitoring Activities

1. On an ongoing basis, but not less than quarterly, the Commonwealth Corporation program manager checks in with each grantee's program coordinator and reviews monthly, quarterly and annual narrative reports, invoices and database records to determine whether:
 - a. The organization is on track with respect to the program timelines, outcomes, target population and other deliverables outlined in the contract;
 - b. Data entry is up to date and free of errors;
 - c. Spending and match contributions are on track and are related to the program timelines and deliverables;
 - d. Recruitment, assessment and selection processes are designed to support program goals; and
 - e. Project partners, particularly employers, are engaged in the manner they committed to in the project MOAs.
2. Commonwealth Corporation's Sector Strategies team meets quarterly to review the status of all programs. A Commonwealth Corporation Research Analyst participates in the review meeting. The program manager assigned to each project presents a program status summary and the team identifies effective practices and develops strategies for addressing performance problems.
3. At least once per year, the program manager visits each program to:
 - a. Observe a class or other instructional activities and
 - b. Attend a program partnership meeting.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

4. At least once per year, the program manager interviews:
 - a. an instructor,
 - b. a case manager, and
 - c. a participant

5. At the time of the scheduled monitoring visit, the team will review:
 - a. Case files for a sample of participants pulled from the database
 - b. Subcontract documents
 - c. OJT agreements
 - d. Participant selection policy
 - e. Supportive services policy
 - f. Stipend policy

C. Fiscal Monitoring Activities

1. Grantees are required to submit detailed documentation for each expense and match contribution line item with the first three invoices. In addition, grantees are required once per year, without advance notice, to provide detailed documentation with their invoice. (Grantees that will be participating in the comprehensive monitoring activities will provide this documentation at a site visit.) This process is designed to ensure that grantees have the capacity to provide and maintain required documentation.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs - Continued

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

2. The monitoring team will review the following policies and procedures for compliance with federal and state standards and will interview staff and review a sample of records to test the organization's compliance with them:
 - a. Procurement
 - b. Inventory control
 - c. Personnel
 - d. Civil rights
 - e. Whistleblower protection
 - f. Personnel
 - g. Audit and audit resolution
 - h. Budget controls
 - i. Cash management
 - j. Program income
 - k. Cost allocation
 - l. Other internal controls
3. The monitoring team will review all documents and records related to a sample of invoices and subcontracts.
4. If an independent audit or report from a previous monitoring visit identified any material findings, the monitoring team will review relevant documents and records and interview staff to determine whether the organization has addressed the finding satisfactorily.

COMMONWEALTH CORPORATION
(a component unit of the Commonwealth of Massachusetts)

Schedule of Prior Year Findings and Questioned Costs

For the Year Ended June 30, 2011

III. Prior Federal Audit Findings and Questioned Costs - Continued

D. Monitoring Report and Follow-Up

1. Within 30 days of completing monitoring activities with an organization, Commonwealth Corporation monitoring teams will produce a draft written report detailing the monitoring activities, findings (if any), and the evidence for such findings. The report will also, if applicable, provide direction on the actions the organization must take to address any findings, including, but not limited to repaying disallowed costs. The report will be reviewed and approved by Commonwealth Corporation's CFO and, depending on the funding stream, either or both Vice Presidents of Youth Pathways and Sector and Regional Strategies.
2. The organization will be offered thirty days to provide a written response to the draft monitoring report.
3. The Commonwealth Corporation monitoring team will review the organization's response and, if appropriate, revise the monitoring and issue a final report. Any decision to revise the final report will be made in consultation with Commonwealth Corporation's CFO and, depending on the funding stream, either or both Vice Presidents of Youth Pathways and Sector and Regional Strategies.
4. If the monitoring report identifies actions that must be undertaken by an organization, the Commonwealth Corporation monitoring team is responsible for documenting that the organization has complied with all such requirements.

AUDITOR COMMENTS

During the year ended June 30, 2011, Commonwealth Corporation implemented a new fiscal and program monitoring policy. Commonwealth Corporation utilized its existing staff to carry out its fiscal and program monitoring procedures. Finding resolved.