

JOB SQUAD, INC.

INDEPENDENT AUDITOR'S REPORT AND
RELATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED
JUNE 30, 2014 AND 2013

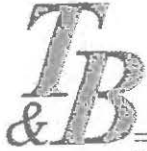
DHHR - Finance

MAY 17 2016

Date Received

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Tetrick & Bartlett, PLLC
*Certified Public Accountants
Consultants*

122 N. Oak St. • PO Box 1916 • Clarksburg, WV 26302-1916 • (304) 624-5564 • Fax: (304) 624-5582 • www.tetrickbartlett.com
1517 Mary Lou Retton Drive • Fairmont, WV 26554 • (304) 366-2992 • Fax: (304) 366-2370

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, 2014 and 2013, 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, 2014 and 2013, 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 22, 2014, 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,
November 22, 2014 PLLC

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

| ASSETS | 2014 | 2013 |
|---|----------------------------|----------------------------|
| Current Assets | | |
| Cash | \$ 1,053,023 | \$ 951,046 |
| Investments | 157,825 | -0- |
| Accounts receivable | 416,342 | 424,453 |
| Grant receivable | 22,198 | 10,661 |
| Prepaid expenses | -0- | 1,509 |
| Total current assets | <u>1,649,388</u> | <u>1,387,669</u> |
| Other Assets | | |
| Restricted cash for collateral on a compensating balance loan | 32,607 | 21,665 |
| Property and equipment (net) | <u>500,753</u> | <u>549,245</u> |
| Total other assets | <u>533,360</u> | <u>570,910</u> |
| TOTAL ASSETS | \$ <u>2,182,748</u> | \$ <u>1,958,579</u> |
| LIABILITIES AND NET ASSETS | | |
| Current Liabilities | | |
| Accounts payable and accrued expenses | \$ 51,939 | \$ 84,388 |
| Accrued salaries and wages | 48,310 | 41,893 |
| Accrued vacation pay | 72,560 | 67,687 |
| Current portion – capital lease obligation | 5,966 | 6,232 |
| Current portion of long-term debt | <u>30,890</u> | <u>25,598</u> |
| Total current liabilities | <u>209,665</u> | <u>225,798</u> |
| Long-Term Liabilities | | |
| Non-current portion of capital lease obligation | 20,545 | -0- |
| Long-term debt | <u>137,474</u> | <u>236,462</u> |
| Total long-term liabilities | <u>158,019</u> | <u>236,462</u> |
| Total liabilities | 367,684 | 462,260 |
| Net Assets | | |
| Temporarily restricted for collateral on a compensating balance loan | 32,607 | 21,665 |
| Unrestricted net assets | <u>1,782,457</u> | <u>1,474,654</u> |
| Total net assets | <u>1,815,064</u> | <u>1,496,319</u> |
| TOTAL LIABILITIES AND NET ASSETS | \$ <u>2,182,748</u> | \$ <u>1,958,579</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,

| | 2014 | 2013 |
|---|------------------|------------------|
| Unrestricted Revenue | | |
| Contract revenue | \$ 2,843,818 | \$ 2,795,102 |
| Revenue – Presort mailing | 874,554 | 798,763 |
| Grants | 114,876 | 121,606 |
| Interest | 1,105 | 720 |
| Investment income | 1,210 | -0- |
| Unrealized gain on investments | 7,556 | -0- |
| Other income | <u>114,373</u> | <u>153,631</u> |
| Total unrestricted revenue | <u>3,957,492</u> | <u>3,869,822</u> |
| Unrestricted Expenses | | |
| Community Rehabilitation Program: | | |
| Salaries and wages | 1,677,957 | 1,608,643 |
| Fringe benefits | 634,017 | 608,867 |
| Operating supplies | 192,416 | 175,972 |
| Postage – Presort mailing supplies | 113,078 | 124,446 |
| Contractual support and other fees | 47,129 | 64,447 |
| Travel | 15,239 | 15,252 |
| Uniforms | 20,897 | 19,948 |
| Depreciation and amortization | 101,028 | 101,356 |
| Interest | 12,554 | 14,052 |
| Insurance | 13,894 | 13,073 |
| Education and training | 7,514 | 17,318 |
| Occupancy, equipment rental and maintenance | 134,468 | 178,898 |
| Grounds maintenance | 28,355 | 34,214 |
| Dues and subscriptions | 1,564 | 1,097 |
| NISH fees | 105,675 | 103,919 |
| Telephone | 6,221 | 6,009 |
| Job creation expense | -0- | 12,210 |
| Miscellaneous | <u>10,366</u> | <u>12,970</u> |
| Total community rehabilitation program | <u>3,122,372</u> | <u>3,112,691</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 (CONTD)
FOR THE YEARS ENDED JUNE 30,

| | 2014 | 2013 |
|---|---------------------|---------------------|
| Management and General: | | |
| Salaries and wages | \$ 293,196 | \$ 270,163 |
| Fringe benefits | 110,784 | 102,256 |
| Contractual support and other fees | 30,864 | 24,862 |
| Operating supplies | 9,428 | 9,959 |
| Travel | 3,881 | 3,546 |
| Depreciation | 11,225 | 11,262 |
| Insurance | 1,544 | 1,453 |
| Marketing, publications and postage | 6,751 | 6,556 |
| Education and training | 12,787 | 7,915 |
| Equipment rental and maintenance | 6,254 | 5,754 |
| Furniture and fixtures | 913 | 1,195 |
| Dues and subscriptions | 4,801 | 5,049 |
| Telephone | 4,338 | 2,980 |
| Utilities | 3,179 | 3,512 |
| Bad debt | 12,400 | -0- |
| Your Community Foundation, Inc. – Charitable Contribution | -0- | 10,000 |
| Miscellaneous | <u>2,906</u> | <u>14,440</u> |
| Total management and general | 515,251 | 480,902 |
| | | |
| Loss (gain) on disposal of assets | <u>1,124</u> | <u>-0-</u> |
| | | |
| Total unrestricted expenses and (gains)/losses | <u>3,638,747</u> | <u>3,593,593</u> |
| | | |
| Change in net assets | 318,745 | 276,229 |
| | | |
| Net unrestricted assets at beginning of year | <u>1,496,319</u> | <u>1,220,090</u> |
| | | |
| Net unrestricted assets at end of year | \$ <u>1,815,064</u> | \$ <u>1,496,319</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,

| | 2014 | 2013 |
|---|---------------------|-------------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 318,745 | \$ 276,229 |
| Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 112,253 | 112,618 |
| Loss (gain) on disposal of assets | 1,124 | -0- |
| Unrealized loss (gain) on investments | (7,556) | -0- |
| (Increase) decrease in: | | |
| Accounts receivable | 8,111 | (231,802) |
| Grant receivable | (11,537) | (5,772) |
| Prepaid expenses and deposits | 1,509 | 9,902 |
| Increase (decrease) in: | | |
| Accounts payable and accrued expenses | (32,449) | (7,795) |
| Accrued salaries and wages | 6,417 | (1,078) |
| Accrued vacation pay | 4,873 | 6,596 |
| Net cash provided by (used in) operating activities | <u>401,490</u> | <u>158,898</u> |
| Cash Flows from Investing Activities | | |
| Purchases of property and equipment | (74,348) | (69,755) |
| Proceeds from sale of property and equipment | 5,298 | -0- |
| Net (purchases) proceeds of investments | (150,269) | -0- |
| Net cash provided by (used in) investing activities | <u>(219,319)</u> | <u>(69,755)</u> |
| Cash Flows from Financing Activities | | |
| Proceeds from line of credit | -0- | -0- |
| Proceeds from long-term borrowings | 30,439 | 27,530 |
| Payments on capital lease | (5,995) | (6,140) |
| Payments on long-term debt | (93,696) | (28,945) |
| Net cash provided by (used in) financing activities | <u>(69,252)</u> | <u>(7,555)</u> |
| Net increase (decrease) in cash | 112,919 | 81,588 |
| Cash at beginning of year | <u>972,711</u> | <u>891,123</u> |
| Cash at end of year | \$ <u>1,085,630</u> | \$ <u>972,711</u> |
| Supplementary Disclosures | | |
| Cash Flow Information: | | |
| Cash payments for interest | \$ <u>12,554</u> | \$ <u>14,052</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 (CONTD)

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. At June 30, 2014 and 2013, the Organization had no permanently restricted net assets.

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 2011, 2012, and 2013 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, 2014, the Organization's insured actual cash balances totaled \$579,094 while the uninsured cash balances totaled \$422,436. At June 30, 2013, the Organization's insured actual cash balances totaled \$578,002, while the uninsured actual cash balances totaled \$288,335.

During the fiscal years ending June 30, 2014 and 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, 2014 and 2013, the Organization's insured actual cash balances totaled \$127,608 and \$121,802, respectively.

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, 2014 and 2013, include approximately \$2,763,389 and \$2,727,767 respectively, from two contracts with the Federal Bureau of Investigation (FBI). This represents nearly 75% for both June 30, 2014 and June 30, 2013, of total contractual revenues. Receivables from these major contracts as of June 30, 2014 and 2013 amount to approximately \$230,737 and \$229,562, respectively, which represents 55% and 54%, 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 (CONTD)

3. Fair Value Measurements

Fair value of assets measured on a recurring basis at June 30, 2014 are as follows:

For the year ended June 30, 2014

| | <u>Fair Value</u> | <u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u> | <u>Significant Other Observable Inputs (Level 2)</u> | <u>Significant Unobservable Inputs (Level 3)</u> |
|---------------|-------------------|---|--|--|
| Common stocks | \$ 107,917 | \$ 107,917 | \$ -0- | \$ -0- |
| Mutual funds | <u>49,908</u> | <u>49,908</u> | <u>-0-</u> | <u>-0-</u> |
| Total | \$ <u>157,825</u> | \$ <u>157,825</u> | \$ <u>-0-</u> | \$ <u>-0-</u> |

Fair values for common stocks and mutual funds are unadjusted quoted market prices for identical assets in active markets that the Organization has the ability to access.

The Organization recognizes transfers into and out of levels within the fair value hierarchy at the end of the reporting period. There were no transfers between levels in the year ended June 30, 2014.

4. Investments

Investments consist primarily of annuities, corporate bonds, government bonds, foreign bonds, and common stocks and mutual funds reported at fair value at year ended June 30, 2014 as follows:

For the year ended June 30, 2014

| | <u>Cost</u> | <u>Fair Value</u> | <u>Unrealized Gain (Loss)</u> |
|---------------|-------------------|-------------------|-----------------------------------|
| Common stocks | \$ 100,269 | \$ 107,917 | \$ 7,648 |
| Mutual funds | <u>50,000</u> | <u>49,908</u> | <u>(92)</u> |
| Total | \$ <u>150,269</u> | \$ <u>157,825</u> | \$ <u>7,556</u> |

Investment return is summarized as follows:

| | |
|--|-----------------|
| Dividend income | \$ 1,808 |
| Realized gain on sale of stocks/mutual funds | 396 |
| Investment fee | <u>(994)</u> |
| Total unrestricted investment income | \$ <u>1,210</u> |

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

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

5. Property and Equipment

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

| | 2014 | 2013 |
|--------------------------------|-------------------|-------------------|
| Building and improvements | \$ 324,470 | \$ 324,470 |
| Equipment and furniture | 646,731 | 660,512 |
| Land | 29,000 | 29,000 |
| Leasehold improvements | 5,427 | 5,427 |
| Vehicles | 217,658 | 242,640 |
| Other | <u>18,304</u> | <u>18,304</u> |
| Total | 1,241,590 | 1,280,353 |
| Less: Accumulated depreciation | <u>(740,837)</u> | <u>(731,108)</u> |
| Property and equipment (net) | \$ <u>500,753</u> | \$ <u>549,245</u> |

6. Long-Term Debt

Long-term debt consists of the following:

| | 2014 | 2013 |
|---|------------|------------|
| 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. | \$ 141,240 | \$ 204,828 |
| 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. | 11,816 | 20,887 |
| 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. | 15,308 | 21,777 |

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

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

| | 2014 | 2013 |
|---|-------------------|-------------------|
| 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. Balance paid in full in April 2014. | \$ <u>-0-</u> | \$ <u>14,568</u> |
| Total long-term debt | 168,364 | 262,060 |
| Less current portion | (30,890) | (25,598) |
| Long-term debt | \$ <u>137,474</u> | \$ <u>236,462</u> |

Aggregate maturities required on long-term debt as of June 30, 2014, are as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|-------------------|
| 2015 | \$ 30,890 |
| 2016 | 28,158 |
| 2017 | 21,436 |
| 2018 | 19,563 |
| 2019 | 20,564 |
| Thereafter | <u>47,753</u> |
| Total | \$ <u>168,364</u> |

7. Line of Credit

At June 30, 2014 and 2013 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, 2014 and the available line of credit is \$400,000 at June 30, 2013. 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, 2014 and 2013.

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

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

8. 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, 2014:

| <u>Year ended June 30,</u> | |
|---|------------------|
| 2015 | \$ 6,323 |
| 2016 | 6,323 |
| 2017 | 6,323 |
| 2018 | 6,323 |
| 2019 | <u>2,108</u> |
| Total minimum lease payments | 27,400 |
| Less amount representing interest | <u>889</u> |
| Present value of minimum lease payments | \$ <u>26,511</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, 2014 and 2013, amounted to \$103,439 and \$140,061, respectively.

As of June 30, 2014, the total remaining operating lease payments under these agreements are as follows:

| <u>Year ended June 30,</u> | |
|----------------------------|------------------|
| 2015 | \$ 7,903 |
| 2016 | 7,903 |
| 2017 | 1,801 |
| 2018 | 580 |
| 2019 | <u>145</u> |
| Total | \$ <u>18,332</u> |

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

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

9. 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, 2014 and June 30, 2013 Job Squad, Inc., has pledged \$32,607 and \$21,665 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, 2014 and June 30, 2013.

10. 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 original agreement expired in March 2014, however both parties are continuing the agreement on a month to month basis with no new agreement in effect, as of June 30, 2014. 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) | <u>(1,500)</u> |
| 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 (CONTD)

- (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 (CONTD)

- (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.

11. 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, 2014 and 2013 amounted to \$1,647 and \$154, respectively.

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

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

12. Agreement with West Virginia University Research Corporation

A service agreement was made, effective date of June 1, 2012 and extending through August 31, 2014, 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, 2014 and 2013 amounting to \$51,108 and \$63,493, respectively. As of June 30, 2014, the service agreement between WVURC and Job Squad, Inc. has been renewed.

13. 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, 2013 amounted to \$65,669 by the employees. In March 2014, 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, 2012 amounted to \$54,081 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 (CONTD)

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, 2013 amounted to \$2,600 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, 2012 amounted to \$1,800 by the employee. The Organization makes no contributions to the 403(B) retirement plan.

14. 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. Job Squad, Inc. received the remaining \$24,880 in Diverse Services, LLC's bank account when the company closed its bank account and recognized it as other income.

There were financial transactions in which Job Squad, Inc. received \$1,891 in management fees from Diverse Services, LLC for the year ended June 30, 2014. Additionally, \$6,875 was received in management fees for the period ending June 30, 2013.

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

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

15. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

16. Subsequent Events

The Job Squad, Inc. has evaluated subsequent events through November 22, 2014, 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, 2014

| <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 | \$ 4,731 | \$ -0- |
| BHHF - Office of Behavioral Health Services | 07/01/13-06/30/14 | \$ 92,000 | \$ 71,000 | \$ 92,000 |
| B) WV Developmental Disabilities Council | 10/01/12-09/30/13 | \$ 30,000 | \$ 14,323 | \$ 8,394 |
| WV Developmental Disabilities Council | 10/01/13-09/30/14 | \$ 30,000 | \$ 13,285 | \$ 14,483 |

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Date Received

The accompanying notes are an integral part of this schedule.



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, 2014, 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 22, 2014.

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 #2014-01 thru #2014-03 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 22, 2014.

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.


November 22, 2014

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MAY 17 2016

Date Received

JOB SQUAD, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2014

#2014-01 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 management and the board of directors provide oversight and independent review functions and to continue exercising due diligence and professional skepticism in relation to the Organization's financial operations.

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 #2013-01.

#2014-02 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 (CONTD)
FOR THE YEAR ENDED JUNE 30, 2014

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 #2013-02.

#2014-03 Adequate Support Documentation – Credit Card Transactions

Condition: It was noted during our audit that on (2) two out of (3) three monthly credit card statements tested that the Organization did not have all supporting documentation for disbursements made of \$14.28 out of a statement total of \$3,118.23 and \$50.01 out of a statement total of \$791.86.

Criteria: Credit card transactions should be supported by adequate detailed documentation.

Cause: Support documentation not retained in the accounting records.

Effect: As a result of not requiring adequate support documentation for all payments made, these disbursements are not always documented and/or supported.

Recommendation: We recommend that the Organization take the necessary steps to ensure all disbursements made are adequately supported by invoices or other documentation/support.

Entity's Response: The Organization will require that all payments made be supported by invoices or some type of adequate documentation.