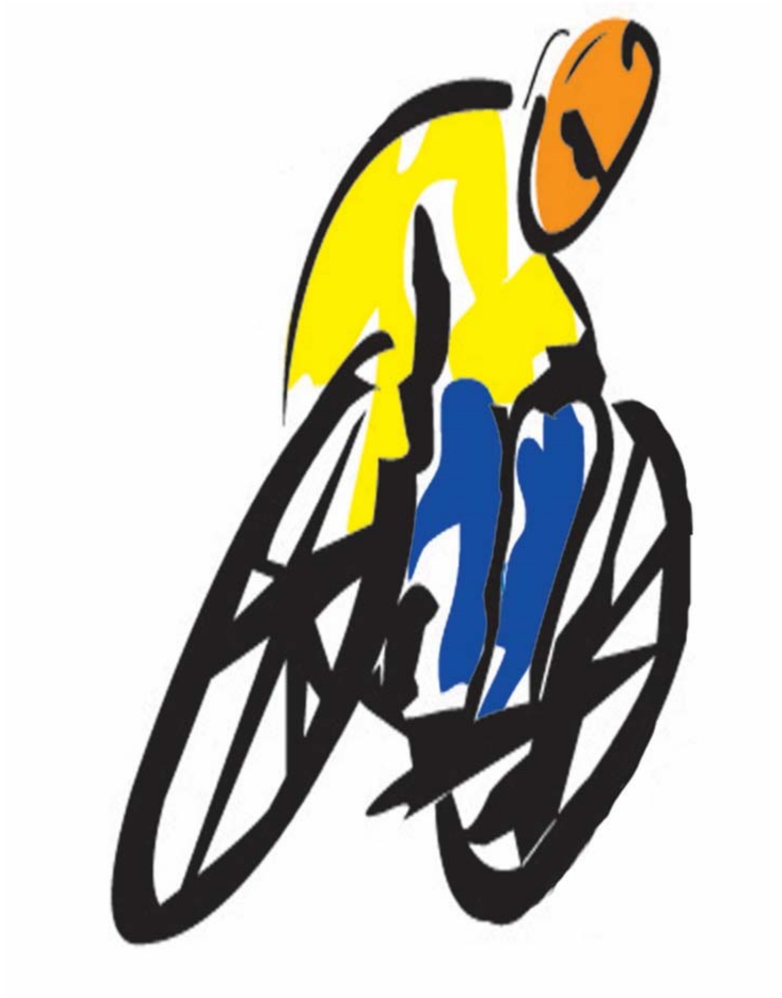
San Juan Center for Independence
Financial Statements and
Independent Auditor's Report
For the Years Ended June 30, 2018 and 2017



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Services, LLC

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INTRODUCTORY SECTION

SAN JUAN CENTER FOR INDEPENDENCE

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San Juan Center for Independence

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

1/31/2019

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 five 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. I L 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 (A LN M) 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 fundi ng to qualified individuals for ramp; and other devices that serve to maximize their opportunities for independence. Procurement funds do not have to be repaid.

2018 has been a busy year for SJCI. We have been in our new building for 8 years now. We have had 7 harvests from the accessible garden. SJCI has created an 50 Fruit Tree Accessible Orchard. SCJI completed the addition of our accessible outdoor basketball court this last fall. SJCI has completed the purchase of the property located directly behind our current building as well as building a new storage unit to hold our donated items for the loan closet. We have gained more collaboration with other non-profits through the usage of our event room. We have hosted numerous town hall meetings for State organizations.

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We have been training and keeping busy with Centennial Care EVV program and have been meeting with potential new MCO's for the State as New Mexico prepares to enter into Centennial 2.0 beginning January 2019. 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 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. 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 in the Albuquerque area.

Leslie Wright

Executive Director

San Juan Center for Independence

SAN JUAN CENTER FOR INDEPENDENCE

OFFICIAL ROSTER

JUNE 30, 2018

BOARD OF DIRECTORS

Darrel Snook	President
Terri Kennedy	Vice-President
Nancy Sisson	Secretary/Treasurer

ADMINISTRATIVE OFFICIALS

Vacant	Executive Director
Timothy Carver	Chief Financial Officer
Larry McCabe	ALNM & Procurement Director

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FINANCIAL SECTION

Manning Accounting and Consulting Services, LLC

MACS

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, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the year 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.

PO Box 736 (505) 598-3135 (Office)
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, 2018 and 2017, 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 Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019 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
February 6, 2019

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FINANCIAL STATEMENTS

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2018 AND 2017

	2018	2017
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,599,213	$ 2,803,672
Grants and contracts receivable	303,753	453,436
Interest receivable	2,634	2,427
Prepaid expenses	6,934	15,703
Total current assets	2,912,534	3,275,238
Noncurrent Assets		
Investments	1,247,728	1,367,287
Deposit	72,102	72,102
Note receivable	3,344	4,183
Property and equipment, net	3,238,127	3,019,869
Total noncurrent assets	4,561,301	4,463,441
Total assets	$ 7,473,835	$ 7,738,679
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 19,076	$ 7,729
Accrued wages and related liabilities	175,582	212,293
Accrued compensated absences	27,520	39,185
Current portion of long-term debt	19,692	18,532
Total current liabilities	241,870	277,739
Long-term debt, net of current portion	390,350	410,042
Net assets		
Without donor restrictions		
Undesignated	4,013,530	4,459,603
Invested in property and equipment, net of related debt	2,828,085	2,591,295
Total net assets	6,841,615	7,050,898
Total liabilities and net assets	$ 7,473,835	$ 7,738,679

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2018

	Net Assets without Donor Restrictions	
	2018	2017
REVENUES		
Government contracts and grants	$ 436,823	$ 502,659
Personal care option contract	2,845,883	3,618,175
Contributions	1,968	104,589
Net investment return	40,924	69,309
Other income	5,799	16,114
Total revenues	3,331,397	4,310,846
EXPENSES		
Program expenses	3,091,478	3,724,824
Management and general	449,202	420,194
Total expenses	3,540,680	4,145,018
CHANGE IN NET ASSETS	(209,283)	165,828
NET ASSETS, BEGINNING OF YEAR	7,050,898	6,885,070
NET ASSETS, END OF YEAR	$ 6,841,615	$ 7,050,898

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Expenses	Support Services	Total
Salaries	$ 450,252	$ 238,945	$ 689,197
Salaries - personal care option	1,802,065	-	1,802,065
Payroll taxes and benefits	235,059	77,520	312,579
Retirement expense	5,261	2,792	8,053
Grants to individuals	136,370	-	136,370
Advertising	15,864	-	15,864
Insurance	93,832	5,672	99,504
Supplies	7,320	3,884	11,204
Maintenance and repairs	30,021	15,932	45,953
Communications	19,406	10,299	29,705
Office expense	7,677	4,073	11,750
Education and training	10,479	5,561	16,040
Depreciation	121,773	26,912	148,685
Interest expense	20,937	4,626	25,563
Rent	31,375	6,935	38,310
Professional services	43,824	23,257	67,081
Equipment rental	17,784	9,438	27,222
Utilities	15,788	3,489	19,277
Other	720	-	720
Uncollectable revenues	7,078	-	7,078
Defaults on loans	-	-	-
Travel	18,593	9,867	28,460
Total expenses	$ 3,091,478	$ 449,202	$ 3,540,680

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Expenses	Support Services	Total
Salaries	$ 551,925	$ 228,733	$ 780,658
Salaries - personal care option	2,326,407	-	2,326,407
Payroll taxes and benefits	238,354	78,606	316,960
Retirement expense	7,578	3,140	10,718
Grants to individuals	125,908	-	125,908
Advertising	17,391	-	17,391
Insurance	105,245	6,362	111,607
Supplies	11,221	4,650	15,871
Maintenance and repairs	16,893	7,001	23,894
Communications	20,608	8,540	29,148
Office expense	11,190	4,638	15,828
Education and training	12,312	5,102	17,414
Depreciation	116,540	25,755	142,295
Interest expense	22,568	4,987	27,555
Rent	31,916	7,054	38,970
Professional services	32,083	13,296	45,379
Equipment rental	22,741	9,425	32,166
Utilities	15,810	3,494	19,304
Other	607	251	858
Uncollectable revenues	9,902	-	9,902
Defaults on loans	5,522	-	5,522
Travel	22,103	9,160	31,263
Total expenses	$ 3,724,824	$ 420,194	$ 4,145,018

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ (209,283)	$ 165,828
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	148,685	142,295
Realized (gain) loss on sale of investments	(43,585)	(33,147)
(Increase) decrease in operating assets:		
Grants and contracts receivable	149,683	(126,274)
Interest receivable	(207)	448
Prepaid expenses	8,769	(4,155)
Increase (decrease) in operating liabilities:		
Accounts payable	11,347	(21,195)
Accrued expenses	(36,710)	3,888
Accrued compensated absences	(11,665)	(2,701)
Net cash provided (used) by operating activities	17,034	124,987
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(366,943)	(63,601)
Acquisition of investments	(22,562)	(217,998)
Proceeds from sale of investments	185,705	339,512
Change in deposits and note receivable	839	29,116
Net cash provided (used) by investing activities	(202,961)	87,029
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(18,532)	(17,440)
Net cash provided (used) by financing activities	(18,532)	(17,440)
Net increase (decrease) in cash and cash equivalents	(204,459)	194,576
Cash and cash equivalents, beginning of period	2,803,672	2,609,096
Cash and cash equivalents, end of period	$ 2,599,213	$ 2,803,672
Supplemental disclosure cash flow information:		
Cash paid during the year for:		
Interest	$ 25,563	$ 27,555
Unrelated buiness income taxes	-	-
	$ 25,563	$ 27,555

See accompanying notes to the financial statements.

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 Federal, 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, Division of Vocational Rehabilitation, and the federal government.

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

Financial statement presentation follows Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations.* Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. In addition, the Center is required to present a Statement of Cash Flows. As permitted by the statement, currently the center only has net assets without donor restrictions.

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

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.

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

Program Services (Continued)

NMSEEDLOANS – 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.

All three 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 three programs fall under the same umbrella for allocation of functional expenses.

Cash and Cash Equivalents

As of June 30, 2018 and 2017, 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.

Investments

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.

Fair Value of Financial Instruments

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

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

Grants and Contracts Receivable

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.

Allowance for Doubtful Accounts

It is the opinion of management that contracts receivable are fully collectible and that an allowance for doubtful accounts is not necessary.

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	3-7
Vehicles	3-7

Deposit

This amount, $72,102 relates to a certificate of deposit maintained at a local financial institution with the New Mexico Department of Workforce Solutions as a securing party. The deposit allows the Center to self-pay their New Mexico unemployment insurance premiums.

Note Receivable

The note receivable is the remaining amount of an Access Loan New Mexico loan that defaulted on December 22, 2015. The loan was for an accessible vehicle and defaulted due to a loss of employment by an individual with a disability. The Center is allowing the defaulted amount to be paid as the individual is able in order to allow this individual to remain independent and access employment again.

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

Net Assets

Net assets, revenues, gains, and losses are classified 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. All of the Center's net assets are classified as net assets without donor restrictions.

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 the resource was restricted has been fulfilled, or both. The Center has no net assets with donor restrictions.

Contract Services

San Juan Center for Independence received approximately 99 percent of its total revenues from contracts with Federal and state agencies at June 30, 2018 and 2017.

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, 2018 and 2017. 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, 2015 through 2017, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2018, will expire in February 2022.

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

Vacation and Sick Pay

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 $27,520 and $39,185 at June 30, 2018 and 2017, 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.

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.

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these consolidated financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in the combination of unrestricted and temporarily restricted net assets as those restrictions were not donor imposed.

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following as of June 30, 2018 and 2017:

	2018	2017
Demand deposit accounts	$ 1,599,760	$ 1,794,906
Certificates of deposits	954,094	961,171
Money market accounts	45,160	47,396
Petty cash	199	199
Total	$ 2,599,213	$ 2,803,672

3. GRANTS AND CONTRACTS RECEIVABLE

The details of grants and contracts receivable at June 30, 2018 and 2017 are presented below:

Payee	2018	2017
Blue Cross Blue Shield	$ 23,098	$ 60,355
Molina	86,504	120,467
Presbyterian	66,734	72,418
State of New Mexico	9,668	29,986
United Healthcare	115,249	168,710
Other	2,500	1,500
Total	$ 303,753	$ 453,436

4. PREPAID EXPENSES

Prepaid expenses consist of the following as of June 30, 2018 and 2017:

	2018	2017
Prepaid insurance	$ 2,898	$ 7,922
Other prepaids	4,036	7,781
Total	$ 6,934	$ 15,703

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

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. 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, 2018 and 2017, are as follows:

	Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2018				
Stocks	$ 157,454	$ 43,026	$ -	$ 200,480
ETF's and CEF's	116,748	-	8,505	108,243
Mutual Funds	621,779	4,747	-	626,526
Other	305,608	6,871	-	312,479
Total Restricted	$ 1,201,589	$ 54,644	$ 8,505	$ 1,247,728

	Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2017				
Stocks	$ 196,867	$ 38,383	$ -	$ 235,250
ETF's and CEF's	126,568	-	3,362	123,206
Mutual Funds	684,807	23,715	-	708,522
Other	300,000	309	-	300,309
Total Restricted	$ 1,308,242	$ 62,407	$ 3,362	$ 1,367,287

Investment income (loss) on these funds for the years ended June 30, 2018 and 2017, were as follows:

	2018	2017
Interest and dividends	$ 7,719	$ 5,258
Realized gain (loss)	43,585	33,147
Unrealized gain (loss)	4,760	50,765
Investment fee expense	$ (15,140)	$ (19,861)
Net investment return	$ 40,924	$ 69,309

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at June 30, 2018 and 2017:

	2018	2017
Land and improvements	$ 912,106	$ 642,660
Buildings and improvements	2,935,302	2,837,805
Furniture, fixtures, and equipment	145,319	145,319
Vehicles	261,496	261,496
	4,254,223	3,887,280
Less: accumulated depreciation	(1,016,096)	(867,411)
Total property and equipment	$ 3,238,127	$ 3,019,869

Depreciation expense for the years ended June 30, 2018 and 2017 was $148,685 and $142,295, 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, 2018 and June 30, 2017 the mortgage debt balance was $410,042 and $428,574, 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
2019	$ 19,692	$ 24,403	$ 44,095
2020	20,860	23,235	44,095
2021	22,229	21,866	44,095
2022	23,620	20,476	44,096
2023	25,097	18,998	44,095
2024-2028	151,009	69,468	220,477
2029-2033	147,535	17,853	165,388
Totals	$ 410,042	$ 196,299	$ 606,341

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, 2018 and 2017, the Center had deposits which exceeded the amounts covered by the deposit insurance.

8. CONCENTRATION OF CREDIT RISK (Continued)

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 federal and state 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, 2018 and 2017, the Center received approximately 99% and 99%, respectively, of its revenues from contracts with federal and state agencies.

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, 2018 and 2017, the amount of $503 and $3,797, 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 $22,760 and $24,720 was paid in the years ended June 30, 2018 and 2017, respectively, on this lease. The lease expires in May 2019. The Center also has a lease on office space on a month-to-month basis in Albuquerque, New Mexico where $15,600 and $13,500 were paid in rental costs for years ending June 30, 2018 and 2017, respectively.

11. RETIREMENT PLAN

During the years ended June 30, 2018 and 2017, 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, 2018 and 2017 the Center incurred an expense of $8,053 and $10,718, 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, 2018 and 2017, total revenue reported for personal care option was $2,845,883 and $3,618,175, respectively; salaries and wages paid to providers was $1,802,065 and $2,326,407, respectively; and payable to State of New Mexico for overpayments of $6,530 and $18,832, respectively.

14. 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.

June 30, 2018	AFP	NMSL	Total
Certificates of deposit collateral	$ 898,681	$ 37,917	$ 936,598
Outstanding loan balance	571,666	10,934	582,600
Excess collateral	$ 327,015	$ 26,983	$ 353,998

June 30, 2017	AFP	NMSL	Total
Certificates of deposit collateral	$ 923,255	37,916	$ 961,171
Outstanding loan balance	630,799	19,828	650,627
Excess collateral	$ 292,456	$ 18,088	$ 310,544

16. 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:

16. FAIR VALUE MEASUREMENTS (Continued)

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.

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, 2018 and 2017 are as follows:

June 30, 2018	Fair Value	Level 1	Level 2	Level 3
Stocks	$ 200,481	$ 200,481	$ -	$ -
ETF's and CEF's	108,243	108,243	-	-
Mutual Funds	626,526	626,526	-	-
Other	312,478	312,478	-	-
Total Restricted	$ 1,247,728	$ 1,247,728	$ -	$ -

June 30, 2017	Fair Value	Level 1	Level 2	Level 3
Stocks	$ 235,250	$ 235,250	$ -	$ -
ETF's and CEF's	123,207	123,207	-	-
Mutual Funds	708,521	708,521	-	-
Other	300,309	300,309	-	-
Total Restricted	$ 1,367,287	$ 1,367,287	$ -	$ -

17. RELATED PARTY TRANSACTIONS

During the years ended June 30, 2018 and 2017, San Juan Center for Independence purchased $11,199 and $13,374, respectively, in technology equipment and services from a company owned by a member of the Board of Directors.

18. EVALUATION OF SUBSEQUENT EVENTS

San Juan Center for Independence has evaluated subsequent events through February 6, 2019, the date which the financial statements were available to be issued.

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COMPLIANCE SECTION

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 (a New Mexico nonprofit organization), which comprise the statement of financial position as of June 30, 2018, 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 February 6, 2019.

Internal Control Over Financial Reporting

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

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency. (FS 2017-002)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 Organization's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 Organization'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
February 6, 2019

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

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?	None noted
b.	Significant deficiencies identified not considered to be material weaknesses?	Yes
c.	Control deficiencies identified not considered to be significant deficiencies?	None noted

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section II – Financial Statement Findings

<u>FS 2017-002 – Payroll Documents Incomplete or Missing (Significant Deficiencies)</u>

Criteria: **Immigration Reform and Control Act of 1986, W-4 Requirements, and Center's Internal Policies:**

Form I-9 is used for verifying the identity and employment authorization of individuals hired for employment in the United States. All U.S. employers must ensure proper completion of Form I-9 for each individual they hire for employment in the United States. This includes citizens and noncitizens. Both employees and employers (or authorized representatives of the employer) must complete the form. On the form, an employee must attest to his or her employment authorization. The employee must also present his or her employer with acceptable documents evidencing identity and employment authorization. The employer must examine the employment eligibility and identity document(s) an employee presents to determine whether the document(s) reasonably appear to be genuine and to relate to the employee and record the document information on the Form I-9. Employers must retain Form I-9 for a designated period and make it available for inspection by authorized government officers.

All employers are required to complete form W-4 and maintain those forms on file. These forms may be required to be submitted to the IRS upon their request.

Condition*:* During our review of payroll we noted the following instances in which proper procedures were not followed:

- 3 of 50 employee's I-9s were not on file.

Cause*:* Federal and internal policies are not being followed or reviewed to ensure proper execution.

Effect*:* The Center is in a violation of the Immigration Reform and Control Act of 1986.

Auditor's Recommendation: We recommend that the Center follow the corrective action plan set forth in the Immigration Reform and control Act of 1986. The new form should be dated when completed, never postdated.

Responsible Official's Plan:

- Specific corrective action plan for finding:

San Juan Center for Independence had added a Human Resource Manager Position to oversee all Payroll documents (including I-9, W-2 and Background Checks) that are required to be completed and error free on all new hires and to review all files or current or past employees.

San Juan Center for Independence Personal Care Services Program Manager will be responsible for completion of new Personal Care Services Attendants. Human Resource Manager Position or the Chief Financial Officer will review each new Personal Care Services Attendant employee file to ensure all necessary documentation is complete and error free.

Section II – Financial Statement Findings (Continued)

FS 2017-002 – Payroll Documents Incomplete or Missing (Significant Deficiencies) (Continued)

San Juan Center for Independence Human Resource Manager will be responsible for completion of new San Juan Center for Independence employees. San Juan Center for Independence Chief Financial Officer will review each new San Juan Center for Independence employee file to ensure all necessary documentation is complete and error free.

To ensure each Personal Care Services Attendant or San Juan Center for Independence employee Payroll documentation is completed and error free a review checklist has created which requires two individuals to review the Personal Care Services Attendant or San Juan Center for Independence employee file. Both individuals will initial and date the review was completed.

- Timeline for completion of corrective action plan:

San Juan Center for Independence has completed a review all of its employees files and are have all been determined have all necessary documentation completed.

San Juan Center for Independence is currently reviewing the employee files for the Personal Care Services attendants and is expecting this process to be completed by February 15, 2019 due to large number of employees' files.

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

San Juan Center for Independence Personal Care Services Program Manager and Human Resource Manager for Personal Care Services Attendants.

San Juan Center for Independence Human Resource Manager and Chief Financial Officer for San Juan Center for Independence employees.

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section III – Federal Awards Findings

None noted (Federal Single Audit not required)

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

Section IV – Prior Year Audit Findings

Financial Statement Section Findings

FS 2017-001 – Improper Reconciliation of General Ledger Accounts – Resolved
FS 2017-002 – Payroll Documents and Background Information Incomplete or Missing – Repeated and Revised

Federal Awards Section Findings

None noted