

JSI

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**INDEPENDENT AUDITOR'S REPORT AND  
RELATED FINANCIAL STATEMENTS**

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**FOR THE YEARS ENDED  
JUNE 30, 2009 AND 2008**

DHHR - Finance

JUL 25 2011

Date Received

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
JSI  
Bridgeport, West Virginia

We have audited the accompanying statements of financial position of JSI (a nonprofit organization) as of June 30, 2009 and 2008, and the related statements of activities 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial 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 JSI as of June 30, 2009 and 2008, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2009, on our consideration of JSI'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 the report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
JSI

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements of JSI, taken as a whole. The accompanying schedule of state grant receipts and expenditures are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Tetrick & Bartlett,  
November 30, 2009 PLLC

JSI  
STATEMENTS OF FINANCIAL POSITION  
JUNE 30,

**ASSETS**

	2009	2008
Cash	\$ 556,975	\$ 372,717
Accounts receivable	225,855	317,457
Grant receivable	5,313	-0-
Prepaid expenses	14,796	9,839
Property and equipment (net)	<u>573,527</u>	<u>597,650</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,376,466</u></b>	<b>\$ <u>1,297,663</u></b>

**LIABILITIES AND NET ASSETS**

**Current Liabilities**

Accounts payable and accrued expenses	\$ 62,412	\$ 51,706
Accrued salaries and wages	80,360	62,089
Accrued vacation pay	45,296	40,206
Current portion of long-term debt	<u>12,913</u>	<u>39,536</u>
Total current liabilities	<b>\$ <u>200,981</u></b>	<b>\$ <u>193,537</u></b>

Long-term debt	<u>254,309</u>	<u>267,254</u>
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Total liabilities	<u>455,290</u>	<u>460,791</u>
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**Net Assets**

Unrestricted net assets	<u>921,176</u>	<u>836,872</u>
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<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>1,376,466</u></b>	<b>\$ <u>1,297,663</u></b>
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The accompanying notes are an integral part of these statements.

JSI  
STATEMENT OF ACTIVITIES  
FOR THE YEARS ENDED JUNE 30,

	2009	2008
<b>Unrestricted Revenue</b>		
Contract revenue	\$ 2,395,286	\$ 2,329,425
Revenue -- Presort mailing	704,317	1,252,578
Grants	180,578	100,000
Interest	1,946	518
Other income	<u>103,306</u>	<u>46,250</u>
Total unrestricted revenue	<u>\$ 3,385,433</u>	<u>\$ 3,728,771</u>
 <b>Unrestricted Expenses</b>		
<b>Community Rehabilitation Program:</b>		
Salaries and wages	\$ 1,473,248	\$ 1,501,310
Fringe benefits	520,489	502,472
Operating supplies	155,417	135,854
Postage -- Presort mailing supplies	132,456	343,602
Contractual support and other fees	40,017	21,350
Travel	27,651	37,614
Uniforms	15,112	15,454
Depreciation and amortization	62,468	74,054
Interest	18,914	18,696
Insurance	23,255	26,563
Education and training	18,457	11,145
Occupancy, equipment rental and maintenance	240,708	216,774
Grounds maintenance	31,518	27,474
Dues and subscriptions	641	801
NISH fees	82,953	82,389
Telephone	9,663	8,006
Utilities	9,276	11,775
Miscellaneous	<u>8,993</u>	<u>-0-</u>
Total community rehabilitation program	<u>2,871,236</u>	<u>3,035,333</u>

JSI  
STATEMENT OF ACTIVITIES (CONT'D)  
FOR THE YEARS ENDED JUNE 30,

	2009	2008
<b>Management and General:</b>		
Salaries and wages	\$ 230,574	\$ 214,569
Fringe benefits	84,731	75,085
Contractual support and other fees	44,330	43,287
Operating supplies	6,518	5,737
Travel	2,055	3,476
Depreciation and amortization	12,425	6,611
Insurance	2,584	2,951
Marketing, publications and postage	447	1,294
Education and training	3,884	4,579
Occupancy/rent	-0-	7,456
Equipment rental and maintenance	9,067	18,215
Furniture and fixtures	2,274	3,629
Dues and subscriptions	3,847	3,024
Telephone	8,746	8,916
Utilities	3,008	3,962
Miscellaneous	<u>15,403</u>	<u>17,475</u>
Total management and general	429,893	420,266
Loss (gain) on disposal of assets	<u>-0-</u>	<u>234</u>
Total unrestricted expenses and (gains)/losses	<u>3,301,129</u>	<u>3,455,833</u>
Change in net assets	84,304	272,938
Net unrestricted assets at beginning of year	<u>836,872</u>	<u>563,934</u>
Net unrestricted assets at end of year	\$ <u>921,176</u>	\$ <u>836,872</u>

The accompanying notes are an integral part of these statements.

JSI  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30,

	2009	2008
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 84,304	\$ 272,938
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	74,893	80,665
Loss (gain) on disposal of assets	-0-	234
(Increase) decrease in:		
Accounts receivable	91,602	( 16,701)
Grant receivable	( 5,313)	9,999
Prepaid expenses and deposits	( 4,957)	( 2,560)
Increase (decrease) in:		
Accounts payable and accrued expenses	10,706	22,793
Accrued salaries and wages	18,271	( 4,157)
Accrued vacation pay	<u>5,090</u>	<u>578</u>
Net cash provided by (used in) operating activities	<u>274,596</u>	<u>363,789</u>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of equipment	-0-	2,500
Purchases of property and equipment	<u>( 50,770)</u>	<u>(360,640)</u>
Net cash provided by (used in) investing activities	<u>( 50,770)</u>	<u>(358,140)</u>
<b>Cash Flows from Financing Activities</b>		
Proceeds from financing activities	-0-	284,014
Payments on long-term debt	<u>( 39,568)</u>	<u>(125,571)</u>
Net cash provided by (used in) financing activities	<u>( 39,568)</u>	<u>158,443</u>
Net increase in cash	184,258	164,092
Cash at beginning of year	<u>372,717</u>	<u>208,625</u>
Cash at end of year	\$ <u>556,975</u>	\$ <u>372,717</u>
<b>Supplementary Disclosures</b>		
Cash Flow Information:		
Cash payments for interest	\$ <u>18,914</u>	\$ <u>18,696</u>

The accompanying notes are an integral part of these statements.



JSI  
NOTES TO FINANCIAL STATEMENTS

**1. Summary of Significant Accounting Policies**

**Nature of Activities**

JSI (formerly Job Squad, Inc.) (the Organization) was incorporated under the laws of the State of West Virginia as a nonprofit, nonstock corporation on August 24, 1984. The primary purpose of the Organization is to provide job development, job placement, situational assessment, on-the-job training, job coaching, job accommodation, and other rehabilitative employment services to qualified participants with various physical, as well as mental, disabilities. The Organization provides these services through employment of program participants. The Organization contractually provides janitorial and maintenance services to various governmental, as well as commercial entities throughout North Central West Virginia in order to provide employment and career development experience to program participants.

In February 2004, JSI acquired a presort mailing business in Charleston, West Virginia. The organization contractually provides mailing services to various state governmental agencies and commercial businesses in the Greater Charleston area in order to provide employment and career development experience to program participants.

**Basis of Accounting**

The financial statements of JSI are maintained on the accrual basis in accordance with the principles of "Fund Accounting". This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified.

These financial statements are prepared to focus on the entity as a whole and to present transactions according to the existence or absence of donor-imposed restrictions in conformity with Statements of Financial Accounting Standards No. 116 and 117 as adopted by the Financial Accounting Standards Board. The applicable financial accounting standards require classification of fund transactions and balances into three categories: 1) unrestricted net assets which have no donor-imposed restrictions, 2) temporarily restricted net assets, which have donor-imposed restrictions that will expire in the future, and 3) permanently restricted net assets which have donor-imposed restrictions which do not expire.

**Income Tax Status**

The Organization is a not-for-profit organization that is exempt from income taxes under Section 501 (c)(3) of the Internal Revenue Code.

**Cash and Cash Equivalents**

For purposes of the cash flow statement, the organization considers cash to be cash and cash equivalents.

JSI  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

**Concentrations of Credit Risk Arising from Cash Deposits**

Cash on hand and deposits with financial institutions either in checking, savings, or money market accounts are presented as cash in the accompanying financial statements.

The Organization maintains its cash in bank deposit accounts at financial institutions. The balances in the banks are insured by the Federal Deposit Insurance Corporation. At June 30, 2009, the Organization's insured actual cash balances totaled \$556,875. At June 30, 2009, the Organization's uninsured actual cash balances totaled \$300,773.

**Concentrations of Credit Risk Arising from Accounts Receivable**

The Organization's revenues are generated in part from services provided to governmental entities and private businesses. The ultimate collection of the accounts receivable resulting from this type of revenue is dependent upon the governmental entities and private businesses income and payment ability.

**Accounts Receivable**

The Organization does not maintain an allowance for estimated uncollectible accounts. When an account is determined uncollectible it is deducted from the accounts receivable and is charged to uncollectible accounts expense. All receivables deemed uncollectible at June 30 have been charged to uncollectible accounts expense.

**Inventory**

Purchases of supplies are expensed as incurred.

**Property and Equipment**

Property and equipment are recorded at cost or approximate market value at date of gift, less accumulated depreciation. The organization employs the straight-line method of computing depreciation based on the estimated useful lives (ranging from five to thirty nine years) of the assets.

**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.

**Interest Costs**

All interest costs have been expensed as incurred

JSI  
NOTES TO FINANCIAL STATEMENTS (CONTD)

**Operating Lease**

During the period, the Organization rented some of its facilities under a month to month operating lease.

**Donated Services**

No amounts have been reflected in the financial statements for donated services. The Organization pays for most services requiring specific expertise. However many individuals volunteer time and perform a variety of tasks that assist the Organization with specific programs, solicitations and various committee assignments.

**2. Major Customer**

Revenues for the years ended June 30, 2009 and 2008, include approximately \$2,232,894 and \$2,141,202 respectively, from two contracts with the Federal Bureau of Investigation (FBI). This represents over 90% for both June 30, 2009 and June 30, 2008, of total contractual revenues. Receivables from these major contracts as of June 30, 2009 and 2008 amount to approximately \$35,767 and \$40,330, respectively, which represents 16% and 13%, respectively, of the total accounts receivable.

**3. Property and Equipment**

Property, and equipment are comprised of the following at June 30,

	2009	2008
Building	\$ 274,817	\$ 274,817
Equipment and furniture	576,511	555,055
Land	29,000	29,000
Leasehold improvements	26,414	26,414
Vehicles	193,179	163,775
Other	<u>18,304</u>	<u>18,304</u>
Total	1,118,225	1,067,365
Less: Accumulated depreciation	<u>( 544,698)</u>	<u>( 469,805)</u>
Property and equipment (net)	\$ <u>573,527</u>	\$ <u>597,560</u>

JSI  
NOTES TO FINANCIAL STATEMENTS (CONTD)

4. Long-Term Debt

Long-term debt consists of the following:

	2009	2008
Note payable to Wesbanco, secured by office building and land, interest rate of 7.14%, payable in 240 monthly installments of \$1,960 through May 2028	\$ 243,634	\$ 250,273
Note payable to Huntington National Bank, secured by all assets of the Organization, interest rate of 5.50%, payable in 60 monthly installments of \$3,021, through October 2009	-0-	12,677
Note payable to Huntington National Bank, secured by 2003 Dodge truck, interest rate of 6.50%, payable in 60 monthly installments of \$490 through October 2009	-0-	1,908
Note payable to Ford Motor Credit, secured by 2004 Ford truck, interest rate of 6.90%, payable in 60 monthly installments of \$585 through April 2009	-0-	5,789
Note payable to Ford Motor Credit, secured by 2009 Ford truck, interest rate of 5.96%, payable in 60 monthly installments of \$652 through October 2012	23,588	29,800
Note payable to Chase Equipment Leasing, secured by a Bell & Howell Conveyor/Bin System, interest rate of 8.39%, payable in 49 monthly installments of \$693 through August 2009	-0-	690
Note payable to Chase Equipment Leasing, secured by a Bell & Howell Postage System, interest rate of 6.77%, payable in 37 monthly installments of \$5,692 through July 2009	-0-	5,653
Total long-term debt	267,222	306,790
Less current portion	( 12,913)	( 39,536)
Long-term debt	\$ <u>254,309</u>	\$ <u>267,254</u>

JSI  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Aggregate maturities required on long-term debt as of June 30, 2009, are as follows:

<u>Year ended June 30,</u>	
2010	\$ 12,913
2011	13,783
2012	14,713
2013	10,400
2014	8,403
Thereafter	<u>207,010</u>
Total	\$ <u>267,222</u>

**5. Line of Credit**

At June 30, 2009 and 2008 the Organization has available a line of credit with a banking institution at prevailing interest rates. The available line of credit is \$150,000 at June 30, 2009 and 2008. The line of credit is secured by the proceeds from the contract with the FBI. The Organization had no outstanding borrowings at June 30, 2009 and 2008.

**6. Operating Leases**

The Organization rents various equipment on a month to month basis or under an operating lease agreement. Rental expense for the years ended June 30, 2009 and 2008, amounted to \$178,292 and \$177,448, respectively.

As of June 30, 2009, the total remaining operating lease payments under these agreements are as follows:

<u>Year ended June 30,</u>	
2010	\$ 86,482
2011	85,512
2012	6,513
2013	5,940
2014	<u>4,950</u>
Total	\$ <u>189,397</u>

JSI  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

7. **Agreement with Champion Industries, Inc.**

An agreement was made in March 2009 between Champion Industries, Inc. ("Champion") and JSI.

This agreement was made since Champion and JSI are both in the business of providing presort and other mail services through government and commercial contracts. Both parties have determined that each of the parties has excess capacity with respect to both its machinery and equipment and also with respect to its personnel and that each can increase its productivity and profitability by entering into an agreement. Therefore, Champion has agreed to use its best efforts to identify and promote potential revenue-enhancement opportunities for JSI through increased 5-digit rebate activities, additional first-class mail sort opportunities, hand work bulk job operations, and the development of government contracts and other set-aside opportunities that JSI may perform as a tax-exempt entity. As a result, JSI has agreed to assist and cooperate with Champion to identify potential business opportunities for Champion. Unless sooner terminated by other provisions of the agreement, the agreement shall remain in full force and effect for five (5) years. The monthly billings schedule payable by JSI is as follows:

Facility/building fee (A)	\$ 5,000
Service and performance fee (B)	6,000
Other billing see explanation below (C)	
 Credits:	
Personnel equipment utilization (D)	(2,500)
Transitional equipment fee (E)	<u>(1,500)</u>
Other billing see explanation below (F)	
 Net due to Champion	 \$ <u>7,000</u>

(A) This fee includes all rent, building and common area maintenance, building insurance, applicable building related taxes, utilities, security, cleaning and all other items consistent with past building costs and expenses. This shall also include office facilities to be prepared for use exclusively for JSI personnel.

(B) The service and performance fee includes utilization of equipment and personnel to assist in accomplishing in the most efficient manner possible the applicable operation mission of JSI. This would include but not be limited to operational and managerial assistance, preventive maintenance, troubleshooting, mail pickup and delivery, information technology and software technical assistance, internal control and applicable regulatory standards compliance, office support, growth support and mission expansion initiatives, public relations and assistance with non direct costs of marketing and advertising including pre-press and design support, functionality and expanded redundancy support.

JSI  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (C) Additional billing for Champion would be related to a multitude of items but would primarily appear to relate to any sort of presort work needed in the event the JSI presorting equipment was inoperable for a period of time. The rate for such work shall be at 75% of JSI's billing rate for such work.
- (D) The personnel and equipment utilization fee shall enable Champion to utilize JSI personnel to assist in any function deemed reasonably similar to said employees' current job function. This fee is being paid to allow each party to best allocate resources to properly accomplish their respective responsibilities. This fee is based on JSI and Champion agreeing to match as necessary schedules Monday thru Friday to perform the pre-sorting services, the fee paid by Champion to JSI of \$2,500 as listed above in this Exhibit A is compensation for the agreed upon hours necessary complete the daily pre-sorting work and JSI agrees to keep staffing at a level at least consistent with current levels.
- (E) This is related to a fee to be paid to JSI for equipment utilization. This will allow Champion to utilize existing equipment in the most efficient manner to expedite the mail production. This is based off a baseline utilization on current equipment utilization on a combined basis with a tolerance range of 10% over the peak capacity utilization. This fee shall cease on July 1, 2011 pursuant to the definitive agreement and concurrent with the final lease payments which would transfer constructive ownership of such equipment to JSI. Champion shall maintain the right to utilize such equipment consistent with past practice.
- (F) This is further described in the agreement but essentially would relate to two specific areas and then a general to be negotiated fee for other projects not currently anticipated but which may arise.

**8. 401(k) Retirement Plan**

JSI has a 401(k) retirement plan covering its eligible employees. Contributions and rollovers to the plan for the plan's year ending December 31, 2008 amounted to \$52,140 by the employees. There was a \$20,000 contribution made by the Organization for this period.

Contributions to the plan for the plan's year ending December 31, 2009 amounted to \$61,781 by the employees, and no contribution from the Organization.

JSI  
NOTES TO FINANCIAL STATEMENTS (CONT'D)

**9. Related Party**

During the fiscal year June 30, 2003, the Organization created a for-profit subsidiary company, Diverse Services, LLC. This limited liability company is 51% owned by Executive Director, Brenda Hellwig, and 49% owned by JSI.

Diverse Services, LLC was organized to bid on certain governmental contracts for which a not-for-profit organization is ineligible to bid. The decision to have Brenda Hellwig own 51% of the Subsidiary was made in order to allow the Subsidiary to bid on contracts on which minority group ownership is given preference.

The goal of the Subsidiary is to be awarded additional contracts which would allow JSI to further fulfill its mission of providing employment of people with various physical and mental disabilities.

There was one financial transaction in which JSI received \$20,500 in management fee from Diverse Services, LLC for the year ended June 30, 2009. Additionally, \$10,000 was received in management fees for the period ending June 30, 2008.



JSI  
**SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES  
 FOR THE YEAR ENDED JUNE 30, 2009**

<u>Identifying State Grant Information</u>	<u>Period of Time</u>	<u>Amount of Award</u>	<u>Receipt of Funds</u>	<u>Expenditure of Funds</u>
<b>WV Department of Health and Human Resources</b>				
A) BHHF - Office of Behavioral Health Services	07/01/08-06/30/09	\$ <u>100,000</u>	\$ <u>100,000</u>	\$ <u>100,000</u>
B) WV Developmental Disabilities Council	10/01/08-09/30/09	\$ <u>30,866</u>	\$ <u>19,553</u>	\$ <u>19,553</u>
C) WV Developmental Disabilities Council	10/01/08-09/30/09	\$ <u>33,566</u>	\$ <u>26,185</u>	\$ <u>26,185</u>
<b>WV Division of Rehabilitation Services</b>				
A) Life Skills Training	10/01/08-09/30/09	\$ <u>46,120</u>	\$ <u>34,840</u>	\$ <u>34,840</u>

The accompanying notes are an integral part of this schedule.



**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  
JSI  
Bridgeport, West Virginia

We have audited the financial statements of JSI (a nonprofit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated November 30, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered JSI's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of JSI's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting, as item #09-01.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.


Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item #09-01 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether JSI'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 is required to be reported under *Government Auditing Standards*.

JSI's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit JSI's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, others within the entity, and is not intended to be and should not be used by anyone other than these specified parties.

  
November 30, 2009

JSI  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2009

**#09-01 Segregation of Duties**

**Condition:** Responsibility for approving, executing, and recording transactions and custody of the resulting asset arising from the transaction is not assigned to separate individuals.

**Criteria:** Internal control should be implemented to the degree possible to assign to different individuals the responsibility for approving, executing and recording transactions and custody of the resulting asset arising from the transaction.

**Effect:** Because of the failure to segregate duties, internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by management in the normal course of performing assigned functions.

**Recommendation:** Responsibilities of approval, execution, recording and custody be distributed among individuals to the degree possible. However, we recognize that complete segregation of duties is not economically feasible.

**Entity's Response:** To the extent possible, the Organization has segregated its duties. Any further segregation of duties would not be economically feasible.