

JOB SQUAD, INC.

INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2012 AND 2011

DHHR - Finance

JUN 5 2014

Date Received

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Job Squad, Inc.
Bridgeport, West Virginia

We have audited the accompanying statements of financial position of Job Squad, Inc. (a nonprofit organization) as of June 30, 2012 and 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion.* 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 Job Squad, Inc. as of June 30, 2012 and 2011, 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 December 6, 2012, on our consideration of Job Squad, Inc.'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of state grant receipts and expenditures is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Tetric & Bartlett
December 6, 2012 , PLLC

JOB SQUAD, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30,

ASSETS	2012	2011
Current Assets		
Cash	\$ 889,923	\$ 891,118
Accounts receivable	192,651	151,215
Grant receivable	4,889	10,100
Prepaid expenses	11,411	6,120
Property and equipment (net)	604,700	524,175
Total current assets	<u>1,703,574</u>	<u>1,582,728</u>
Other Assets		
Restricted cash for collateral on a compensating balance loan	<u>1,200</u>	<u>-0-</u>
Total other assets	<u>1,200</u>	<u>-0-</u>
TOTAL ASSETS	\$ <u>1,704,774</u>	\$ <u>1,582,728</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 92,183	\$ 68,177
Accrued salaries and wages	42,971	36,962
Accrued vacation pay	61,091	56,499
Line of credit - current	-0-	170,000
Current portion – capital lease obligation	6,140	6,049
Current portion of long-term debt	16,727	14,713
Total current liabilities	<u>219,112</u>	<u>352,400</u>
Long-Term Liabilities		
Non-current portion of capital lease obligation	6,232	12,372
Long-term debt	246,748	225,379
Total long-term liabilities	<u>252,980</u>	<u>237,751</u>
Total liabilities	472,092	590,151
Net Assets		
Temporarily restricted for collateral on a compensating balance loan	1,200	-0-
Unrestricted net assets	<u>1,231,482</u>	<u>992,577</u>
Total net assets	<u>1,232,682</u>	<u>992,577</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,704,774</u>	\$ <u>1,582,728</u>

The accompanying notes are an integral part of these statements.

JOB SQUAD, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30,

	2012	2011
Unrestricted Revenue		
Contract revenue	\$ 2,681,796	\$ 2,508,327
Revenue – Presort mailing	836,660	801,529
Grants	194,478	250,493
Interest	886	1,260
Other income	<u>169,027</u>	<u>169,241</u>
Total unrestricted revenue	<u>3,882,847</u>	<u>3,730,850</u>
 Unrestricted Expenses		
Community Rehabilitation Program:		
Salaries and wages	1,739,764	1,739,683
Fringe benefits	641,433	607,054
Operating supplies	187,435	168,573
Postage – Presort mailing supplies	95,296	155,825
Contractual support and other fees	37,489	40,211
Travel	25,315	27,084
Uniforms	19,953	18,053
Depreciation and amortization	90,914	77,712
Interest	17,231	17,458
Insurance	18,155	27,988
Education and training	16,007	46,889
Occupancy, equipment rental and maintenance	166,817	219,121
Grounds maintenance	31,753	49,476
Dues and subscriptions	3,943	1,248
NISH fees	99,206	93,351
Telephone	7,460	5,954
Miscellaneous	<u>9,436</u>	<u>5,865</u>
Total community rehabilitation program	<u>3,207,607</u>	<u>3,301,545</u>

JOB SQUAD, INC.
STATEMENTS OF ACTIVITIES (CONT'D)
FOR THE YEARS ENDED JUNE 30,

	2012	2011
Management and General:		
Salaries and wages	\$ 242,145	\$ 260,734
Fringe benefits	89,276	90,709
Contractual support and other fees	25,928	24,939
Operating supplies	8,681	5,645
Travel	4,718	3,046
Depreciation	10,101	8,446
Insurance	2,017	3,110
Marketing, publications and postage	1,232	1,563
Education and training	14,446	7,463
Equipment rental and maintenance	6,810	2,730
Furniture and fixtures	1,913	510
Dues and subscriptions	2,839	3,881
Telephone	6,009	9,136
Utilities	3,422	2,906
Bad debt	398	-0-
Miscellaneous	<u>15,200</u>	<u>13,356</u>
Total management and general	435,135	438,174
Loss (gain) on disposal of assets	<u>-0-</u>	<u>-0-</u>
Total unrestricted expenses and (gains)/losses	<u>3,642,742</u>	<u>3,739,719</u>
Change in net assets	240,105	(8,869)
Net unrestricted assets at beginning of year	<u>992,577</u>	<u>1,001,446</u>
Net unrestricted assets at end of year	\$ <u>1,232,682</u>	\$ <u>992,577</u>

The accompanying notes are an integral part of these statements.

JOB SQUAD, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30,

	2012	2011
Cash Flows from Operating Activities		
Change in net assets	\$ 240,105	\$ (8,869)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	101,015	86,158
Loss (gain) on disposal of assets	-0-	-0-
(Increase) decrease in:		
Accounts receivable	(41,436)	5,252
Grant receivable	5,211	23,518
Prepaid expenses and deposits	(5,291)	6,050
Increase (decrease) in:		
Accounts payable and accrued expenses	24,006	(22,756)
Accrued salaries and wages	6,009	(55,539)
Accrued vacation pay	<u>4,592</u>	<u>9,581</u>
Net cash provided by (used in) operating activities	<u>334,211</u>	<u>43,395</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	(181,540)	(21,913)
Net cash provided by (used in) investing activities	<u>(181,540)</u>	<u>(21,913)</u>
Cash Flows from Financing Activities		
Proceeds from financing activities – capital lease	-0-	-0-
Proceeds from line of credit	(170,000)	170,000
Proceeds from long-term borrowings	50,025	170,000
Payments on capital lease	(6,049)	(5,959)
Payments on long-term debt	<u>(26,642)</u>	<u>(14,299)</u>
Net cash provided by (used in) financing activities	<u>(152,666)</u>	<u>149,742</u>
Net increase (decrease) in cash	5	171,224
Cash at beginning of year	<u>891,118</u>	<u>719,894</u>
Cash at end of year	\$ <u>891,123</u>	\$ <u>891,118</u>
Supplementary Disclosures		
Cash Flow Information:		
Cash payments for interest	\$ <u>17,231</u>	\$ <u>17,458</u>

The accompanying notes are an integral part of these statements.

JOB SQUAD, INC.

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Nature of Activities

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, Job Squad, Inc. 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 and Reporting

Job Squad, Inc. uses the accrual basis of accounting under which expenses are recorded when incurred, not when paid, and income is recorded when earned, not when received.

To ensure observance of limitations and restrictions placed on the use of available resources, the accounts of Job Squad, Inc. are maintained in accordance with the principles of fund accounting. Under such principles, resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with specified activities or objectives.

Job Squad, Inc. also prepares financial statements in accordance with the Financial Accounting Standards Board (FASB) standards for not-for-profit organizations (ASC 958-205 and subsections). Under these standards, Job Squad, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, Job Squad, Inc. is required to present a statement of cash flows.

Basis of Presentation

Net assets of Job Squad, Inc. and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed conditions.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed conditions that will be met either by the actions of Job Squad, Inc. or the passage of time.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Permanently Restricted Net Assets – Net assets subject to donor-imposed conditions that require that they be maintained permanently by Job Squad, Inc..

Revenues are reported as increases in unrestricted net assets unless the use of the related asset is limited by conditions imposed by the donor. If conditions exist, the revenues would be reported as either temporarily restricted net assets or permanently restricted net asset, depending on the nature of the conditions imposed. Expenses are reported as decreases in unrestricted net assets. When a condition expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

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.

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 recommended to be insured by the Federal Deposit Insurance Corporation. At June 30, 2012, the Organization's insured actual cash balances totaled \$577,696 while the uninsured cash balances totaled \$212,066. At June 30, 2011, the Organization's uninsured actual cash balances totaled \$334,857.

During the fiscal year ending June 30, 2012, the Organization also maintained its cash deposit accounts at a Credit Union. The balances at the Credit Union are insured by the National Credit Union Administration. At June 30, 2012, the Organization's insured actual cash balances totaled \$101,200.

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.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONTD)

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.

Capital Lease

During the period, the Organization purchased equipment under a month to month capital lease obligation.

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.

Advertising

Advertising costs are charged to operations in the period in which the advertisement is placed.

2. Major Customer

Revenues for the years ended June 30, 2012 and 2011, include approximately \$2,592,080 and \$2,467,884 respectively, from two contracts with the Federal Bureau of Investigation (FBI). This represents nearly 75% for both June 30, 2012 and June 30, 2011, of total contractual revenues. Receivables from these major contracts as of June 30, 2012 and 2011 amount to approximately \$40,045 and \$1,205, respectively, which represents 21% and 23%, respectively, of the total accounts receivable.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

3. Property and Equipment

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

	2012	2011
Building and improvements	\$ 322,710	\$ 274,817
Equipment and furniture	655,703	622,872
Land	29,000	29,000
Leasehold improvements	26,414	26,414
Vehicles	208,920	131,051
Other	<u>18,304</u>	<u>18,304</u>
Total	1,261,051	1,102,458
Less: Accumulated depreciation	<u>(656,351)</u>	<u>(578,283)</u>
Property and equipment (net)	\$ <u>604,700</u>	\$ <u>524,175</u>

4. Long-Term Debt

Long-term debt consists of the following:

	2012	2011
Note payable to Wesbanco, secured by office building and land, interest rate of 5.0%, payable in 240 monthly installments of \$1,960 through May 2028.	\$ 217,770	\$ 230,051
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. Paid off during June 2012.	-0-	10,041
Note payable to Ally, secured by 2012 Dodge Ram 250, interest rate of 5.59%, payable in 60 monthly installments of \$586 through November 2016.	27,424	-0-
Note payable to Toyota Financial Services, secured by 2012 Toyota RAV4, interest rate of 2.90%, payable in 59 monthly installments of \$349 through January 2017.	<u>18,281</u>	<u>-0-</u>
Total long-term debt	263,475	240,092
Less current portion	<u>(16,727)</u>	<u>(14,713)</u>
Long-term debt	\$ <u>246,748</u>	\$ <u>225,379</u>

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

Aggregate maturities required on long-term debt as of June 30, 2012, are as follows:

<u>Year ended June 30,</u>	
2013	\$ 16,727
2014	17,734
2015	18,808
2016	19,952
2017	15,548
Thereafter	<u>174,706</u>
Total	\$ <u>263,475</u>

5. Line of Credit

At June 30, 2012 and 2011 the Organization has available a line of credit with banking institutions at prevailing interest rates. The available line of credit is \$400,000 at June 30, 2012 and the available line of credit is \$400,000 at June 30, 2011. The line of credit is secured by the proceeds from the contract with the FBI. The Organization had no outstanding borrowings on these lines of credit as of June 30, 2012. The Organization had outstanding borrowings on these lines of credit of \$170,000 as of June 30, 2011.

6. Leases

Capital Leases

The Organization leases certain equipment under a capital lease. The economic substance of the lease is that the Organization is financing the acquisition of the assets through the lease, and, accordingly, it is recorded in the Organization's assets and liabilities.

The following is a schedule by years of future minimum payments required under the lease together with their present value as of June 30, 2012:

<u>Year ended June 30,</u>	
2013	\$ 6,284
2014	<u>6,284</u>
Total minimum lease payments	12,568
Less amount representing interest	<u>196</u>
Present value of minimum lease payments	\$ <u>12,372</u>

Amortization of assets held under capital leases is included with depreciation expense.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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, 2012 and 2011, amounted to \$136,218 and \$164,472, respectively.

As of June 30, 2012, the total remaining operating lease payments under these agreements are as follows:

<u>Year ended June 30,</u>	
2012	\$ 45,149
2013	<u>50,604</u>
Total	\$ <u>95,753</u>

7. Contingencies – Micro Loan Program

Job Squad, Inc., has replaced their Micro Loan program, where direct loans were made to qualified borrowers, with a compensating loan program. Job Squad Inc., will provide collateral of 100% of the borrowed amount between CWV Tel Federal Credit Union and the qualified borrowers, which would enable an individual with inadequate credit to obtain a personal loan. As of June 30, 2012 Job Squad, Inc., has pledged \$1,200 as collateral for the compensating loan program. Job Squad, Inc., has a potential liability for the amount of the funds borrowed if the loan becomes delinquent. This amount of cash has been restricted as of June 30, 2012.

8. Agreement with Champion Industries, Inc.

An agreement was made in March 2009 between Champion Industries, Inc. ("Champion") and Job Squad, Inc. This agreement was made since Champion and Job Squad, Inc. 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 Job Squad, Inc. 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 Job Squad, Inc. may perform as a tax-exempt entity. As a result, Job Squad, Inc. 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 Job Squad, Inc. is as follows:

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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)	(1,500)
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 Job Squad, Inc. 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 Job Squad, Inc. 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.
- (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 Job Squad, Inc. presorting equipment was inoperable for a period of time. The rate for such work shall be at 75% of Job Squad, Inc.'s billing rate for such work.
- (D) The personnel and equipment utilization fee shall enable Champion to utilize Job Squad, Inc. 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 Job Squad, Inc. and Champion agreeing to match as necessary schedules Monday thru Friday to perform the pre-sorting services, the fee paid by Champion to Job Squad, Inc. of \$2,500 as listed above in this Exhibit A is compensation for the agreed upon hours necessary to complete the daily pre-sorting work and Job Squad, Inc. agrees to keep staffing at a level at least consistent with current levels.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

- (E) This is related to a fee to be paid to Job Squad, Inc. 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, 2012 pursuant to the definitive agreement and concurrent with the final lease payments which would transfer constructive ownership of such equipment to Job Squad, Inc. 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.

9. 401(k) Retirement Plan

Job Squad, Inc. has a 401(k) retirement plan covering its eligible employees. Contributions and rollovers to the plan for the plan's year ending December 31, 2011 amounted to \$71,786 by the employees. In March 2012, there was \$15,000 contributions made by the Organization for this period.

Contributions to the plan for the plan's year ending December 31, 2010 amounted to \$64,794 by the employees, and \$-0- was contributed from the Organization.

Job Squad, Inc. has a 403(B) retirement plan, in which the only participant is the Executive Director. Contributions and rollovers to the plan for the plan's year ending December 31, 2011 amounted to \$-0- by the employee. The Organization makes no contributions to the 403(B) retirement plan.

Contributions to the plan for the plan's year ending December 31, 2010 amounted to \$-0- by the employee. The Organization makes no contributions to the 403(B) retirement plan.

10. 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 Job Squad, Inc.

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.

JOB SQUAD, INC.
NOTES TO FINANCIAL STATEMENTS (CONT'D)

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

There was one financial transaction in which Job Squad, Inc. received \$8,417 in management fees from Diverse Services, LLC for the year ended June 30, 2012. Additionally, \$15,000 was received in management fees for the period ending June 30, 2011.

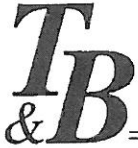
11. Subsequent Events

The Job Squad, Inc. has evaluated subsequent events through December 6, 2012, the date the financial statements were available to be issued.

JOB SQUAD, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

<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>
WV Department of Health and Human Resources				
A) BHHF - Office of Behavioral Health Services	07/01/11-06/30/12	\$ 100,000	\$ 96,685	\$ 100,000
B) WV Developmental Disabilities Council	10/01/10-09/30/11	42,694	8,344	6,497
C) WV Developmental Disabilities Council	10/01/10-09/30/11	23,817	9,205	6,058
WV Division of Rehabilitation Services				
WV Division of Rehabilitation Services	03/01/11-02/28/12	166,521	83,261	83,261

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
Job Squad, Inc.
Bridgeport, West Virginia

We have audited the financial statements of Job Squad, Inc. (a nonprofit organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated December 6, 2012. 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 Job Squad, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Job Squad, Inc.'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 Job Squad, Inc.'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as items #12-01 and #12-02.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Job Squad, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an 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*.

We noted certain matters that we reported to management of Job Squad, Inc. in a separate letter dated December 6, 2012.

Job Squad, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit Job Squad, Inc.'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.

Tetrick & Bartlett,
December 6, 2012 PLLC

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012

#12-01 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.

Cause: Job Squad, Inc. has limited staff to properly separate duties.

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. We recommend that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

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

Status: This condition was reported in the prior year's audit as finding #11-01.

#12-02 Multiple Year End Adjustments

Condition: Analysis of the financial records indicated a failure to record all financial transactions and adjustments during the fiscal year and at year end.

Criteria: Internal controls should be implemented to ensure that all financial transactions and adjustments are properly recorded in the Organization's financial records. This must be accomplished to enable the Organization to prepare complete and accurate financial statements on a monthly as well as annual basis.

Cause: For the preparation of monthly and annual financial statements, internal controls required to ensure that all financial transactions and adjustments are recorded in the Organization's financial records have not been implemented.

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2012

Effect: Because of the failure to implement the necessary internal controls, the Organization cannot reduce to a relatively low level, the risk that 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 employees in the normal course of performing their assigned functions. As a result, multiple year end adjustments are proposed to management by the external auditor.

Recommendation: The Organization should implement the internal controls necessary to ensure that all financial transactions and adjustments are properly recorded in the Organization's financial records on a monthly and annual basis.

Entity's Response: We recognize the need to properly record all financial transactions and adjustments, and we understand the importance of internal controls in the preparation of financial statements on a monthly and annual basis. We have taken the steps necessary to implement the internal controls needed to ensure that our financial records are complete and accurate for monthly and annual financial statements.