

JOB SQUAD, INC.

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

**FOR THE YEARS ENDED
JUNE 30, 2013 AND 2012**

DHHR - Finance

JUN 4 2014

Date Received

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Job Squad, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not

for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 27, 2013, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Job Squad, Inc.'s internal control over financial reporting and compliance.

Tetrick & Bartlett, PLLC

November 27, 2013

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

ASSETS	2013	2012
Current Assets		
Cash	\$ 951,046	\$ 889,923
Accounts receivable	424,453	192,651
Grant receivable	10,661	4,889
Prepaid expenses	1,509	11,411
Property and equipment (net)	<u>549,245</u>	<u>592,108</u>
Total current assets	<u>1,936,914</u>	<u>1,690,982</u>
Other Assets		
Restricted cash for collateral on a compensating balance loan	<u>21,665</u>	<u>1,200</u>
Total other assets	<u>21,665</u>	<u>1,200</u>
TOTAL ASSETS	\$ <u>1,958,579</u>	\$ <u>1,692,182</u>
LIABILITIES AND NET ASSETS		
Current Liabilities		
Accounts payable and accrued expenses	\$ 84,388	\$ 92,183
Accrued salaries and wages	41,893	42,971
Accrued vacation pay	67,687	61,091
Current portion – capital lease obligation	6,232	6,140
Current portion of long-term debt	<u>25,598</u>	<u>16,727</u>
Total current liabilities	<u>225,798</u>	<u>219,112</u>
Long-Term Liabilities		
Non-current portion of capital lease obligation	-0-	6,232
Long-term debt	<u>236,462</u>	<u>246,748</u>
Total long-term liabilities	<u>236,462</u>	<u>252,980</u>
Total liabilities	462,260	472,092
Net Assets		
Temporarily restricted for collateral on a compensating balance loan	21,665	1,200
Unrestricted net assets	<u>1,474,654</u>	<u>1,218,890</u>
Total net assets	<u>1,496,319</u>	<u>1,220,090</u>
TOTAL LIABILITIES AND NET ASSETS	\$ <u>1,958,579</u>	\$ <u>1,692,182</u>

The accompanying independent auditor's report and notes to the financial statements are an integral part of these statements.

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

	2013	2012
Unrestricted Revenue		
Contract revenue	\$ 2,795,102	\$ 2,681,796
Revenue – Presort mailing	798,763	836,660
Grants	121,606	194,478
Interest	720	886
Other income	<u>153,631</u>	<u>169,027</u>
Total unrestricted revenue	<u>3,869,822</u>	<u>3,882,847</u>
 Unrestricted Expenses		
Community Rehabilitation Program:		
Salaries and wages	1,608,643	1,739,764
Fringe benefits	608,867	641,433
Operating supplies	175,972	187,435
Postage – Presort mailing supplies	124,446	95,296
Contractual support and other fees	64,447	37,489
Travel	15,252	25,315
Uniforms	19,948	19,953
Depreciation and amortization	101,356	90,914
Interest	14,052	17,231
Insurance	13,073	18,155
Education and training	17,318	16,007
Occupancy, equipment rental and maintenance	178,898	166,817
Grounds maintenance	34,214	31,753
Dues and subscriptions	1,097	3,943
NISH fees	103,919	99,206
Telephone	6,009	7,460
Job creation expense	12,210	-0-
Miscellaneous	<u>12,970</u>	<u>9,436</u>
Total community rehabilitation program	<u>3,112,691</u>	<u>3,207,607</u>

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

	2013	2012
Management and General:		
Salaries and wages	\$ 270,163	\$ 242,145
Fringe benefits	102,256	89,276
Contractual support and other fees	24,862	25,928
Operating supplies	9,959	8,681
Travel	3,546	4,718
Depreciation	11,262	10,101
Insurance	1,453	2,017
Marketing, publications and postage	6,556	1,232
Education and training	7,915	14,446
Equipment rental and maintenance	5,754	6,810
Furniture and fixtures	1,195	1,913
Dues and subscriptions	5,049	2,839
Telephone	2,980	6,009
Utilities	3,512	3,422
Bad debt	-0-	398
Your Community Foundation, Inc. – Charitable Contribution	10,000	-0-
Miscellaneous	<u>14,440</u>	<u>15,200</u>
Total management and general	480,902	435,135
Loss (gain) on disposal of assets	<u>-0-</u>	<u>12,592</u>
Total unrestricted expenses and (gains)/losses	<u>3,593,593</u>	<u>3,655,334</u>
Change in net assets	276,229	227,513
Net unrestricted assets at beginning of year (restated)	1,220,090	<u>992,577</u>
Net unrestricted assets at end of year	\$ <u>1,496,319</u>	\$ <u>1,220,090</u>

The accompanying independent auditor's report and notes to the financial statements are an integral part of these statements.

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

	2013	2012
Cash Flows from Operating Activities		
Change in net assets	\$ 276,229	\$ 227,513
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	112,618	101,015
Loss (gain) on disposal of assets	-0-	12,592
(Increase) decrease in:		
Accounts receivable	(231,802)	(41,436)
Grant receivable	(5,772)	5,211
Prepaid expenses and deposits	9,902	(5,291)
Increase (decrease) in:		
Accounts payable and accrued expenses	(7,795)	24,006
Accrued salaries and wages	(1,078)	6,009
Accrued vacation pay	<u>6,596</u>	<u>4,592</u>
Net cash provided by (used in) operating activities	<u>158,898</u>	<u>334,211</u>
Cash Flows from Investing Activities		
Purchases of property and equipment	<u>(69,755)</u>	<u>(181,540)</u>
Net cash provided by (used in) investing activities	<u>(69,755)</u>	<u>(181,540)</u>
Cash Flows from Financing Activities		
Proceeds from line of credit	-0-	(170,000)
Proceeds from long-term borrowings	27,530	50,025
Payments on capital lease	(6,140)	(6,049)
Payments on long-term debt	<u>(28,945)</u>	<u>(26,642)</u>
Net cash provided by (used in) financing activities	<u>(7,555)</u>	<u>(152,666)</u>
Net increase (decrease) in cash	81,588	5
Cash at beginning of year	<u>891,123</u>	<u>891,118</u>
Cash at end of year	\$ <u>972,711</u>	\$ <u>891,123</u>
Supplementary Disclosures		
Cash Flow Information:		
Cash payments for interest	\$ <u>14,052</u>	\$ <u>17,231</u>

The accompanying independent auditor's report and notes to the financial statements 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.

The accompanying independent auditor's report is an integral part of these notes.

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

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.

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 and therefore, has no provision for federal or state income taxes.

The Organization's Form 990, *Return of Organization Exempt from Income Tax*, for the years ending 2010, 2011, and 2012 are subject to examination by the IRS, generally for 3 years after they were filed.

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 accompanying independent auditor's report is an integral part of these notes.

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

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, 2013, the Organization's insured actual cash balances totaled \$578,002 while the uninsured cash balances totaled \$288,335. At June 30, 2012, the Organization's uninsured actual cash balances totaled \$212,066.

During the fiscal year ending June 30, 2013, 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, 2013, the Organization's insured actual cash balances totaled \$121,802.

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.

The accompanying independent auditor's report is an integral part of these notes.

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

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, 2013 and 2012, include approximately \$2,727,767 and \$2,592,080 respectively, from two contracts with the Federal Bureau of Investigation (FBI). This represents nearly 75% for both June 30, 2013 and June 30, 2012, of total contractual revenues. Receivables from these major contracts as of June 30, 2013 and 2012 amount to approximately \$229,562 and \$40,045, respectively, which represents 54% and 21%, respectively, of the total accounts receivable.

The accompanying independent auditor's report is an integral part of these notes.

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

3. Property and Equipment

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

	2013	2012 (restated)
Building and improvements	\$ 324,470	\$ 322,710
Equipment and furniture	660,512	655,703
Land	29,000	29,000
Leasehold improvements	5,427	5,427
Vehicles	242,640	208,920
Other	<u>18,304</u>	<u>18,304</u>
Total	1,280,353	1,240,064
Less: Accumulated depreciation	<u>(731,108)</u>	<u>(647,956)</u>
Property and equipment (net)	\$ <u>549,245</u>	\$ <u>592,108</u>

4. Long-Term Debt

Long-term debt consists of the following:

	2013	2012
Note payable to Wesbanco, secured by office building and land, loan bears interest at five (5) year Treasury Constant Maturity plus 3.25%, fluctuating every five (5) years, payable in 240 monthly installments of \$1,960 through May 2028.	\$ 204,828	\$ 217,770
Note payable to Ally, secured by 2012 Dodge Ram 2500, interest rate of 4.94%, payable in 36 monthly installments of \$766 through December 2015.	20,887	-0-
Note payable to Ally, secured by 2013 Dodge Ram 250, interest rate of 5.59%, payable in 60 monthly installments of \$586 through November 2016.	21,777	27,424

The accompanying independent auditor's report is an integral part of these notes.

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

	2013	2012
Note payable to Toyota Financial Services, secured by 2013 Toyota RAV4, interest rate of 2.90%, payable in 59 monthly installments of \$349 through January 2017.	\$ <u>14,568</u>	\$ <u>18,281</u>
Total long-term debt	262,060	263,475
Less current portion	(<u>25,598</u>)	(<u>16,727</u>)
Long-term debt	\$ <u>236,462</u>	\$ <u>246,748</u>

Aggregate maturities required on long-term debt as of June 30, 2013, are as follows:

<u>Year ended June 30,</u>	
2014	\$ 25,598
2015	27,095
2016	23,187
2017	15,059
2018	10,249
Thereafter	<u>160,872</u>
Total	\$ <u>262,060</u>

5. Line of Credit

At June 30, 2013 and 2012 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, 2013 and the available line of credit is \$400,000 at June 30, 2012. 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, 2013. The Organization had outstanding borrowings on these lines of credit of \$-0- as of June 30, 2012.

The accompanying independent auditor's report is an integral part of these notes.

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

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, 2013:

<u>Year ended June 30,</u>	
2014	\$ <u>6,284</u>
Total minimum lease payments	6,284
Less amount representing interest	<u>52</u>
Present value of minimum lease payments	\$ <u>6,232</u>

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

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, 2013 and 2012, amounted to \$140,061 and \$136,218, respectively.

As of June 30, 2013, the total remaining operating lease payments under these agreements are as follows:

<u>Year ended June 30,</u>	
2014	\$ 21,252
2015	6,576
2016	<u>6,576</u>
Total	\$ <u>34,404</u>

The accompanying independent auditor's report is an integral part of these notes.

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

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, 2013 and June 30, 2012 Job Squad, Inc., has pledged \$21,665 and \$1,200 respectively, 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, 2013 and 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:

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>

The accompanying independent auditor's report is an integral part of these notes.

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

- (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.
- (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, 2013 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.

The accompanying independent auditor's report is an integral part of these notes.

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

- (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. Your Community Foundation Agency Endowment Agreement – Job Squad Endowment Fund

An agreement was made on February 11, 2013 between Your Community Foundation, Inc. (a non-profit charitable corporation) (Foundation) and Job Squad, Inc. On this date Job Squad, Inc. transferred to the Foundation an irrevocable gift of \$10,000. The purpose of this gift is to establish an Agency Endowment Fund to be known as the Job Squad Endowment Fund that is devoted solely to the purpose of supporting Job Squad, Inc. The terms and condition of the Fund are outlined in the agreement as follows:

- a. The principal of the Fund shall be endowment principal and shall be kept intact, invested, and reinvested in accordance with the investment policies of the Foundation.
- b. Net income only shall be available for utilization by Job Squad, Inc. to fulfill its mission and charitable purposes, subject to the schedule of fees adopted by the Foundation for investing and managing the Fund. The principal balance that exceeds ten thousand dollars (\$10,000) may be available for charitable purposes upon a showing of extraordinary circumstances and approval by the Board of Directors of the Foundation.
- c. There shall be no distribution of net income form the Fund, except for the fees paid to the Foundation for investing and administering the Fund, if the balance of the Fund is less than ten thousand dollars (\$10,000).
- d. Should Job Squad, Inc. cease to exist or function as a qualified charitable organization, the endowment shall be used for other similar charitable purposes within the YCF service area.

The Fund and all funds therein shall be ultimately administered by the Foundation in accordance with the Foundation's status as a tax-exempt organization, and shall be subject to the Foundation's Charters and Bylaws, including the power contained therein for the Board of Directors of the Foundation to modify any restrictions or conditions if in their sole judgment (without approval by any trustee, custodian, or agent) such restriction becomes, in effect, unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the area served by the Foundation.

Net income available for utilization by Job Squad, Inc. as of the year ended June 30, 2013 amounted to \$154.

The accompanying independent auditor's report is an integral part of these notes.

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

10. Agreement with West Virginia University Research Corporation

A service agreement was made, effective date of June 1, 2012 and extending through May 31, 2013, between West Virginia University Research Corporation ("WVURC") and Job Squad, Inc. The service agreement outlines the scope of work to be performed by Job Squad, Inc. as follows:

1. Job Squad, Inc. offers services to the WVURC to:
 - a. Provide processing and payment of HAPI Service Billing claims and
 - b. Provide warehousing, packaging, and shipping services for the West Virginia Healthy Start/HAPI Project.
2. Job Squad, Inc. will enter into a subcontract agreement with WVURC and WV Healthy Start/HAPI Project to process and pay all HAPI service claims bi-monthly.
3. Job Squad, Inc. will pay HAPI claims (ranging from \$10,000 to \$25,000 per month) in advance of payment reimbursement. Job Squad, Inc. will invoice WVURC for the total monthly cost of claims processed and receive payment in full within a maximum of 2 weeks.

Job Squad, Inc. received compensation for the processing and payment of HAPI Service Billing Claims as well as warehousing services provided to WVURC for the West Virginia Healthy Start/HAPI Project for the year ended June 30, 2013 amounting to \$63,493. As of June 30, 2013, the service agreement between WVURC and Job Squad, Inc. has been renewed.

11. 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, 2012 amounted to \$54,081 by the employees. In March 2013, there was a \$15,000 contribution made by the Organization for this period.

Contributions to the plan for the plan's year ending December 31, 2011 amounted to \$71,786 by the employees, and \$15,000 was contributed from the Organization.

The accompanying independent auditor's report is an integral part of these notes.

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

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, 2012 amounted to \$1,800 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, 2011 amounted to \$-0- by the employee. The Organization makes no contributions to the 403(B) retirement plan.

12. 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.

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.

On August 1, 2013, Diverse Services, LLC obtained a Certificate of Termination from the Secretary of State of the State of West Virginia.

There were financial transactions in which Job Squad, Inc. received \$6,875 in management fees from Diverse Services, LLC for the year ended June 30, 2013. Additionally, \$8,417 was received in management fees for the period ending June 30, 2012.

The accompanying independent auditor's report is an integral part of these notes.

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

13. Restatement of Net Assets

It was determined that the prior year's Net Assets required restatement as follows:

Net Assets as previously reported at June 30, 2012	\$ 1,232,682
Leasehold Improvement (net of accumulated depreciation) removed as of June 30, 2012 due to new facilities	<u>(12,592)</u>
Net Assets, June 30, 2012 (restated)	\$ <u>1,220,090</u>

11. Subsequent Events

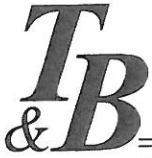
The Job Squad, Inc. has evaluated subsequent events through November 27, 2013, the date the financial statements were available to be issued.

The accompanying independent auditor's report is an integral part of these notes.

JOB SQUAD, INC.
SCHEDULE OF STATE GRANT RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2013

<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	07/01/12-06/30/13	\$ 100,000	\$ 95,269	\$ 100,000
B) WV Developmental Disabilities Council	10/01/12-09/30/13	30,000	15,677	21,606

The accompanying notes are an integral part of this schedule.



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**INDEPENDENT AUDITOR'S 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, in accordance with the 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, the financial statements of Job Squad, Inc. (a non-profit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 27, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Job Squad, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Job Squad, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Job Squad, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control 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 as items #2013-01 thru #2013-03 in the accompanying schedule of findings and responses to be material weaknesses.

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 are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of Job Squad, Inc. in a separate letter dated November 27, 2013.

Job Squad, Inc.'s Response to Findings

Job Squad, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Job Squad, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Tetrick & Bartlett, PLLC

November 27, 2013

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2013

#2013-01 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.

Status: This condition was reported in the prior year's audit as finding #12-01.

#2013-02 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, 2013

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 were 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 will take 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.

Status: This condition was reported in the prior year's audit as finding #12-02.

#2013-03 Support Documentation and Agreement

Condition: In June 2013, Job Squad, Inc. entered into a multiple party "Employment Agreement" including a commercial enterprise (business) and a participant of Job Squad, Inc.'s programs. The participant of Job Squad, Inc.'s programs was hired by the business; and therefore, resulted in a job for the participant. However, Job Squad, Inc. issued a check with no supporting detailed documentation in the amount of \$12,210 to the particular business for the participant's position for the purchasing of needed equipment, tools, and other items to grow the business. *Except for the modification of the specific name replacement*, this agreement partially states: ...

1. Job Squad, Inc. will provide \$12,210 which will be used by (the business) to purchase needed equipment, tools, and other items needed to grow the business (equipment and other items described below).
2. Job Squad, Inc. will retain full-ownership of the items until (the program participant) has worked for 9 months, earning Trial Work Period (TWP) level earnings for each month (\$750 in 2013, likely to rise \$10-\$30 in 2014). Job Squad, Inc. will transfer ownership of all items to (the program participant) once (the program participant) has worked for 9 months at TWP levels.

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

3. The resources (the program participant) will bring with this position are:

Computer and Monitor: stated value of	\$ 599
Printer/fax/copier: stated value of	65
Consignment Software: stated value of	995
Thermal tag printers (2): stated value of	940
Thermal Tags: stated value of	135
Racks for expanded area: stated value of	4,479
Bags: stated value of	497
Carpet for Store Expansion: stated value of	4,000
Installation of Carpet: stated value of	<u>500</u>
Total Resources:	\$ <u>12,210</u>

Criteria: All disbursements made by Job Squad, Inc. should be supported by detailed support invoices and documentation and should reflect the mission of the nonprofit status of the Organization.

Cause: Job Squad, Inc. did not have the proper procedures in place to obtain detailed invoices before all cash disbursements were made. Additionally, it appears that Job Squad, Inc.'s management did not review the particular cash disbursement to ensure that the disbursement reflected the mission of the Organization and that the particular transaction was considered for possible federal and state tax consequences.

Effect: Due to the lack of support documentation such as invoices, Job Squad, Inc.'s cash disbursement of \$12,210 is not supported by actual detailed invoices and is considered as a questioned cost. Additionally, similar types of agreements may lead to federal or state tax consequences for all parties involved and which may not reflect the mission or the Organization's nonprofit status.

Recommendation: We recommend that Job Squad, Inc. obtain support documentation such as invoices for all cash disbursements and refrain from entering into these types of agreements which may be construed to benefit commercial businesses. Furthermore, management should review these types of agreements to ensure that the agreements reflect the Organization's mission or the Organization's nonprofit status. Additionally, management should review contracts of this type of circumstances to determine if the transaction may require additional federal and state tax consequences for all parties involved.

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES (CONTD)
FOR THE YEAR ENDED JUNE 30, 2013

Entity's Response: Job Squad is endeavoring to obtain the receipts from the business owner who didn't provide us with receipts as promised.

In the future, all disbursements made by Job Squad, Inc. will be supported by detailed invoices and documentation will reflect our mission. Management will review contracts of this type to determine if the transaction may require additional federal and state tax consequences for all parties involved.

Job Squad will refrain from entering into those types of agreements which may be construed to benefit commercial businesses.

Status: This condition was not reported in the prior year's audit as of June 30, 2012.