San Juan Center for Independence
Financial Statements and
Independent Auditor's Report
For the Years Ended June 30, 2021 and 2020

Manning Accounting and Consulting Services, LLC

MACS

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INTRODUCTORY SECTION

SAN JUAN CENTER FOR INDEPENDENCE

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1204 San Juan Blvd. • Farmington, NM 87401 • Phone: 505-566-5827 • Fax: 505-566-5842

Dear Consumers and Supporters,

San Juan Center for Independence (SJCI) is a community based non-profit agency that was established by people with disabilities for people with disabilities. The agency serves as a consumer driven community action program that provides services which help maximize independent living choices for all people regard less of the individuals' disability.

As dictated by Rehabilitation Services Administration (RSA) SJCI provides six core services: Information and Referral to services and supports available in the community. Independent Living Skills training, this can be learning to do anything from cooking and bill paying to accessing public transportation and learning how to set boundaries with others. Peer support, which is a consequence of services being provided by individuals with disabilities to individuals with disabilities. Advocacy can be either for an individual's needs such as obtaining SSI Food Stamps, Medicaid and/or housing, or on the systems change level and Transition services for both Youth from high school to college and Nursing home transition that assists individual to continue to live at home.

IL centers are charged with monitoring local, State and federal issues that affect individuals with disabilities and advocating for change when change is needed. Examples of Systems change advocacy include advocating for an end to the "institutional bias" and promoting Home and Community Based services for individuals who require the nursing home level of care. And finally but certainly not least is the core service of Transition; under this service the center will assist individuals with disabilities to transition out of costly nursing home into their communities and to transition students out of high school into their communities for employment, continuing on with their education, or volunteer opportunities to keep them active within their communities.

In addition to the aforementioned core services SJCI administers the Access Loan New Mexico Program (ALNM) and the NMSEEDLOANS Program. The A LNM program provides loans to qualifying individuals for t h e purchase of assistive technology items. The NMSEEDLOANS provides loans to qualifying individuals who want to start or expand a business and can purchase business equipment. SJCI also administers a Procurement program which provides funding to qualified individuals for ramp; and other devices that serve to maximize their opportunities for independence. Procurement funds do not have to be repaid.

2020/2021 has been a busy year for SJCI. We have had several harvests from the accessible garden and now have a growing dome greenhouse as well as our first harvest from our orchard. We have gained more collaboration with other non-profits through the usage of our event room. We are looking forward to the creation of the new ALL Abilities park at the old Tibbets high school.

San Juan Center for Independence

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We have been working hard thru CoVid to continue to offer a safe place and have been able to stay ahead of the Minimum wage increases. SJCI continues to serve 10 Pueblos with a satellite office in Albuquerque. SJCI's satellite center located in Gallup has been working hard with the Gallup community to educate about emergency preparedness for individuals with disabilities and making sure the needs of youth are met during a crisis or emergency situation.

Independent Living Centers are unique in their philosophy and method of service provision. We are here to teach individuals with disabilities to fish. We do not throw them a fish and give them a fork with which to eat it! IL philosophy encourages consumer direction; meaning that it is the consumer that chooses what services he/she will access. In this way the consumer is the captain of the ship.

SJCI staff is simply here to assist the consumer in navigating the waters and remains dedicated to our consumers in all that we do. San Juan Center is truly a welcome and warm community for those we serve, an oasis in the desert for individuals who are disabled in San Juan County, McKinley County and the 10 pueblos we serve.

Leslie Wright
Executive Director

Leslie Wright

San Juan Center for Independence

SAN JUAN CENTER FOR INDEPENDENCE

OFFICIAL ROSTER

JUNE 30, 2021

BOARD OF DIRECTORS

Donna Webb	President
Kymbr Mordecki	Secretary/Treasurer
Marlene Velasquez	Member
Terri Kennedy	Member
Darrel Snook	Member
Rick Quevedo	Member

ADMINISTRATIVE OFFICIALS

Leslie Wright	Executive Director
Sharh Francisco	Chief Financial Officer
Larry McCabe	Chief Operating Officer
Charles Phelps	HR/Assistant Director

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
San Juan Center for Independence
Farmington, NM

We have audited the accompanying financial statements of San Juan Center for Independence, (a New Mexico nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

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Kirtland, NM 87417 (505) 598-3136 (Fax) www.manningacs.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Juan Center for Independence as of June 30, 2021 and 2020, 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

Other Information

The introductory section on pages 1 through 4 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Require by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2022 on our consideration of San Juan Center for Independence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Juan Center for Independence's internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
April 13, 2022

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FINANCIAL STATEMENTS

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2021 AND 2020

	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents	$ 3,157,258	$ 2,783,907
Grants and contracts receivable	251,878	238,294
Interest receivable	8,173	8,585
Employee advances	134	78
Prepaid expenses	14,369	45,812
Total current assets	3,431,812	3,076,676
Noncurrent Assets		
Investments	1,657,794	1,590,900
Notes receivable	26,687	28,526
Property and equipment, net	2,914,244	3,059,258
Total noncurrent assets	4,598,725	4,678,684
Total assets	$ 8,030,537	$ 7,755,360
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 9,080	$ 3,563
Accrued wages and related liabilities	151,296	198,966
Accrued compensated absences	48,196	29,752
Current portion of paycheck protection program loan	-	69,491
Current portion of mortgage	23,620	22,229
Total current liabilities	232,192	324,001
Noncurrent liabilities		
Long-term portion of paycheck protection program loan	-	78,509
Long-term portion of mortgage	323,645	347,265
Total noncurrent liabilities	323,645	425,774
Net assets		
Without donor restrictions	5,156,483	4,715,748
With donor restrictions	2,318,217	2,289,837
Total net assets	7,474,700	7,005,585
Total liabilities and net assets	$ 8,030,537	$ 7,755,360

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government contracts and grants	$ 506,898	$ -	$ 506,898
Personal care option contract	3,291,525	-	3,291,525
Contributions	816	-	816
Net investment return	260	108,073	108,333
PPP Loan Forgiveness	148,000	-	148,000
Other income	15,087	-	15,087
Net assets released from restrictions	79,693	(79,693)	-
Total revenues	4,042,279	28,380	4,070,659
EXPENSES			
Program expenses	2,679,951	-	2,679,951
Management and general	921,593	-	921,593
Total expenses	3,601,544	-	3,601,544
CHANGE IN NET ASSETS	440,735	28,380	469,115
NET ASSETS, BEGINNING OF YEAR	4,715,748	2,289,837	7,005,585
NET ASSETS, END OF YEAR	$ 5,156,483	$ 2,318,217	$ 7,474,700

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

	(As Restated)		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government contracts and grants	$ 423,908	$ -	$ 423,908
Personal care option contract	2,961,235	-	2,961,235
Contributions	680	-	680
Net investment return	9,893	4,338	14,231
Other income	4,433	-	4,433
Net assets released from restrictions	71,236	(71,236)	-
Total revenues	3,471,385	(66,898)	3,404,487
EXPENSES			
Program expenses	2,472,528	52,886	2,525,414
Management and general	789,629	-	789,629
Total expenses	3,262,157	52,886	3,315,043
CHANGE IN NET ASSETS	209,228	(119,784)	89,444
NET ASSETS, BEGINNING OF YEAR	4,506,520	2,409,621	6,916,141
NET ASSETS, end of year	$ 4,715,748	$ 2,289,837	$ 7,005,585

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2021

	Program Expenses	Support Services	Total
Salaries	$ 368,370	468,834	$ 837,204
Salaries - personal care option	1,870,394	-	1,870,394
Payroll taxes and benefits	55,689	222,754	278,443
Retirement expense	1,357	6,182	7,539
Grants to individuals	105,632	17,196	122,828
Advertising	9,067	5,797	14,864
Insurance	15,951	63,806	79,757
Supplies	21,161	19,534	40,695
Maintenance and repairs	6,384	5,439	11,823
Communications	5,358	3,723	9,081
Office expense	7,820	11,252	19,072
Education and training		199	199
Depreciation	118,911	26,103	145,014
Interest expense	17,493	4,373	21,866
Rent	18,304	13,255	31,559
Professional services	14,656	27,217	41,873
Equipment rental	4,803	4,259	9,062
Utilities	29,795	9,932	39,726
Other	585	6,727	7,312
Uncollectable revenues	4,880	-	4,880
Defaults on loans	-	-	-
Travel	3,341	5,012	8,353
Total expenses	$ 2,679,951	$ 921,593	$ 3,601,544

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2020

	Program Expenses	Support Services	Total
Salaries	$ 278,408	354,337	$ 632,745
Salaries - personal care option	1,733,926	-	1,733,926
Payroll taxes and benefits	46,856	187,426	234,282
Retirement expense	1,446	4,839	6,285
Grants to individuals	99,222	8,628	107,850
Advertising	9,944	4,467	14,411
Insurance	12,437	53,021	65,458
Supplies	16,994	15,687	32,681
Maintenance and repairs	9,211	6,948	16,159
Communications	14,302	8,399	22,701
Office expense	9,297	13,379	22,676
Education and training	1,052	3	1,055
Depreciation	120,018	26,346	146,364
Interest expense	19,244	4,224	23,468
Rent	18,655	13,530	32,185
Professional services	19,926	37,006	56,932
Equipment rental	4,913	4,356	9,269
Utilities	19,329	7,517	26,846
Other	2,530	27,937	30,467
Uncollectable revenues	24,954	-	24,954
Defaults on loans	52,886	-	52,886
Travel	9,864	11,579	21,443
Total expenses	$ 2,525,414	$ 789,629	$ 3,315,043

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

		2021		2020
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	$	469,115	$	89,444
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation		145,014		146,364
Realized (gain) loss on sale of investments		(156)		(75,968)
(Increase) decrease in operating assets:				
Grants and contracts receivable		(13,584)		178,879
Interest receivable		412		(3,549)
Employee advances		(56)		(78)
Prepaid expenses		31,443		(30,445)
Increase (decrease) in operating liabilities:				
Accounts payable		5,517		(9,904)
Accrued expenses		(47,670)		13,255
Accrued compensated absences		18,444		1,462
Net cash provided (used) by operating activities		608,479		309,460
CASH FLOWS FROM INVESTING ACTIVITIES:				
Purchases of property and equipment		-		-
Acquisition of investments		(115,752)		(495,648)
Proceeds from sale of investments		49,015		579,312
Change in deposits and note receivable		1,839		(25,982)
Net cash provided (used) by investing activities		(64,898)		57,682
CASH FLOWS FROM FINANCING ACTIVITIES:				
Proceeds from new debt		-		148,000
Principal payments on debt		(170,230)		(20,859)
Net cash provided (used) by financing activities		(170,230)		127,141
Net increase (decrease) in cash and cash equivalents		373,351		494,283
Cash and cash equivalents, beginning of period		2,783,907		2,289,624
Cash and cash equivalents, end of period	$	3,157,258	$	2,783,907
Supplemental disclosure cash flow information:				
Cash paid during the year for:				
Interest	$	21,866	$	23,468
Unrelated business income taxes		-		-
	$	21,866	$	23,468

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Organization

San Juan Center for Independence (the "Center") is a 501(c)(3) non-profit corporation which was incorporated under the laws of the State of New Mexico in 1999. The Center aids individuals in the removal of physical and attitudinal barriers facing persons with disabilities so that those persons can obtain access to society as equals. Removal of these barriers shall take the form of advocating, providing information and referrals, peer support, and independent living skills for individuals. The Center also provides community-based, consumer-driven services to ensure that persons with disabilities have access to community services, housing, employment, recreation, and health care. The services provided by the Center are funded by grants and contracts from the various state and local sources. The Center is controlled by an elected Board of Directors as identified in the accompanying roster.

Funding is provided principally by contracts from the State of New Mexico, Department of Health and Human Services, Department of Education, and Division of Vocational Rehabilitation.

Basis of Accounting

The accompanying financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than when received, and expenses are recognized when the related liability is incurred rather than when paid.

Basis of Presentation

The financial statements of the Center have been prepared in accordance with U.S. generally accepted accounting principles ("US GAAP") which require the Center to report net assets, revenues, gains, and losses based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board may designate, from net assets without donor restriction, net assets for an operating reserve or other board designated operations.

Net Assets With Donor Restrictions – Net assets subject to donor – (or certain grantor -) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

the resource was restricted has been fulfilled, or both. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the financial statements.

The financial statements and notes are representations of management who is responsible for the integrity and objectivity of the financial statements.

Measure of Operations

The statements of activities report all changes in net assets, including changes in net assets from operating and nonoperating activities. Operating activities consist of those items attributable to the Center's ongoing services for individuals with disabilities and interest and dividends earned on investments. Non-operating activities are limited to resources that generate return from investments and other activities considered to be of a more unusual or nonrecurring nature.

Program Services

San Juan Center for Independence conducts the following programs:

Access Loan New Mexico – This is a statewide, low interest loan program that allows New Mexicans with disabilities to purchase assistive technology or make home modifications so that the individual can live more independently or productively. Loans are reviewed on an individual basis for ability to pay back the loan with monthly payments. The loan is made by a local financial institution and is collateralized by a certificate of deposit from the Center.

NMSEED LOANS – This is a statewide, low interest loan program that allows New Mexicans with disabilities to purchase needed equipment and home-based business supplies in order to help them with a home-based business or self-employment. "SEED" stands for "Self-Employment for Entrepreneurs with Disabilities." The loans are provided by a local financial institution and are considered business loans, so the rate is the current business loan rate of that institution. The loan is collateralized by a certificate of deposit from the Center.

Personal Care Service Program – This program is designed to assist New Mexicans with disabilities to live as independently as possible at home. These individuals, or consumers, hire, schedule, supervise, and fire personal care attendants who help the consumer with a wide variety of duties at home in order to make them more independent. The Center processes payroll and related year-end payroll documents for the personal care attendants after receiving completed payroll documentation.

Independent Living Services – This program is designed to provide New Mexicans with disabilities assistance with independent living plans, skill training, peer support, advocacy, and transition services.

1. **<u>ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)</u>**

<u>Program Services (Continued)</u>

All four programs are designed to provide opportunities for individuals with disabilities to obtain more independence in their lives through employment, equipment, mobility, or attendance to everyday needs. As such, all four programs fall under the same umbrella for allocation of functional expenses.

<u>Cash and Cash Equivalents</u>

As of June 30, 2021 and 2020, cash and cash equivalents consist of petty cash, on demand bank deposits, certificates of deposits, and money market accounts. Bank accounts were not fully insured by FDIC insurance as amounts exceed the $250,000 limit. The Center has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk. For purposes of the Statement of Cash Flows, the Center considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

<u>Investments</u>

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

<u>Fair Value of Financial Instruments</u>

The carrying amount of cash and cash equivalents, receivables and liabilities approximate fair value because of the short maturities of these instruments.

<u>Grants and Contracts Receivable</u>

Grants and contracts receivable are due according to contractual terms and are stated at the amount management expects to collect from outstanding balances. The Center determines its allowance by considering a number of factors, including the length of time accounts receivable are past due and the Center’s previous collection history. The Center writes off receivables when they become uncollectible and payments subsequently received on such receivables are recorded as revenue.

<u>Allowance for Doubtful Accounts</u>

It is the opinion of management that contracts receivable are fully collectible and that an allowance for doubtful accounts is not necessary as amounts are written off when uncollectable.

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment

San Juan Center for Independence's policy is to capitalize all disbursements for fixed assets in excess of $2,500. Individual items with a cost of less than $2,500 are expensed in the year of acquisition. Donations of property and equipment are recorded at their estimated fair market value at the time of donation. Improvements are capitalized while expenditures for maintenance and repair are charged to operations when incurred. Upon disposal of depreciable property, the appropriate property accounts are reduced by the related costs and accumulated depreciation. The resulting gains and losses are reflected in the Statement of Activities.

Depreciation

Property and equipment are stated at cost. Depreciation of property and equipment is provided over the estimated lives of the respective assets using the straight-line method. The lives of assets are depreciated over their following estimated service lives using the straight-line method.

	Years
Buildings	30
Land Improvements	7-15
Equipment	5-7
Vehicles	5-7

Notes Receivable

The notes receivable balance is the remaining amount of two Access Loan New Mexico loans that defaulted - one in December 2015 and one in November 2019. The loans were for accessible vehicles and defaulted by individuals with disabilities. The Center is allowing the defaulted amount to be paid as the individuals are able in order to allow these individuals to remain independent and access employment.

Contract Services

San Juan Center for Independence received approximately 99 percent of its total revenues from contracts with state agencies at June 30, 2021 and 2020.

Revenue and Revenue Recognition

The Center recognizes contributions when cash, securities or other assets; an unconditional promise to give; or a notification of a beneficial interest is received. Conditional promises to give – that is, those with a measurable performance or other barrier and a right of return - are not recognized until the conditions on which they depend have been met.

There were no unconditional promises to give in either year which were not recognized.

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue and Revenue Recognition (Continued)

A portion of the Center's revenue is derived from cost-reimbursable state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the Center has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the statement of financial position. The Center received all cost-reimbursable grants and contracts on a reimbursement basis. No advance payments have been received in either year. As such, all revenues have been recognized for completion of contract requirements.

The Center has adopted Accounting Standards Update (ASU) No. 2018-08 *Not-for-Profit Entities: Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 605)* and ASU 2014-09 *Revenue from Contracts with Customers (Topic 606)* as management believes the standard improves the usefulness and understandability of the Center's financial reporting.

Expense Allocation

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Expenses have been allocated between program costs, and management and general costs based on estimates and assumptions by management, and the nature of the related activities. Advertising costs are expensed as incurred.

Income Taxes

San Juan Center for Independence is exempt from Federal income taxes under the Internal Revenue Code Section 501(c)(3) and files an annual information return (Form 990) with the Internal Revenue Service and copies of Form 990 with states in which the Center is registered, as required. San Juan Center for Independence has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Center believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and believes there are no activities subject to unrelated business income tax. No provision for income taxes for unrelated business income was necessary for either of the years ended June 30, 2021 and 2020. The statute of limitations for examination of the Center's returns expires three years from the due date of the return or the date filed, whichever is later. The Center's returns for the years ended June 30, 2018 through 2020, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2021, will expire in May 2024.

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accrued Leave

It is the policy of San Juan Center for Independence to permit full time employees to begin to earn paid vacation on the first day of employment. Those employees who have completed initial eligibility up to two years may accrue up to 8 working hours per month for the number of months they are employed. After two full years full-time staff earn leave at 10 hours per month. After three years they accrue 12 hours per month and after four years they accrue 14 hours per month. Unused annual leave, up to one year's accrual, is regarded as an earned item and is payable to that employee at termination, prorated against the number of working days for that month. Any leave in excess of one year's accrual is not paid upon separation.

Total accrued compensated absence balances were $48,196 and $29,752 at June 30, 2021 and 2020, respectively.

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 at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include the useful lives of property and equipment, determinations of current and non-current portions of accrued leave, and allowances for doubtful accounts. Accordingly, actual results could differ from those estimates.

Recent Pronouncements

FASB has issued ASU No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, the Center has not yet adopted Topic 842.

FASB has issued ASU No. 2021-10, *Government Assistance (Topic 832)*. The FASB is issuing this Update to increase the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. Diversity currently exists in the recognition, measurement, presentation, and disclosure of government assistance received by business entities because of the lack of specific authoritative guidance in generally accepted accounting principles (GAAP). Requiring disclosures about government assistance in the notes to financial statements will provide comparable and transparent information to investors and other financial statement users to enable them to understand an entity's financial results and prospects for future cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2021. Early application is permitted; however, the Center has not yet adopted Topic 832.

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reclassification of Financial Statements

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

2. AVAILABILITY AND LIQUIDITY

Cash and cash equivalents consist of the following as of June 30, 2021 and 2020:

	Balance June 30, 2021	Balance June 30, 2020
Financial assets at year-end:		
Demand deposit accounts	1,622,046	1,228,422
Certificates of deposits	1,490,180	1,524,454
Money market accounts	44,495	30,776
Petty cash	537	255
Contracts and grants receivable	251,878	238,294
Interest receivable	8,173	8,585
Total financial assets	3,417,309	3,030,786
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Less net assets with purpose restrictions to be met in less than a year	-	-
Restrictions established by the board	-	-
Certificates of deposit pledged as collateral on loans	1,417,392	1,451,824
Total restrictions	1,417,392	1,451,824
Financial assets available to meet general expenditures over the next twelve months	1,999,917	1,578,962

The Center’s goal is generally to maintain $600,000 in liquid financial assets, enough to fund approximately two months of expenses.

3. GRANTS AND CONTRACTS RECEIVABLE

The details of grants and contracts receivable at June 30, 2021 and 2020 are presented below:

Payee	Balance June 30, 2021	Balance June 30, 2020
Blue Cross Blue Shield	$ 28,323	$ 36,271
Presbyterian	142,285	183,044
State of New Mexico	61,949	-
Western Sky	19,321	18,979
Total	$ 251,878	$ 238,294

4. PREPAID EXPENSES

Prepaid expenses consist of the following as of June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Prepaid insurance	$ 2,826	$ 3,338
Other prepaids	11,543	9,779
Total	$ 14,369	$ 13,117

Prepaid expenses consist of insurance premiums, rent, and state unemployment taxes which will benefit the future year. Insurance premiums include director and officer liability, employment practices, and flood coverage.

5. INVESTMENTS

The Center has placed investments with a brokerage firm to invest funds in various marketable securities. All investments have a readily determinable market value, and are stated at market value in the financial statements. The market value is based on an observable active market in which quoted prices can be accessed for identical securities on the Statement of Financial Position date. Investments are held for the AFP and NMSL programs and for the Center itself. The Center’s intention is to hold all investments longer than one year for appreciation in value. A summary of the investments as of June 30, 2021 and 2020, are as follows:

5. INVESTMENTS (Continued)

	Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2021				
Stocks	$ 67,788	$ 47,993	$ -	$ 115,781
ETF's and CEF's	87,897	3,526	236	91,187
Mutual Funds	1,319,562	20,540	3,224	1,336,878
Other	120,688	-	6,740	113,948
Total Restricted	$ 1,595,935	$ 72,059	$ 10,200	$ 1,657,794

	Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2020				
Stocks	$ 66,464	$ 23,290	$ -	$ 89,754
ETF's and CEF's	61,166	-	3,328	57,838
Mutual Funds	1,162,887	7,393	2,002	1,168,278
Other	313,632	-	38,602	275,030
Total Restricted	$ 1,604,149	$ 30,683	$ 43,932	$ 1,590,900

Investment income (loss) on these funds for the years ended June 30, 2021 and 2020, were as follows:

	June 30, 2021	June 30, 2020
Interest and dividends	$ 19,855	$ 17,849
Realized gain (loss)	34,048	75,968
Unrealized gain (loss)	63,584	(72,743)
Investment fee expense	$ (9,154)	$ (6,843)
Net investment return	$ 108,333	$ 14,231

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2021 and 2020:

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Capital assets not being depreciated:				
Land	$ 659,750	$ -	$ -	$ 659,750
Total capital assets not being depreciated	659,750	-	-	659,750
Capital assets being depreciated:				
Land improvements	261,481	-	-	261,481
Buildings and building improvements	2,967,670	-	-	2,967,670
Furniture, fixtures, and equipment	156,769	-	-	156,769
Vehicles	319,986	-	-	319,986
Total capital assets being depreciated	3,705,906	-	-	3,705,906
Less accumulated depreciation:				
Land improvements	77,178	17,660	-	94,838
Buildings and building improvements	834,480	100,002	-	934,482
Furniture, fixtures, and equipment	141,499	6,304	-	147,803
Vehicles	253,241	21,048	-	274,289
Total accumulated depreciation	1,306,398	145,014	-	1,451,412
Total capital assets, net of depreciation	$ 3,059,258	$ (145,014)	$ -	$ 2,914,244

Depreciation expense for the years ended June 30, 2021 and 2020 was $145,014 and $146,364, respectively.

7. LONG-TERM DEBT

Long-term debt consists of a 6% mortgage payable that was incurred when the Center constructed a building in 2012 (original amount of $508,222): The monthly payments are $3,675 through March 2032. As of June 30, 2021 and June 30, 2020 the mortgage debt balance was $347,265 and $369,495, respectively. The mortgage is secured by real property used by the Center.

Future payments of the mortgage payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2022	$ 23,620	$ 20,476	$ 44,096
2023	25,097	18,998	44,095
2024	26,620	17,476	44,096
2025	28,333	15,763	44,096
2026	30,105	13,990	44,095
2027-2031	140,439	39,264	179,703
2032-2033	73,051	827	73,878
Totals	$ 347,265	$ 126,794	$ 474,059

8. CONCENTRATION OF CREDIT RISK

San Juan Center for Independence maintains various deposit accounts in financial institutions and brokerage accounts. The Federal Deposit Insurance Corporation (FDIC) insures deposits up to $250,000. The cash balances, at times, may exceed Federal insured limits. At June 30, 2021 and 2020, the Center had deposits which exceeded the amounts covered by the deposit insurance. The ability to collect receivables resulting from services provided is affected by general economic conditions in the State of New Mexico. Concentrations of credit risk with respect to receivables results from funding agencies accepting or rejecting claims for services provided. The Center has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

9. CONTINGENCIES AND COMMITMENTS

The Center receives financial assistance from state and local sources in the form of grants and contracts. The funds received are generally limited to specific compliance requirements as specified in the grant agreement. The government reserves the right to review the scope of the audit and conduct a follow-up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of the Center. The Center, however, believes that liability resulting from disallowed claims, if any, will not have a material effect on the financial position. For the years ended June 30, 2021 and 2020, the Center received approximately 99% and 99%, respectively, of its revenues from contracts with state agencies and insurance companies.

9. CONTINGENCIES AND COMMITMENTS (Continued)

Fiscal Agent - San Juan Center for Independence acts as a fiscal agent for the New Mexico Technology Assistance Program (TAP) to manage funds from fees collected for the technology conference and payment for purchases for the conference, and assistive technology and services for persons with disabilities as approved by TAP. The Center disburses funds directly to vendors after written approval by TAP. The agreement will continue on a year-to-year basis based on available funding. As of June 30, 2021 and 2020, the amount of $- and $-, respectively, is recognized in the statement of financial position as a current liability to TAP.

10. OPERATING LEASE

San Juan Center for Independence leases space in Gallup, New Mexico under a lease renewed annually for a one-year period. Total rent expense of $17,608 and $16,800 was paid in the years ended June 30, 2021 and 2020, respectively, on this lease. The monthly payment is $1,400 currently. The lease expires in May of each year. The Center also has a lease on office space on a month-to-month basis in Albuquerque, New Mexico where $14,843 and $13,461 were paid in rental costs for years ending June 30, 2021 and 2020, respectively. The monthly payment started the year at $1,134.80 and is now $1,157.58.

11. RETIREMENT PLAN

During the years ended June 30, 2021 and 2020, San Juan Center for Independence offered a Simple-IRA employee retirement plan. The plan allows employees to make voluntary contributions out of their salary, and the Center makes matching contributions equal to the employee contribution up to a maximum of 3% of employee compensation. All employees, except Personal Care Option employees who are considered employees of the consumer, are eligible, and contributions vest to the employee immediately when earned. For fiscal years ended June 30, 2021 and 2020 the Center incurred an expense of $7,539 and $6,285, respectively.

12. PERSONAL CARE OPTION SERVICES

The Center acts as a fiscal agent to prepare and administer the financial responsibilities of compensating the providers (individuals providing care to the disabled) who are attendants serving the consumer (disabled). It is the Center’s philosophy to allow the consumer the greatest degree of choice in selecting the provider and setting the terms of the care. The Center thereby administers the fiscal responsibility consisting of payroll for the provider, data processing, compliance, invoicing, and collection and reporting of receipts to the State of New Mexico under the terms of the Medicaid agreement. The accompanying financial statements have included the respective revenue and payroll expense related to this fiscal responsibility. For the year ended June 30, 2021 and 2020, total revenue reported for personal care option was $3,111,185 and $2,961,235, respectively; salaries and wages paid to providers were $1,870,394 and $1,733,926.

13. LOAN GUARANTEES

The terms of the New Mexico Alternative Financing Mechanism Program (AFP) contract and the New Mexico Seed Loan Program (NMSL) requires that the program funds be placed in separate bank accounts and restricted for the purpose of handicapped accessible assets. In carrying out the AFP contract, the Center has entered into an agreement with lending institutions whereby, the institutions will act as the lender to individuals, and the Center will guarantee the loans with individual separate certificates of deposit and cash that have been placed on deposit with the institutions. The institutions retain the interest charged on the loans and the Center retains the interest earned on the certificates of deposit. As of March 2021, the bank which holds the loans refused to give outstanding loan balances to the Center going forward as they have said it is a violation of the privacy rights of the individual. The 2021 outstanding balances is as of March 31, 2021.

June 30, 2021	AFP	NMSL	Total
Certificates of deposit collateral	$1,414,892	$ 2,500	$1,417,392
Outstanding loan balance	813,855	358	814,213
Excess collateral	$ 601,037	$ 2,142	$ 603,179

June 30, 2020	AFP	NMSL	Total
Certificates of deposit collateral	$1,427,700	24,124	$1,451,824
Outstanding loan balance	899,819	2,531	902,350
Excess collateral	$ 527,881	$ 21,593	$ 549,474

14. FAIR VALUE MEASUREMENTS

The Financial Accounting Standards Board (FASB), Accounting Standards Codification (ASC) 820, Fair Value Measurements and Disclosures, provides a framework for measuring fair value for assets and liabilities subject to fair value measurement. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Center has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specific (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

14. FAIR VALUE MEASUREMENTS (Continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets and liabilities measured at fair value. There have been no changes in the methodologies used during the current year. Equity investments: Valued at the net asset value (NAV) of shares held by the Center at year-end.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date. Fair values of assets and liabilities measured on a recurring basis at June 30, 2021 and 2020 are as follows:

June 30, 2021	Fair Value	Level 1	Level 2	Level 3
Stocks	$ 115,781	$ 115,781	$ -	$ -
ETF's and CEF's	91,187	91,187	-	-
Mutual Funds	1,336,878	1,336,878	-	-
Other	113,948	113,948	-	-
Total invested	$ 1,657,794	$ 1,657,794	$ -	$ -

June 30, 2020	Fair Value	Level 1	Level 2	Level 3
Stocks	$ 89,754	$ 89,754	$ -	$ -
ETF's and CEF's	57,838	57,838	-	-
Mutual Funds	1,168,278	1,168,278	-	-
Other	275,030	275,030	-	-
Total invested	$ 1,590,900	$ 1,590,900	$ -	$ -

15. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2021 and 2020, San Juan Center for Independence purchased $0 and $2,988, respectively, in technology equipment and services from a company owned by a member of the Board of Directors. Additionally, a board member was hired on a contract basis to provide services for personnel issues and documentation. The member was paid $0 and $24,588 during the years ended June 30, 2021 and 2020.

16. RESTRICTED NET ASSETS

Temporarily restricted net assets consist of two loan programs. These federally and state funded programs provide alternative loan opportunities for New Mexico citizens with disabilities who desire to purchase assistive devices or services. The terms of the contracts include placing the award monies in separate and permanent accounts, plus the funds generated through investing will only be used to offer such loans under the allowable terms established by the program. The Center is authorized an indirect cost not to exceed 10% to cover the administrative expenses of operating the program.

During the fiscal year ended June 30, 2021 the Center incurred a total of $88,847 of expenses which consisted of $79,693 of administrative expense and $9,154 of investment fees. These costs were released from the temporarily restricted net assets.

During the fiscal year ended June 30, 2020 the Center incurred a total of $130,963 of expenses which consisted of $71,235 of administrative expense; $6,842 of investment fees; and $52,886 of defaults on loans. These costs were released from the temporarily restricted net assets.

The Alternative Finance Program (AFP) was created in 2004 and was funded by federal and New Mexico state grants, and a matching share contribution from the Center. These funds would be returned to the State of New Mexico, per agreement, if the Center were to discontinue operating the program. Loans are outstanding on this program.

The New Mexico Seed Loan Program (NMSL) was created in 2014 with a federal grant. These funds would be returned to the State of New Mexico, per agreement, if the Center were to discontinue operating the program. Loans are outstanding on this program.

16. RESTRICTED NET ASSETS (Continued)

The following is a summary of restricted net assets as of June 30, 2021 and 2020:

June 30, 2021	AFP	NMSL	Total
Cash	$ 1,459,727	44,452	$ 1,504,179
Interest receivable	8,173	-	8,173
Notes receivable	26,687	-	26,687
Investments	245,866	597,232	843,098
Total restricted assets	1,740,453	641,684	2,382,137
Restricted Liabilities			
Payable from restricted assets	17,653	46,267	63,920
Net restricted assets	$ 1,722,800	$ 595,417	$ 2,318,217

Activities for program from inception to June 30, 2021	AFP	NMSL	Total
Government grants	$ 1,728,802	$ 751,374	$ 2,480,176
Matching share	197,360	-	197,360
Investments income (loss)	877,118	172,597	1,049,715
Total revenues	2,803,280	923,971	3,727,251
Expenses	1,080,479	328,555	1,409,034
Net restricted assets	$ 1,722,801	$ 595,416	$ 2,318,217

June 30, 2020	AFP	NMSL	Total
Restricted Assets			
Cash	$ 1,445,761	$ 81,626	$ 1,527,387
Interest receivable	8,585	-	8,585
Notes receivable	28,526	-	28,526
Investments	244,510	535,139	779,649
Total restricted assets	1,727,382	616,765	2,344,147
Restricted Liabilities			
Payable from restricted assets	30,517	23,793	54,310
Net restricted assets	$ 1,696,865	$ 592,972	$ 2,289,837

Activities for program from inception to June 30, 2020	AFP	NMSL	Total
Government grants	$ 1,728,802	$ 751,374	$ 2,480,176
Matching share	197,360	-	197,360
Investment income (loss)	822,156	110,332	932,488
Total revenues	2,748,318	861,706	3,610,024
Expenses	1,051,453	268,734	1,320,187
Net restricted assets	$ 1,696,865	$ 592,972	$ 2,289,837

17. EVALUATION OF SUBSEQUENT EVENTS

San Juan Center for Independence has evaluated subsequent events through April 13, 2022, the date which the financial statements were available to be issued. The Center has determined that no such incident exists.

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COMPLIANCE SECTION

Manning Accounting and Consulting Services, LLC
MACS

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
San Juan Center for Independence
Farmington, NM

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 San Juan Center for Independence (the "Center", a New Mexico nonprofit organization), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated April 13, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Center'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 the Center's internal control. Accordingly, we do not express an opinion on the effectiveness of San Juan Center for Independence'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 did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2020-001 and 2021-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 to be significant deficiencies.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Center'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 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*.

San Juan Center for Independence's Response to Findings

San Juan Center for Independence's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Center's responses were 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 entity'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 Center's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
April 13, 2022

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2021

Section I – Summary of Audit Results

Financial Statements:

1. Type of auditor's report issued	Unmodified
2. Internal control over financial reporting:	
a. Material weakness identified?	Yes
b. Significant deficiencies identified not considered to be material weaknesses?	Yes
c. Noncompliance material to financial statements noted?	None noted

Section II – Financial Statement Findings

FS 2019-001 – Improper Control over Journal Entries (Significant Deficiency) Repeated and Modified

Criteria: Good accounting procedures require that all manual journal entries should have proper supporting documentation and be reviewed by at least one individual besides the individual creating the journal who should sign and date the journal entry. This should be performed in order to detect errors and to prevent improper movement of funds. This provides an internal deterrent to errors, fraud, and misappropriation of assets.

Condition: During review of journal entries, we identified the following instances in which proper procedures were not followed.

- In 9 of 10 items reviewed the journal entry was not signed off by the individual performing the entry
- In 10 of 10 items reviewed the journal entry was not signed off and dated by a second individual

Cause: Nobody had informed the new accountant for the need to sign and date the proposed journal entries provided for the investment reconciliations. Additionally, while those journal entries were being reviewed and entered by SJCI staff, there was no documentation identifying who had reviewed and entered the journal entry.

Effect: Responsibility for who completed journal entries should always be maintained through signatures, especially in the case of the potential of turnover in staff which can raise doubts in the future as to who performed those journal entries and if those journal entries were proper. If no secondary review occurs, the potential for improper journal entries can occur.

Auditor's Recommendation: We recommend the Center ensure all manual journal entries continue to have supporting documentation which identifies the amounts and reasons for the journal entries. These journal entries should be printed, signed and dated by the individual performing the journal entry, and maintained for further review. Additionally, the Executive Director or a member of the board should review each journal entry on a timely basis and sign and date the journal entry as well.

Responsible Official's Plan:

- Specific corrective action plan for finding:

  Journal Entries will be signed by the finance department as well as the CPA

- Timeline for completion of corrective action plan:

  FY22

- Employee position(s) responsible for meeting the timeline:

  Finance

Section II – Financial Statement Findings (Continued)

FS 2020-001 – Proper Reconciliation of General Ledger Accounts (Material Weakness)

Criteria: Good internal control practices dictate that all general ledger accounts should be properly and accurately reconciled on a timely basis to insure proper balances are maintained in those accounts. All general ledger accounts should be properly reconciled at least monthly.

Condition: During our review of general ledger accounts, we noted that the detail for pledges receivable did not agree with the trial balance. The detail for pledges receivable was $24,954 higher than the trial balance. We also identified the following issues with the asset and liability accounts:

- 1-1130 Four Corner Community Bank AFP had a GL balance of $13,896.83 but needed increased by $22,249.46
- 1-1200 Pledges Receivable had a credit balance of $44,305.10 but should have had a debit balance of $251,877.69, a difference of $296,182.79
- 1-1260 Interest Receivable needed adjusted downwards by $411.84
- 1-1368 MS AFP Mutual Funds had $148,000.00 in this account that should have been in a SJCI investment line item (1-1510) instead of being comingled with the AFP funds
- 1-1415 CD's – AFP @ 4 Cners Comm Bank needed adjusted down by $8,564.74 to $1,423,456.87
- 1-1426 MS NMSL Mutual Fund needed adjusted up by $736.00 to $292,073.23
- 1-2550 Prepaid Insurance needed adjusted down by $512.07
- 1-2600 SUTA PrePaid Benefit Charges needed adjusted up by $4,247.92
- 1-3350 Accumulated Depreciation had not been recorded yet and needed recorded in the amount of $145,014.00
- 2-1190 Wells Fargo Credit Card had a balance of $7,451.63 but should have been $2.671.60
- 2-1195 American Express Credit Card needed its balance increased by $2,384.74
- 2-1200 Accounts Payable had a debit balance of $5,195.82 but needed adjusted to a credit balance of $3,092.36
- 2-1201 Accounts Payable (per Audit) had not been adjusted and needed $3,077.00 removed
- 2-1405 Accrued Payroll needed decreased by $168,741.50
- 2-1406 Accrued Payroll – SJCI need increased by $6,382.88
- 2-1415 Dental Payable Prudential had a credit GL balance of $69.56 but should have been $0
- 2-1440 FUTA Payable had a GL balance of $3,563.93 but should have been $5,336.84
- 2-1460 SUI/SDI Payable had a debit balance of $33,715.90 but needed a credit balance of $3,848
- 2-1465 Vision Payable United Healthcare had a GL debit balance of $46.18 but should have been $0
- 2-1470 WC Payable had a GL balance of $12,781.10 but should have been decreased by $279.60
- 2-1475 Accrued Compensated Absences had a balance of $30,499.71, which had not been changed from the prior audit, but should have been $48,196.20
- 2-1510 Life insurance payable had a debit GL balance of $613.08 but should have been a credit balance of $483.83
- 2-1520 Simple IRA Payable had a balance of $1,596.54 but should have been $1,702.74

Section II – Financial Statement Findings (Continued)

FS 2020-001 – Proper Reconciliation of General Ledger Accounts (Material Weakness) (Continued)

- 2-1600 NMDWS SUTA CD Retainer had a debit balance of $72,630.46 but should have been $72,787.83 and should have been reclassified to a certificate of deposit
- 2-1775 Caregiver Reserve Account had a debit balance of $2,748.00 and should have been $0
- 2-1850 Garnishment had a balance of $1,072.66 but should have been $633.81
- 2-1900 Lovelace Health Plan Payable had a GL credit balance of $13,138.04 but should have been $0
- 2-1950 Aflac Insurance Payable had a GL debit balance of $1,498.97 but should have been a credit balance of $1,485.47
- 2-1980 Short Term Mortgage Payable and 2-2400 Well Fargo Mortgage should have had a combined balance of $347,265.38 but had a combined balance of $347,625.44
- 2-2300 Long Term Liability and 2-2301 Current Portion – PPP Loan Center should have had a combined balance of $0 but had a balance of $148,000
- 3-5000 Net Assets - Unrestricted and 3-8000 Retained Earnings should have had a combined balance of $4,715,748.47 but had a balance of $4,588,343.62
- 3-8200 Restricted Net Assets and 3-8300 Restricted Net Assets Released from Restriction should have had a combined balance of $2,289,836.66 but had a combined balance of $2,409,619.63

Cause: Center personnel had not taken the time to review all asset and liability accounts and adjust them to their actual amounts. The Center went through a transition in the accounting department during the year under audit and had not been doing the proper reconciliations.

Effect: Cash, accounts receivable, fixed assets, payroll liability accounts, and mortgage accounts were improperly stated which also causes revenue and expenditure amounts to be misstated at year-end. The net effect of all these variations were significant. The Center was good at providing the information to identify the proper balances of accounts; however, these adjustments should occur prior to the arrival of the auditors.

Auditor's Recommendation: We recommend that the Center review all general ledger accounts on a regular basis to identify any strange or unexpected balances being carried in the trial balance. We recommend that this be done on a monthly basis so that incorrect posting don't go unnoticed for long periods of time.

Section II – Financial Statement Findings (Continued)

FS 2020-001 – Proper Reconciliation of General Ledger Accounts (Material Weakness) (Continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:

  CPA and finance will review YE GL accounts prior to final TB

- Timeline for completion of corrective action plan:

  FY22

- Employee position(s) responsible for meeting the timeline:

  Finance & CPA

Section II – Financial Statement Findings (Continued)

FS 2021-001 – Proper Reconciliation of Bank and Investment Statements (Material Weakness)

Criteria: Good internal control practices dictate that all bank and investment statements should be properly and accurately reconciled on a timely basis to insure proper balances are maintained in those accounts. All accounts should be properly reconciled at least monthly and documented as to when and by whom the reconciliations are performed. All bank and investment reconciliations should also be reviewed and signed by another party or be part of a board packet for board review.

Condition: During our review of bank and investment statements we noted the following issues:

- Two bank account reconciliations had changes done to general ledger amounts after the reconciliations were completed, and then new reconciliations were not completed nor was documentation maintained to explain the changes. The amounts resulted in the main operational account being out of balance by $262.67 and the payroll account was out of balance by $1,091.83.
- An improper balance had been entered for the NM Seed Loans 8796 Morgan Stanley investment account which caused an error of $736.00.
- The Morgan Stanley account manager had put $148,000 from the PPP loan belonging to SJCI which was supposed to go into the 2253 investment account was actually in the AFP 5834 investment account. This was in the incorrect account for almost 18 months and was never identified by SJCI personnel.
- A certificate of deposit that had been maintained as collateral for SUTA had a balance of $72,630.46 but should have been $72,787.83 because of earned interest.

Cause: The CFO had made the changes to the cash accounts and then left subsequent to year-end but prior to performing the audit which caused issues in identifying why the changes were made to the cash accounts. The NM Seed Loan issue was due to entering a balance from the wrong month into the reconciliation worksheet and not being caught. The outside firm did not recognize that the $148,000 went into the wrong investment account and because no secondary review was occurring, this error was not discovered timely.

Effect: Cash accounts had minor errors, but with the lack of documentation of reconciliations and review, errors could be magnified or not identified timely. While the investment amounts were only off by a minor amount in total, the amounts were showing in investment funds that are restricted and not in the unrestricted investment accounts belonging to SJCI. This significantly overstated the amounts belonging to NM Seed Loans.

Auditor's Recommendation: We recommend the Center review and reconcile all bank accounts and investment statements on a regular basis as they have been doing but that a secondary review be done in order to identify and correct human errors.

Section II – Financial Statement Findings (Continued)

FS 2021-001 – Proper Reconciliation of Bank and Investment Statements (Material Weakness) (Continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:

  No changes to Reconciliations after completed.

  This CD will be redeemed in the FY22 year.

  SJCI relied on the previous CPA firm to perform accurate reconciles of these investment accounts. SJCI has since hired a new CPA firm that found the discrepancies and this was remedied. In the future both CPA and Finance Department will verify reconciles.

- Timeline for completion of corrective action plan:

  FY22

- Employee position(s) responsible for meeting the timeline:

  Executive Director and CPA

Section III – Federal Awards Findings

None noted (Federal Single Audit not required)

Section IV – Prior Year Audit Findings

Financial Statement Findings

FS 2019-001 – Improper Control over Journal Entries – Repeated and Modified
FS 2019-002 – Timely Reconciliation of Bank and Investment Statements – Resolved
FS 2020-001 – Proper Reconciliation of General Ledger Accounts – Repeated and Modified

Federal Awards Section Findings

None noted