

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
FINANCIAL STATEMENTS
Years Ended December 31, 2010 and 2009

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**FOUNTAIN, ARRINGTON, BASS,
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INDEPENDENT AUDITORS' REPORT

Members

American Institute of
Certified Public Accountants

Georgia Society of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

To the Board of Directors
Power Works Industries, Inc.
Columbus, Georgia

We have audited the accompanying statements of financial position of Power Works Industries, Inc. (a nonprofit organization) as of December 31, 2010 and 2009, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Power Works Industries, Inc. as of December 31, 2010 and 2009, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Fountain, Arrington, Bass, Mercer & Lee, P.C.

FOUNTAIN, ARRINGTON, BASS, MERCER & LEE, P.C.
Certified Public Accountants

Columbus, Georgia
May 10, 2011

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF FINANCIAL POSITION
December 31, 2010 and 2009

ASSETS

	<u>2010</u>	<u>2009</u>
Cash and cash equivalents	\$ 793,919	\$ 272,044
Accounts receivable - trade	814,450	1,066,145
Accounts receivable - related parties	2,283	1,015
Fixed assets (net of accumulated depreciation)	<u>454,278</u>	<u>499,240</u>
 Total Assets	 <u>\$ 2,064,930</u>	 <u>\$ 1,838,444</u>

LIABILITIES AND NET ASSETS

LIABILITIES

Accounts payable	\$ 58,836	\$ 635
Accounts payable - related party	200,097	279,310
Accrued expenses	<u>87,264</u>	<u>79,849</u>
 Total liabilities	 <u>346,197</u>	 <u>359,794</u>

UNRESTRICTED NET ASSETS

	<u>1,718,733</u>	<u>1,478,650</u>
 Total Liabilities and Net Assets	 <u>\$ 2,064,930</u>	 <u>\$ 1,838,444</u>

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF ACTIVITIES
For Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
REVENUE AND SUPPORT		
Federal contracts	\$ 4,203,192	\$ 4,647,169
Other contracts	40,143	55,964
Other income	<u>4,051</u>	<u>12,687</u>
Total revenue and support	<u>4,247,386</u>	<u>4,715,820</u>
 EXPENSES		
Program services		
Contracts	3,996,716	4,379,829
Supporting services		
Management and general	<u>10,587</u>	<u>10,615</u>
Total expenses	<u>4,007,303</u>	<u>4,390,444</u>
Change in Unrestricted Net Assets	240,083	325,376
NET ASSETS, beginning of year	<u>1,478,650</u>	<u>1,153,274</u>
NET ASSETS, end of year	<u>\$ 1,718,733</u>	<u>\$ 1,478,650</u>

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2010

	<u>Program Services</u>	<u>Supporting Services</u>	
	<u>Contracts</u>	<u>Management and General</u>	<u>Total</u>
Salaries and wages	\$ 1,524,095	\$ --	\$ 1,524,095
Employee benefits	540,624	--	540,624
Workers' compensation	88,770	--	88,770
Payroll taxes	<u>118,530</u>	<u>--</u>	<u>118,530</u>
Total compensation and related expenses	2,272,019	--	2,272,019
Professional fees	--	5,100	5,100
NISH/AbilityOne commissions	157,620	--	157,620
Office expense	1,045	5,102	6,147
Rent	4,276	--	4,276
Supplies	442,863	--	442,863
Telephone	32,941	--	32,941
Repairs and maintenance	12,613	--	12,613
Travel and transportation	3,527	--	3,527
Taxes and licenses	31	--	31
Technology expense	21,345	--	21,345
Depreciation	100,583	--	100,583
Contracted services	60,160	--	60,160
Indirect costs	776,007	--	776,007
Insurance	25,752	--	25,752
Vehicle expense	73,495	--	73,495
Miscellaneous	<u>12,439</u>	<u>385</u>	<u>12,824</u>
Total Functional Expenses	\$ <u>3,996,716</u>	\$ <u>10,587</u>	\$ <u>4,007,303</u>

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended December 31, 2009

	Program Services	Supporting Services	
	Contracts	Management and General	Total
Salaries and wages	\$ 1,657,375	\$ --	\$ 1,657,375
Employee benefits	540,917	--	540,917
Workers' compensation	72,094	--	72,094
Payroll taxes	122,333	--	122,333
Total compensation and related expenses	2,392,719	--	2,392,719
Professional fees	200	5,100	5,300
NISH/AbilityOne commissions	174,237	--	174,237
Bad debt expense	9,839	--	9,839
Office expense	1,704	5,115	6,819
Equipment rent	5,586	--	5,586
Supplies	473,079	--	473,079
Telephone	25,592	--	25,592
Repairs and maintenance	19,000	--	19,000
Travel and transportation	10,760	--	10,760
Taxes and licenses	50	--	50
Technology expense	29,973	--	29,973
Depreciation	90,319	--	90,319
Contracted services	48,027	--	48,027
Indirect costs	993,799	--	993,799
Insurance	20,103	--	20,103
Vehicle expense	73,901	--	73,901
Miscellaneous	10,941	400	11,341
Total Functional Expenses	\$ 4,379,829	\$ 10,615	\$ 4,390,444

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ <u>240,083</u>	\$ <u>325,376</u>
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	100,583	90,319
Changes in assets and liabilities		
(Increase) decrease in accounts receivable - trade	251,695	(181,164)
(Increase) decrease in accounts receivable - related parties	(1,268)	5,357
(Increase) decrease in other assets	--	70,586
Increase (decrease) in accounts payable	58,201	(11,122)
Increase (decrease) in accounts payable - related party	(79,213)	62,180
Increase in accrued expenses	7,415	1,534
Total adjustments	<u>337,413</u>	<u>37,690</u>
Net cash provided by operating activities	<u>577,496</u>	<u>363,066</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	<u>(55,621)</u>	<u>(403,174)</u>
Net cash used in investing activities	<u>(55,621)</u>	<u>(403,174)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	521,875	(40,108)
CASH AND CASH EQUIVALENTS, beginning	<u>272,044</u>	<u>312,152</u>
CASH AND CASH EQUIVALENTS, ending	<u>\$ 793,919</u>	<u>\$ 272,044</u>

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Power Works Industries, Inc. ("the Organization") is a not-for-profit, tax exempt organization established to provide employment for disabled individuals to provide various products and services to federal and state government entities. The Organization's primary source of revenue is provided under Federal government contracts. Currently, services are provided at the Fort Benning Military Installation in Ft. Benning, Georgia, and the Marine Corps Logistics Base in Albany, Georgia. Typically, the federal and state contracts are set aside to employ a predominately disabled population as provided for in the Javits-Wagner-O'Day Act and administered through NISH/AbilityOne with oversight provided by the President's Committee for the Employment of those with Disabilities. In 2010, of the 116 employees working set-aside contracts, 88 were disabled, earning an average wage of \$9.46 per hour plus 100% employer-funded benefits. In 2010, disabled employees working with the Organization earned approximately \$1,094,061. In 2009, of the 103 employees working set-aside contracts, 88 were disabled, earning an average wage of \$9.27 per hour plus 100% employer-funded benefits. In 2009, disabled employees with the Organization earned approximately \$1,035,072.

The Organization is an affiliate of Goodwill Industries of the Southern Rivers, Inc. ("Goodwill"). Goodwill provides on-site professional skills training in both certified custodial and floor care as well as adding grounds maintenance in 2008. During employment, Goodwill provides continuous on-site case management, life coaching and advanced placement services for the disabled. While the current board of directors is comprised of the current members of Goodwill's executive committee, the Organization's board elects its own members annually. Accordingly, Goodwill is not considered to have a controlling financial interest in the Organization and consolidation of the financial statements of the two Organizations is not considered appropriate.

Basis of Accounting

The Organization's financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Restricted and Unrestricted Revenue

Contributions received are recorded as increases in unrestricted, temporarily restricted, or permanently restricted net assets, depending on the existence and/or nature of any donor restrictions. There were no contributions received or pledged to the Organization during the years ended December 31, 2010 and 2009.

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

Accounts receivable are uncollateralized contract obligations due under normal trade terms generally requiring payment within 30 days from the invoice date. Accounts receivable are carried at their estimated collectible amounts.

The Organization uses the direct write-off method to account for uncollectible accounts receivable. Based on how recently payments have been made, management reviews balances that are still outstanding. After reasonable collection efforts are made, balances are written off through a charge to accounts receivable. Accounting principles generally accepted in the United States of America require the allowance method to be used to recognize bad debts; however, the effect of using the direct write-off method is not materially different from the results that would be obtained under the allowance method.

Fixed Assets and Depreciation

Fixed assets are recorded at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed in the straight-line method over the assets' estimated useful lives. The various classifications of fixed assets and the useful lives employed are as follows:

Furniture and equipment	2 - 10 years
Vehicles	5 - 10 years

Maintenance, repairs, and minor renewals are charged against income when incurred. Additions and major renewals are capitalized.

The Organization's policy is to capitalize fixed assets purchased or donated in excess of \$2,000.

Income Taxes

The Organization is exempt from Federal and State income taxes under section 501(c)(3) of the Internal Revenue Code and did not conduct any unrelated business activities in 2010 or 2009. Therefore, the Organization has made no provision for Federal or State income taxes in the accompanying financial statements. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of section 509(a) of the Internal Revenue Code.

Statements of Cash Flows

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

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Management has evaluated subsequent events through May 10, 2011, the date the financial statements were available to be issued.

Use of Estimates

The preparation of financial statements 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 revenue and expenses during the reporting period.

NOTE B – ACCOUNTS RECEIVABLE - TRADE

Trade accounts receivable total \$814,450 and \$1,066,145 at December 31, 2010 and 2009, respectively, and represent amounts due under certain Federal and other contracts for services provided.

NOTE C – FIXED ASSETS AND RELATED DEPRECIATION

Fixed assets and related depreciation are summarized as follows:

	<u>2010</u>	<u>2009</u>
Furniture and equipment	\$ 519,369	\$ 465,329
Vehicles	306,568	306,568
Less accumulated depreciation	<u>(371,659)</u>	<u>(272,657)</u>
Fixed Assets – net	\$ <u>454,278</u>	\$ <u>499,240</u>

Depreciation expense for the years ended December 31, 2010 and 2009 is \$100,583 and \$90,319, respectively.

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE D – ACCRUED EXPENSES

Accrued expenses consist of the following at December 31:

	<u>2010</u>	<u>2009</u>
Accrued wages	\$ 31,639	\$ 29,051
Accrued NISH/AbilityOne commissions	30,793	39,905
Accrued payroll taxes	17,221	8,882
Other miscellaneous withholdings	<u>7,611</u>	<u>2,011</u>
Total	<u>\$ 87,264</u>	<u>\$ 79,849</u>

NOTE E – RELATED PARTY TRANSACTIONS

The Organization has a management contract with its related party, Goodwill Industries of the Southern Rivers, Inc. (Goodwill). The contract is normally renewed annually and is structured so that it can be terminated by either party. This contract requires the Organization to pay Goodwill a management fee and to reimburse any directly identifiable expenses incurred by Goodwill on its behalf. During 2010 and 2009, the Organization paid management fees totaling \$60,498 and \$63,516 and reimbursed Goodwill for expenses totaling \$204,544 and \$182,029, respectively. Management fees are classified as indirect cost in the financial statements. In addition, the contract specifies the Organization compensate Goodwill 75% of monthly net income after depreciation and management fees. During the year ended December 31, 2010 and 2009, the Organization paid Goodwill \$715,509 and \$930,283, respectively, under this agreement. These costs are classified as indirect cost in the financial statements. At December 31, 2010 and 2009, the total amount payable to Goodwill is \$213,137 and \$279,310, respectively.

In addition, the Organization occasionally receives cash advances from Goodwill. During the years ended December 31, 2010 and 2009, the Organization did not receive cash advances.

On occasion, the Organization performs custodial and grounds maintenance services for Goodwill or Goodwill's subsidiaries. Revenue recognized for these services during the year ended December 31, 2010 and 2009 is \$0 and \$2,443, respectively. At December 31, 2010 and 2009, the total amount receivable from Goodwill and its subsidiaries is \$0 and \$1,015, respectively.

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE F – CONCENTRATIONS AND COMMITMENTS

Concentration of Revenue and Support

The Organization receives the majority of its support from Federal government contracts to provide employment for individuals to perform custodial services at the Fort Benning Military Installation in Ft. Benning, Georgia and the Marine Corps Logistics Base in Albany, Georgia. In October 2008, the Organization expanded services and revenue diversification to include a grounds maintenance contract at the Marine Corps Logistics Base in Albany, Georgia. These contracts expire at various times and renewal is not guaranteed. Revenue generated from these contracts accounts for 99% and 99% of total revenue and support at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, 99% and 99%, respectively, of accounts receivables represent amounts due under these contracts.

Concentration of Credit Risk

The Organization maintains cash balances at a bank. The cash accounts at the bank were fully insured by FDIC coverage at December 31, 2010 and 2009. In addition, the Organization's primary customers are in the state of Georgia. As such, the Organization is susceptible to credit risk from customers in that area.

Commitments

The custodial contracts for the services provided at the Marine Corps Logistics Base are five-year contracts and continue through January and June 2012. The grounds maintenance contract at the Marine Corps Logistics Base is a five-year contract and continues through September 2013. The contract for the services provided at the Fort Benning Military Installation is a five-year contract and continues through February 2011. Contracts are normally updated annually and are anticipated to continue.

NOTE G – HEALTH AND WELFARE PLAN

The Organization sponsors a defined contribution health and welfare benefit plan for employees associated with Javis-Wagner-O'Day Act set-aside contracts. The plan is 100% employer paid and provides health, dental, emergency and prescription card coverage. Contributions to the plan during the years ended December 31, 2010 and 2009 are \$453,303 and \$509,226, respectively.

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE H – DESCRIPTION OF PROGRAM AND SUPPORTING SERVICES

The following program and supporting services are included in the accompanying financial statement.

Contracts

The Organization provides contracted grounds maintenance and custodial services to two military installations in Georgia. These federal contracts, which are set aside through the Javis-Wagner-O'Day Act, require at least 75% of the hourly wages paid go to someone with a documented disability. Additionally, the Organization provides all disabled workers with ongoing case management. Case managers assist disabled workers with both personal and work related issues to ensure long-term employability. Services include helping employees set up doctors visits, understand paperwork, and deal with family crises. Case managers also provide disabled workers with workplace progress reports and suggestions on how to improve work performance.

Management and General

Includes the functions necessary to maintain an equitable employment program; ensure an adequate working environment; provide coordination and articulation of the Organization's program strategy; secure proper administrative functioning; maintain competent legal services for the program administration of the Organization; and manage the financial and budgetary responsibilities of the Organization.

NOTE I - FINANCIAL INSTRUMENTS

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents - The carrying amount approximates fair value because of the short maturities of those instruments.

Accounts receivable, accounts payable and accrued expenses - The carrying amounts of those instruments approximates their fair value because of the short maturities of those instruments.

POWER WORKS INDUSTRIES, INC.
COLUMBUS, GEORGIA
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2010 and 2009

NOTE I - FINANCIAL INSTRUMENTS (Continued)

Fair values and carrying values at December 31, 2010 are the following:

	<u>Fair Value</u>	<u>Carrying Amount</u>
Cash and cash equivalents	\$ 793,919	\$ 793,919
Accounts receivable	816,733	816,733
Accounts payable	258,933	258,933
Accrued expenses	87,264	87,264

The fair value measurements for the assets and liabilities reported at fair value on a non-recurring basis at December 31, 2010, fall within the level 1 and 2 inputs of the fair value hierarchy. Level 1 inputs are those inputs that are measured at quoted prices in an active market for an identical asset or liability. Level 2 measurements generally use available indirect information, such as quoted prices for *similar* assets or liabilities in active markets, or quoted prices for identical or similar assets or liabilities in markets that are not active.