San Juan Center for Independence
Financial Statements and
Independent Auditor's Report
For the Years Ended June 30, 2022 and 2021

MACS
Manning Accounting and Consulting 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

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 regardless of the individual's disability.

As required 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 cook and pay bills to accessing public transportation and learning how to set boundaries with others. Peer support: services being provided by individuals with disabilities to individuals with disabilities. Advocacy can be for an individual's needs such as obtaining SSI Food Stamps, Medicaid and/or housing, or on the systems change level. Transition services are provided for Youth from high school to college and Nursing home transition assistance allowing an 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 nursing home level of care.

In addition to the aforementioned core services SJCI administers the Access Loan New Mexico Program (ALNM) and the NMSEEDLOANS Program. The ALNM program provides loans to qualifying individuals for the 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 ramps and other devices that serve to maximize their opportunities for independence. Procurement funds do not have to be repaid.

2021/2022 has been a busy year for SJCI. We have had several harvests from the accessible garden and the growing dome greenhouse is going strong. We continue to collaborate with other non-profits through the usage of our event room. We are looking forward to the completion of the new ALL Abilities park at the old Tibbets high school.

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We have been working hard to continue to offer much needed services to our consumers and provide a place to come together. We have also been able to continue to stay ahead of the State minimum wage increases. SJCI continues to serve 10 Pueblos in the state and SJCI's satellite center located in Gallup has been working hard with the Gallup community to educate the community about Independent Living and breaking down barriers. We continue to make sure the needs of youth are met within the learning environment and transitioning into independent living.

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! The independent living philosophy encourages consumer direction, meaning that it is the consumer who chooses what services he/she will access. In this way the consumer is the captain of the ship.

SJCI staff is always here to assist the consumer in navigating the waters and remain dedicated to our consumers in all that we do. San Juan Center is a welcoming 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.

Charlie Phelps

Executive Director

Charlie Phelps

San Juan Center for Independence

SAN JUAN CENTER FOR INDEPENDENCE

OFFICIAL ROSTER

JUNE 30, 2022

BOARD OF DIRECTORS

Rick Quevedo	President
Marlene Velasquez	Member
Terri Kennedy	Member
Darrel Snook	Member
Leslie Wright	Member
Charles Phelps	Member

ADMINISTRATIVE OFFICIALS

Leslie Wright	Executive Director / Chief Financial Officer
Charles Phelps	HR/Assistant Director

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FINANCIAL SECTION

Manning Accounting and Consulting Services, LLC
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements San Juan Center for Independence, (a New Mexico nonprofit organization), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion the financial statements referred to above present fairly, in all material respects, the respective financial position of San Juan Center for Independence as of June 30, 2022 and 2021, and the changes in net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of San Juan Center for Independence and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about San Juan Center for Independence's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 San Juan Center for Independence internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the San Juan Center for Independence's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1 through 3 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023 on our consideration of the San Juan Center for Independence 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 effectiveness of the District's 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
March 8, 2023

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FINANCIAL STATEMENTS

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2022 AND 2021

	2022	2021
ASSETS		
Current Assets		
Cash and cash equivalents	$ 2,190,449	$ 1,653,079
Grants and contracts receivable	248,980	251,878
Employee advances	134	134
Prepaid expenses	5,451	14,369
Total current assets	2,445,014	1,919,460
Noncurrent Assets		
Cash and cash equivalents	1,527,620	1,504,179
Interest receivable	5,888	8,173
Investments	2,125,975	1,657,794
Notes receivable	9,594	26,687
Property and equipment, net	2,801,792	2,914,244
Total noncurrent assets	6,470,869	6,111,077
Total assets	$ 8,915,883	$ 8,030,537
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	$ 8,050	$ 9,080
Accrued wages and related liabilities	155,640	151,296
Accrued compensated absences	28,479	48,196
Current portion of mortgage	25,097	23,620
Total current liabilities	217,266	232,192
Noncurrent liabilities		
Long-term portion of mortgage	298,550	323,645
Total noncurrent liabilities	298,550	323,645
Total Liabilities	515,816	555,837
Net assets		
Without donor restrictions	6,126,490	5,156,483
With donor restrictions	2,273,577	2,318,217
Total net assets	8,400,067	7,474,700
Total liabilities and net assets	$ 8,915,883	$ 8,030,537

See accompanying notes to the financial statements.

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES			
Government contracts and grants	$ 484,989	$ -	$ 484,989
Personal care option contract	4,226,041	-	4,226,041
Contributions	7,310	-	7,310
Net investment return	(37,552)	(7,904)	(45,456)
Other income	6,905	-	6,905
Net assets released from restrictions	54,941	(54,941)	-
Total revenues	4,742,634	(62,845)	4,679,789
EXPENSES			
Program expenses	2,844,442	(18,205)	2,826,237
Management and general	928,185	-	928,185
Total expenses	3,772,627	(18,205)	3,754,422
CHANGE IN NET ASSETS	970,007	(44,640)	925,367
NET ASSETS, BEGINNING OF YEAR	5,156,483	2,318,217	7,474,700
NET ASSETS, END OF YEAR	$ 6,126,490	$ 2,273,577	$ 8,400,067

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 FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2022

	Program Expenses	Support Services	Total
Salaries	$ 313,531	$ 399,039	$ 712,570
Salaries - personal care option	2,111,083	-	2,111,083
Payroll taxes and benefits	57,413	229,652	287,065
Retirement expense	678	6,102	6,780
Grants to individuals	108,766	15,826	124,592
Advertising	5,624	12,955	18,579
Insurance	4,633	79,393	84,026
Supplies	21,929	17,044	38,973
Maintenance and repairs	2,444	12,910	15,354
Communications	2,675	5,910	8,585
Office expense	3,523	16,243	19,766
Education and training	-	2,351	2,351
Depreciation	116,811	25,641	142,452
Interest expense	19,276	4,231	23,507
Rent	26,872	1,228	28,100
Professional services	10,778	52,209	62,987
Equipment rental	733	9,027	9,760
Utilities	33,575	7,370	40,945
Other	1,091	10,496	11,587
Uncollectable revenues	-	15,034	15,034
Defaults on loans, net	(18,205)	-	(18,205)
Travel	3,007	5,524	8,531
Total expenses	$ 2,826,237	$ 928,185	$ 3,754,422

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, net	-	-	-
Travel	3,341	5,012	8,353
Total expenses	$ 2,679,951	$ 921,593	$ 3,601,544

SAN JUAN CENTER FOR INDEPENDENCE
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 925,367	$ 469,115
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	142,452	145,014
Realized (gain) loss on sale of investments	(10,697)	(34,048)
(Increase) decrease in operating assets:		
Grants and contracts receivable	2,898	(13,584)
Interest receivable	2,285	412
Employee advances	-	31,387
Prepaid expenses	8,918	-
Increase (decrease) in operating liabilities:		
Accounts payable	(1,030)	5,517
Accrued expenses	4,344	(47,670)
Accrued compensated absences	(19,717)	18,444
Net cash provided (used) by operating activities	1,054,820	574,587
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(30,000)	-
Change in restricted cash	(23,441)	23,207
Acquisition of investments	(600,000)	(81,861)
Proceeds from sale of investments	142,517	49,015
Change in deposits and note receivable	17,093	1,839
Net cash provided (used) by investing activities	(493,831)	(7,800)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on debt	(23,619)	(170,229)
Net cash provided (used) by financing activities	(23,619)	(170,229)
Net increase (decrease) in cash and cash equivalents	537,370	396,558
Cash and cash equivalents, beginning of period	1,653,079	1,256,521
Cash and cash equivalents, end of period	$ 2,190,449	$ 1,653,079
Supplemental disclosure cash flow information:		
Cash paid during the year for:		
Interest	$ 23,507	$ 21,866
Unrelated business income taxes	-	-
	$ 23,507	$ 21,866

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. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Program Services (Continued)

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.

Cash and Cash Equivalents

As of June 30, 2022 and 2021, 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.

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 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, 2022 and 2021.

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, 2022 and 2021. 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, 2019 through 2021, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2022, will expire in March 2026.

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 $28,479 and $48,196 at June 30, 2022 and 2021, 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, 2022 and 2021:

	Balance June 30, 2022	Balance June 30, 2021
Financial assets at year-end:		
Demand deposit accounts	$ 2,436,475	$ 1,622,046
Certificates of deposits	1,217,772	1,490,180
Money market accounts	63,080	44,495
Petty cash	742	537
Contracts and grants receivable	248,980	251,878
Interest receivable	5,888	8,173
Total financial assets	3,972,937	3,417,309
Less amounts not available to be used within one year:		
Net assets with donor restrictions	315,736	94,960
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	1,217,772	1,417,392
Total restrictions	1,533,508	1,512,352
Financial assets available to meet general expenditures over the next twelve months	$ 2,439,429	$ 1,904,957

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, 2022 and 2021 are presented below:

Payee	Balance June 30, 2022	Balance June 30, 2021
Blue Cross Blue Shield	$ 33,630	$ 28,323
Presbyterian	122,038	142,285
State of New Mexico	76,189	61,949
Western Sky	17,123	19,321
Total	$ 248,980	$ 251,878

4. PREPAID EXPENSES

Prepaid expenses consist of the following as of June 30, 2022 and 2021:

	June 30, 2022	June 30, 2021
Prepaid insurance	$ 3,341	$ 2,826
Other prepaids	2,110	11,543
Total	$ 5,451	$ 14,369

Prepaid expenses consist of insurance premiums and rent which will benefit the future year. Insurance premiums include cyber liability 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, 2022 and 2021, are as follows:

	Cost	Unrealized Gain	Unrealized Loss	Fair Value
June 30, 2022				
Stocks	$ 50,254	$ 27,872	$ -	$ 78,126
ETF's and CEF's	207,088	-	24,497	182,591
Mutual Funds	1,762,681	4,539	63,865	1,703,355
Other	140,000	21,903	-	161,903
Total Restricted	$ 2,160,023	$ 54,314	$ 88,362	$ 2,125,975

	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

Investment income (loss) on these funds for the years ended June 30, 2022 and 2021, were as follows:

	June 30, 2022	June 30, 2021
Interest and dividends	$ 54,938	$ 19,855
Realized gain (loss)	10,697	34,048
Unrealized gain (loss)	(95,905)	63,584
Investment fee expense	$ (15,186)	$ (9,154)
Net investment return	$ (45,456)	$ 108,333

6. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30, 2022 and 2021:

	Balance June 30, 2021	Additions	Deletions	Balance June 30, 2022
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	30,000	-	349,986
Total capital assets being depreciated	3,705,906	30,000	-	3,735,906
Less accumulated depreciation:				
Land improvements	94,838	17,445	-	112,283
Buildings and building improvements	934,482	100,002	-	1,034,484
Furniture, fixtures, and equipment	147,803	1,763	-	149,566
Vehicles	274,289	23,242	-	297,531
Total accumulated depreciation	1,451,412	142,452	-	1,593,864
Total capital assets, net of depreciation	$ 2,914,244	$ (112,452)	$ -	$ 2,801,792

Depreciation expense for the years ended June 30, 2022 and 2021 was $142,452 and $145,014, 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, 2022 and June 30, 2021 the mortgage debt balance was $323,647 and $347,265, respectively. The mortgage is secured by the building and land used by the Center as its principal office.

Future payments of the mortgage payable are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	31,989	12,107	44,096
2028-2032	181,503	27,984	209,487
Totals	$ 323,647	$ 106,318	$ 429,965

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, 2022 and 2021, 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, 2022 and 2021, 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, 2022 and 2021, the amount of $33,628 and $63,920, 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 $16,800 and $17,608 was paid in the years ended June 30, 2022 and 2021, respectively, on this lease. The monthly payment is $1,400 currently. The lease expires in May of each year. The Center also had a lease on office space on a month-to-month basis in Albuquerque, New Mexico where $12,236 and $14,843 were paid in rental costs for years ending June 30, 2022 and 2021, respectively. This lease was not renewed when it expired on June 28, 2022.

11. RETIREMENT PLAN

During the years ended June 30, 2022 and 2021, 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, 2022 and 2021 the Center incurred an expense of $6,779 and $7,539, 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, 2022 and 2021, total revenue reported for personal care option was $4,364,765 and $3,291,525, respectively; salaries and wages paid to providers were $2,111,083 and $1,870,394.

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, 2022	AFP	NMSL	Total
Certificates of deposit collateral	$1,217,772	$ -	$1,217,772
Outstanding loan balance - unknown	-	-	-
Excess collateral - unknown	$1,217,772	$ -	$1,217,772

June 30, 2021	AFP	NMSL	Total
Certificates of deposit collateral	$1,414,892	2,500	$1,417,392
Outstanding loan balance - March 31, 2021	899,819	358	900,177
Excess collateral	$ 515,073	$ 2,142	$ 517,215

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, 2022 and 2021 are as follows:

June 30, 2022	Fair Value	Level 1	Level 2	Level 3
Stocks	$ 78,126	$ 78,126	$ -	$ -
ETF's and CEF's	182,591	182,591	-	-
Mutual Funds	1,703,355	1,703,355	-	-
Other	161,903	161,903	-	-
Total invested	$2,125,975	$2,125,975	$ -	$ -

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	$ -	$ -

15. 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, 2022 the Center incurred a total of $49,456 of expenses which consisted of $36,736 of administrative expense and $12,720 of investment fees. These costs were released from the temporarily restricted net assets.

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; $9,154 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.

15. RESTRICTED NET ASSETS (Continued)

The following is a summary of restricted net assets as of June 30, 2022 and 2021:

June 30, 2022	AFP	NMSL	Total
Cash	$ 1,494,482	33,138	$ 1,527,620
Interest receivable	5,888	-	5,888
Notes receivable	9,594	-	9,594
Investments	260,945	503,158	764,103
Total restricted assets	1,770,909	536,296	2,307,205
Restricted Liabilities			
Payable from restricted assets	33,628	-	33,628
Net restricted assets	$ 1,737,281	$ 536,296	$ 2,273,577

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)	918,351	136,180	1,054,531
Total revenues	2,844,513	887,554	3,732,067
Expenses	1,107,232	351,258	1,458,490
Net restricted assets	$ 1,737,281	$ 536,296	$ 2,273,577

June 30, 2021	AFP	NMSL	Total
Restricted Assets			
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	17,652	46,268	63,920
Net restricted assets	$ 1,722,801	$ 595,416	$ 2,318,217

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)	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

16. EVALUATION OF SUBSEQUENT EVENTS

San Juan Center for Independence has evaluated subsequent events through March 8, 2023, the date which the financial statements were available to be issued. The Center has determined that two such incidents exist.

On September 28, 2022, Leslie Wright relinquished her responsibilities as Executive Director but will continue in the roles of Chief Financial Officer and Chief Information Officer. Charles Phelps assumed the position of Executive Director and will maintain the HR responsibilities.

On January 25, 2023, the Board of Director of San Juan Center for Independence had a discussion as to the Center's continued participation in the AFP and NMSL programs. The Center only receives about $39,000 per year in income for managing these programs and has had no increase in years while the programs are very cumbersome to manage. After discussion, the Board voted unanimously to send a letter requesting the Center's release from the contract.

The Center is in discussions with the State of New Mexico at this time and the Center's continued participation in these programs may be dependent on coming to an agreement with the State that provides for a higher reimbursement.

No final decision has been made at this time while negotiations are ongoing with the State.

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COMPLIANCE SECTION

Manning Accounting and Consulting Services, LLC

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, 2022, 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 March 8, 2023.

Report on 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.

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 that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 that we consider to be material weaknesses.

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Report on 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

Government Auditing Standards requires the auditor to perform limited procedures on San Juan Center for Independence's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Center's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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
March 8, 2023

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

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?	No
c. Noncompliance material to financial statements noted?	None noted

SAN JUAN CENTER FOR INDEPENDENCE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2022

Section II – Financial Statement Findings

<u>2022-001 [2020-001] – Proper Reconciliation of General Ledger Accounts (Material Weakness) Repeated and Revised</u>

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, the following asset, liability, and equity accounts had to be adjusted from the initial trial balance provided to us:

- 1-1200 Pledges Receivable had to be adjusted up by $122,871.25
- 1-1260 Interest Receivable had to be adjusted down by $2,285.53
- 1-1415 CD's – AFP @ 4 Cnrs Comm Bank had to be adjusted up by $2,742.25
- 1-2550 Prepaid Insurance needed adjusted up by $514.16
- 1-2600 SUTA PrePaid Benefit Charges needed adjusted down by $1,678.08
- 1-3210 Vehicles Org Cost had to be adjusted down by $323.60
- 1-3310 Furniture & Fixtures Org Cost had to be adjusted down by $2,429.97
- 1-3350 Accumulated Depreciation had not been recorded yet and needed recorded in the amount of $142,452
- 1-3510 Cost of Construction had to be adjusted down by $733.40
- 1-4000 Loans Receivable had to be adjusted down by $11,795.22
- 2-1170 Sam's Club had to be adjusted down by $163.18
- 2-1200 Accounts Payable had to be adjusted down by $2,592.71
- 2-1405 Accrued Payroll needed to be adjusted down by $34,661.84
- 2-1406 Accrued Payroll – SJCI needed to be adjusted down by $28,207.69
- 2-1460 SUI/SDI Payable needed to be adjusted up by $8,362.13
- 2-1470 WC Payable needed to be adjusted down by $4,943.24
- 2-1475 Accrued Compensated Absences needed adjusted up by $2,267.33 which was for the anticipated payroll liability load on the salary portion to be accrued
- 2-1500 Accrued Employer Expenses needed to be adjusted down by $53,141.00
- 2-1900 Lovelace Health Plan Payable needed to be adjusted down by $12,445.88
- 2-1950 Aflac Insurance Payable needed to be adjusted up by $67.28
- 3-5000 Net Assets - Unrestricted needed adjusted down by $28,879.99
- 3-8200 Restricted Net Assets needed to be adjusted up by $28,380.34
- 3-9999 Historical Balancing Account, a new account, had a balance of $110,067.95 which needed to be removed

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.

The Center personnel had attempted to adjust some balances like the two accrued payroll accounts, 2-1405 and 2-1406, and had calculated the correct amount of the payroll costs for these accruals (though no allowance had been made for the anticipated employer liability load on these amounts). However, the journal entry created for each was for the entire balance of the current accruals instead of adjusting the current liability balances, recorded previously, up or down to total their calculation.

Section II – Financial Statement Findings (Continued)

2022-001 [2020-001] – Proper Reconciliation of General Ledger Accounts (Material Weakness) Repeated and Revised (Continued)

Some accounts had minor errors from mis-postings from keying errors.

Additionally, Center personnel had intentionally waited until the audit was in progress to discuss some adjustments with the auditor, which they knew needed to be made, before proceeding to record those adjustments.

Some of these errors occurred with adjustments that were done to the equity accounts just prior to the auditors arriving. Additionally, while the correct amounts of outstanding liabilities had been calculated, adjustments for entire amounts were made instead of adjusting the existing balances to the new calculated balances. Without those adjustment, the net affect of the errors would not have been material.

Effect: Accounts receivable, fixed assets, prepaid assets, accounts payable, payroll liability, and equity accounts were improperly stated which also caused revenue and expenditure amounts to be reported incorrectly at year-end. Revenues were overstated by about $153,001 while expenditures were overstated by about $27,174. The net effect of all these variations were material income overstated by almost $126,000. 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.

The Center does a very good job in maintaining most of its cash and investment accounts. It also maintains very good detail on what is currently outstanding with its receivables. We recommend that when adjustments are made to the receivable account that this detail be consulted first to verify the need for such a change.

Finally, we recommend that the Center establish a procedure whereby the payroll liability related accounts are reviewed on a systematic basis, and adjusted, when necessary, to the actual amount owed on these liabilities. If this were completed on a monthly basis, most of the issues encountered in the current audit would be corrected.

Section II – Financial Statement Findings (Continued)

2022-001 [2020-001] – Proper Reconciliation of General Ledger Accounts (Material Weakness) Repeated and Revised (Continued)

Responsible Official's Plan:

- Specific corrective action plan for finding:

  SJCI will reconcile the payroll liability accounts on a monthly basis.

- Timeline for completion of corrective action plan:

  This procedure has been implemented for fiscal year 2023.

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

  Chief Finance Officer and financial staff

Section IV – Prior Year Audit Findings

Financial Statement Findings

FS 2019-001 – Improper Control over Journal Entries – Resolved
FS 2020-001 – Proper Reconciliation of General Ledger Accounts – Revised and Repeated – Renumbered 2022-001
FS 2021-001 – Proper Reconciliation of Bank and Investment Statements - Resolved