

**SAN JUAN COUNTY  
PARTNERSHIP, INC.  
FINANCIAL STATEMENTS  
Years Ended  
June 30, 2016 and 2015**



*"Working together with people of all ages and cultures, to develop community wellness and prevention awareness."*



January, 2017

Dear Friends of San Juan County Partnership, Inc.,

The fiscal reporting in this audit is reflective of the quality programming provided by the Partnership as we consistently implement evidence-based programs that reflect the mission of our organization. Budgetary reductions and increased accountability on the part of our funders have continued to be challenges in the past year. The Partnership has done its best to maximize resources while holding a conservative stance.

The audit brought to our attention a condition which the auditor required an adjustment that we feel was insignificant to the system of internal controls. Nonetheless, based on the auditor requiring the adjustment, we have evaluated the condition and believe that it could be handled in either of a couple different procedures and still be acceptable. This relates to determining whether an account is a revenue or liability account. We had, for a few years, held funding that was received for the Creating Cultural Harmony Conference to be directed to the next conference that would be held in two years. Going forward, we will handle this account in accordance with our improved internal controls.

San Juan County Partnership's work is in collaboration with other organizations and community leaders to address community concerns. The Partnership continues to bring programs and initiatives to San Juan County that make our area a better place to live.

Sincerely,

A handwritten signature in blue ink that reads "Pamela Drake".

Pamela Drake  
Executive Director

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## OFFICIAL ROSTER

Chairperson .....	Lucy Haber
Vice Chairperson and Finance Committee .....	David Florez
Secretary / Treasurer .....	Dale Gerber
Finance Committee .....	Chad Byers
Member .....	GloJean Todacheene
Member .....	Carroll Scott
Member .....	Victor Valdez
Partnership Member Representative .....	Kristine Carlson
Executive Director .....	Pamela Drake

## INDEPENDENT AUDITOR'S REPORT

The Board of Directors  
San Juan County Partnership, Inc.  
Farmington, New Mexico

### Report on the Financial Statements

We have audited the accompanying financial statements of San Juan County Partnership, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of San Juan County Partnership, Inc. as of June 30, 2016 and 2015, 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*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2016, on our consideration of San Juan County Partnership, Inc. internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Juan County Partnership, Inc. internal control over financial reporting and compliance.

*David Berry, CPA, PC*

Farmington, New Mexico  
December 28, 2016

**SAN JUAN COUNTY PARTNERSHIP, INC**  
**STATEMENTS OF FINANCIAL POSITION**

	June 30,	
	<u>2016</u>	<u>2015</u> (as restated)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 88,645	\$ 153,213
Contracts receivable	90,924	188,319
Other current assets	3,097	-
	<hr/>	<hr/>
Total Current Assets	182,666	341,532
<b>EQUIPMENT, net of accumulated depreciation of \$63,022 and \$61,969</b>	<hr/> 1,725	<hr/> 2,777
	<hr/>	<hr/>
	<b>\$ 184,391</b>	<b>\$ 344,309</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 9,891	\$ 24,886
Accrued expenses	5,028	10,309
Accrued compensated absences	20,810	25,578
Deferred revenue	-	54,224
	<hr/>	<hr/>
Total Current Liabilities	35,729	114,997
	<hr/>	<hr/>
<b>NET ASSETS:</b>		
Unrestricted net assets	<hr/> 148,662	<hr/> 229,312
	<hr/>	<hr/>
Total Net Assets	148,662	229,312
	<hr/>	<hr/>
	<b>\$ 184,391</b>	<b>\$ 344,309</b>
	<hr/> <hr/>	<hr/> <hr/>

**SEE ACCOMPANYING NOTES**

**SAN JUAN COUNTY PARTNERSHIP, INC**  
**STATEMENTS OF ACTIVITIES**

	<b>Year Ended June 30,</b>	
	<b><u>2016</u></b>	<b><u>2015</u></b> (as restated)
<b>UNRESTRICTED SUPPORT AND REVENUES:</b>		
<b>Support:</b>		
Government grants and contracts	\$ 1,089,460	\$ 1,022,501
In-kind rent	20,224	20,224
Total support	<u>1,109,684</u>	<u>1,042,725</u>
<b>Revenues:</b>		
Interest income	26	28
Other program revenues	4,929	4,572
Total unrestricted revenues	<u>4,955</u>	<u>4,600</u>
<b>Total Unrestricted Support and Revenues</b>	<u>1,114,639</u>	<u>1,047,325</u>
<b>Expenses:</b>		
Program expenses:		
21st Century Learning	243,449	230,862
Substance Abuse Prevention	436,906	485,863
Housing Assistance	351,406	176,036
Community Prevention & Wellness	126,883	157,366
Total Program Expenses	<u>1,158,644</u>	<u>1,050,127</u>
Supporting Services:		
Management and general	34,440	50,395
Fundraising	2,205	2,043
Total Support Services	<u>36,645</u>	<u>52,438</u>
<b>Total Expenses</b>	<u>1,195,289</u>	<u>1,102,565</u>
<b>INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS</b>	(80,650)	(55,240)
<b>NET ASSETS, beginning (as restated)</b>	<u>229,312</u>	<u>284,552</u>
<b>NET ASSETS, ending</b>	<u>\$ 148,662</u>	<u>\$ 229,312</u>

SEE ACCOMPANYING NOTES



**SAN JUAN COUNTY PARTNERSHIP, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2016**

	<b>Program Expenses</b>				<b>Supporting Services</b>		<b>Total</b>
	<b>21st Century <u>Learning</u></b>	<b>Substance Abuse <u>Prevention</u></b>	<b>Housing <u>Assistance</u></b>	<b>Community Prevention &amp; Wellness</b>	<b>Management &amp; General</b>	<b>Fund- raising</b>	
<b>Bank charges</b>	\$ -	\$ -	\$ -	\$ -	\$ 155	\$ -	\$ 155
<b>Communication</b>	-	4,501	2,888	2,054	941	-	10,384
<b>Employee benefits</b>	121	10,682	436	1,543	9	-	12,791
<b>Insurance</b>	4,597	8,944	4,607	1,781	2,937	-	22,866
<b>Maintenance &amp; repairs</b>	-	-	-	-	-	-	-
<b>Other</b>	-	-	-	-	-	-	-
<b>Payroll taxes</b>	20,922	19,120	9,584	6,423	1,104	-	57,153
<b>Postage</b>	-	895	167	119	742	8	1,931
<b>Professional services</b>	-	65,228	2,050	25,000	10,268	-	102,546
<b>Program expenses</b>	41,731	91,279	232,494	9,040	3,713	237	378,494
<b>Rent</b>	-	25,815	245	1,114	5,724	-	32,898
<b>Salaries and wages</b>	174,414	199,524	96,418	73,324	5,703	-	549,383
<b>Supplies</b>	996	2,546	1,940	3,379	1,037	1,960	11,858
<b>Training</b>	-	367	-	-	-	-	367
<b>Travel</b>	668	5,615	395	2,468	756	-	9,902
<b>Vehicle Expense</b>	-	2,390	182	638	298	-	3,508
<b>Depreciation</b>	-	-	-	-	1,053	-	1,053
<b>Totals</b>	<b>\$ 243,449</b>	<b>\$ 436,906</b>	<b>\$ 351,406</b>	<b>\$ 126,883</b>	<b>\$ 34,440</b>	<b>\$ 2,205</b>	<b>\$ 1,195,289</b>

**SEE ACCOMPANYING NOTES**

**SAN JUAN COUNTY PARTNERSHIP, INC**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**Year Ended June 30, 2015**

	<b>Program Expenses</b>				<b>Supporting Services</b>		<b>Total</b>
	<b>21st Century Learning</b>	<b>Substance Abuse Prevention</b>	<b>Housing Assistance</b>	<b>Community Prevention &amp; Wellness</b>	<b>Management &amp; General</b>	<b>Fund-raising</b>	
<b>Bank charges</b>	\$ -	\$ -	\$ -	\$ -	\$ 3	\$ -	\$ 3
<b>Communication</b>	288	5,677	3,422	2,378	314	-	12,079
<b>Employee benefits</b>	451	4,698	321	3,142	1,041	-	9,653
<b>Insurance</b>	3,666	9,780	3,317	1,448	13,342	-	31,553
<b>Maintenance &amp; repairs</b>	-	-	348	-	618	-	966
<b>Other</b>	-	-	-	-	1,000	-	1,000
<b>Payroll taxes</b>	18,063	22,421	8,669	12,332	1,804	-	63,289
<b>Postage</b>	200	879	529	18	244	-	1,870
<b>Professional services</b>	2,500	93,974	1,240	-	8,935	-	106,649
<b>Program expenses</b>	41,266	79,967	78,197	1,145	5,124	1,967	207,666
<b>Rent</b>	1,345	29,199	-	1,760	594	-	32,898
<b>Salaries and wages</b>	155,875	227,808	77,050	122,418	13,155	-	596,306
<b>Supplies</b>	5,080	3,079	2,397	4,481	2,232	76	17,345
<b>Training</b>	260	-	-	165	-	-	425
<b>Travel</b>	1,868	7,255	436	7,402	298	-	17,259
<b>Vehicle Expense</b>	-	1,126	110	677	387	-	2,300
<b>Depreciation</b>	-	-	-	-	1,304	-	1,304
<b>Totals</b>	<b>\$ 230,862</b>	<b>\$ 485,863</b>	<b>\$ 176,036</b>	<b>\$ 157,366</b>	<b>\$ 50,395</b>	<b>\$ 2,043</b>	<b>\$ 1,102,565</b>

**SEE ACCOMPANYING NOTES**

**SAN JUAN COUNTY PARTNERSHIP, INC**  
**STATEMENTS OF CASH FLOWS**

	Year Ended June 30,	
	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ (80,650)	\$ (55,240)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	1,052	1,304
Changes in:		
Contracts receivable	97,395	7,950
Other current assets	(3,097)	-
Accounts payable	(14,995)	14,540
Accrued expenses	(5,281)	7,606
Accrued compensated absences	(4,768)	6,916
Deposits held	-	(488)
Deferred revenue	(54,224)	(122,675)
	<u>(64,568)</u>	<u>(140,087)</u>
Net Cash Provided By Operating Activities	<u>(64,568)</u>	<u>(140,087)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Acquisition of depreciable assets	<u>-</u>	<u>-</u>
Net Cash Used By Investing Activities	<u>-</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal debt payments	<u>-</u>	<u>-</u>
Net Cash Used By Financing Activities	<u>-</u>	<u>-</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(64,568)</b>	<b>(140,087)</b>
<b>CASH AND CASH EQUIVALENTS, beginning</b>	<b>153,213</b>	<b>293,300</b>
<b>CASH AND CASH EQUIVALENTS, ending</b>	<b><u>\$ 88,645</u></b>	<b><u>\$ 153,213</u></b>

SEE ACCOMPANYING NOTES

**SAN JUAN COUNTY PARTNERSHIP, INC.  
NOTES TO FINANCIAL STATEMENTS  
Years Ended June 30, 2016 and 2015**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Nature of Organization**

San Juan County Partnership, Inc. (the Organization) was incorporated as a nonprofit organization under the laws of the State of New Mexico in 1993. The Organization provides a complete range of health and welfare services to the community of San Juan County, New Mexico. The Organization is comprised of a primary office in Farmington, New Mexico. The services provided by the Organization are funded by grants and contracts from the various federal, state, and local sources. The Organization is controlled by an elected Board of Directors as identified in the accompanying roster.

**Financial Statement Presentation**

The Organization reports information regarding its financial position and activities according to three classes of net assets (unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) based upon the existence or absence of donor-imposed restrictions. Currently, the Organization only has unrestricted net assets.

**Basis of Accounting**

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. Revenues are recognized when earned based on the terms of the contracts, and expenses are recorded when incurred.

**Program Services**

The Organization conducts the following programs:

***21<sup>st</sup> Century Learning*** – This program offers after school enrichment programs to include study skills, parental involvement, coordinate resources at each school, perform program evaluation and prepare performance data, and attend all required meetings by the New Mexico Public Education Department. Funding is provided by the U.S. Department of Education.

***Substance Abuse Prevention*** – This program provides a wide diversity of individual programs that prevent, reduce, and remediate drug and alcohol related behaviors in the community. Activities include, but are not limited to, designing prevention programs, policy development, public presentations, monitoring program results and outcomes, and implementing environmental, evidence based strategies.

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Some of the individual programs include OSAP, Meth Prevention, and local underage substance abuse prevention programs. Funding is provided in federal, state and local sources.

**Housing Assistance** – This program includes payments for eligible individuals for assistance with housing and utility charges. Funding is provided from the U.S. Department of Housing and Urban Development, and New Mexico Mortgage Finance Authority.

**Community Prevention & Wellness** – This program provides coordination of community health activities including development and participation in the Community Health Council, AmeriCorps, and assessment and planning. Funding is provided by federal, State and local sources.

**Functional Allocation of Expenses**

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated to programs based on the allowable program’s administrative purpose, not the allocable benefit of that cost to the program served.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents. Cash and cash equivalents consist of on demand bank deposits and brokered money market accounts.

**Contracts Receivable**

Management considers the contracts receivable to be fully collectible and accordingly, no allowance for doubtful accounts is required.

**Equipment**

Purchased equipment is stated at cost. Donated equipment is stated at the estimated fair market value at the time of acquisition. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$500. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their following estimated service lives using the straight-line method.

	<u>Years</u>
Equipment.....	5-7

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income Taxes

The Internal Revenue Service has determined that the Organization meets the requirements of the Internal Revenue Code and is exempt from federal income tax under section 501(c)(3) of the code. In addition, the Organization 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 Organization 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. The Organization files federal Form 990 with the Internal Revenue Service and copies of Form 990 with states in which the Organization is registered, as required. The statute of limitations for examination of the Organization's returns expires three years from the due date of the return or the date filed, whichever is later. The Organization's returns for the years ended June 30, 2013 through 2015, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2016, will expire in February 2020.

### Advertising Costs

Advertising costs are expensed as incurred.

### Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### 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.

## NOTE 2 - EQUIPMENT

Property and equipment consist of the following as of June 30, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Office equipment.....	\$ 6,068	\$ 6,068
Computer equipment.....	12,855	12,855
Vehicles.....	<u>45,824</u>	<u>45,824</u>
Total.....	64,747	64,747
Less accumulated depreciation.....	<u>(63,022)</u>	<u>(61,970)</u>
Equipment, net.....	<u>\$ 1,725</u>	<u>\$ 2,777</u>

### **NOTE 3 – DEFERRED REVENUE**

No deferred revenue as of June 30, 2016. Deferred revenue of \$54,224 has been recorded as a current liability as of June 30, 2015. This amount results from the Place Matters program which started in 2013. The grantor, Santa Fe Community Foundation, made payments to the Organization of \$246,243 for a contract term from November 25, 2013 to May 31, 2015 (extended to August 31, 2015). The Organization expensed \$69,343 in the period from November 25, 2013 through June 30, 2014 and \$122,676 during fiscal year ended June 30, 2015. The remaining funds (\$54,224) have been deferred to the next fiscal year to match with the related expenses.

### **NOTE 4 – RETIREMENT PLAN**

The Organization adopted a simplified employee pension-individual retirement plan (SEP) in 2011. The plan requires the Organization to contribute 1% of employee gross wages to eligible employees who have performed services in at least the previous 90 days up to the maximum legal limit. Contributions vest to the employee immediately upon contribution. For the year ended June 30, 2016 and 2015, the Organization incurred an expense of \$1,586 and \$1,837, respectively.

### **NOTE 5 – OPERATING LEASES**

The Organization has entered into a lease agreement with San Juan College for the use and occupancy of office space used as their administrative and program headquarters. The lease terms provide for renewal each year. For the years ended June 30, 2016 and 2015, the annual fair market rental value of the office is estimated at \$32,898, and is recorded as an expense. During the years ended June 30, 2016 and 2015, the Organization paid San Juan College \$12,674 and recorded in-kind contribution and rent expense for the difference (\$20,224).

### **NOTE 6 - MAJOR SOURCE OF FUNDING**

For the year ended June 30, 2016, the Organization received approximately 98 percent of its total revenues from contracts with federal and state agencies.

## NOTE 7 - CONTINGENCIES AND COMMITMENTS

### Grants

The Organization receives financial assistance from federal and state sources in the form of grants. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The federal and state agencies reserve 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 Organization. The Organization, however, believes that liabilities resulting from disallowed claims, if any, will not have a material effect on the financial position.

## NOTE 8 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of financial institution deposits and contracts receivable.

The Organization maintains various deposit accounts in one financial institution and brokerage account. As of June 30, 2016, the Organization had deposits which are covered by \$250,000 of deposit insurance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

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 Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

## NOTE 9 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 28, 2016, which is the date the financial statements were available to be issued.

## NOTE 10 – PRIOR YEAR CORRECTIONS

During the year ended June 30, 2016, the Organization discovered that the prior deposits held should have been recorded as revenue and closed into unrestricted net assets. The June 30, 2015 balances were corrected as follows:

	<u>As Reported</u>	<u>Changes</u>	<u>As Restated</u>
Deposits held	\$ 9,716	\$ (9,716)	\$ -
Unrestricted net assets	219,596	9,716	229,312



**SINGLE AUDIT SECTION**

**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>CFDA Federal Number</b>	<b>Pass Through Agency</b>	<b>Expenses</b>
<b><u>U.S. Department of Justice:</u></b>			
Pass Through Local Agency: CYFD - U/A Drinking	16.727	N/A	<u>8,570</u>
Total Department of Justice			<u>8,570</u>
<b><u>U.S. Department of Housing and Urban Development:</u></b>			
Direct Award:			
Office of Community Planning & Development: Continuum of Care (COC) Program	14.267	NM0090L6B011300 NM0060L6B011400	209,143
Pass Through Local Agency: City of Farmington: Tenant Based Rental Assistance Program	14.228	13-97725E	13,043
Pass Through State Agency: Mortgage Finance Authority: Homeless Prevention	14.231	12-01-SJC-RAP-001	<u>82,464</u>
Total Department of Housing and Urban Development			<u>304,650</u>
<b><u>U.S. Department of Education:</u></b>			
Pass Through State of New Mexico: 21st Century Community Learning Centers	84.287C	13-924-P527- 0183-2	<u>245,186</u>
Total Department of Education			<u>245,186</u>
<b><u>U.S. Department of Health and Human Services:</u></b>			
Direct Award:			
Drug Free Community Support	93.276	SH79SP016377-04	117,561
Pass Through Other Not for Profit: Wake Forest University: Evaluating Community Driven Strategies to Prevent Underage Drinking Parties	93.273	SR01AA020629-02	687
Pass Through State Agency: Office of Substance Abuse Prevention / HSD BHSD SAPT Block Grant - Prevention	93.959	N/A	<u>120,729</u>
Total Department of Health and Human Services			<u>238,977</u>
<b><u>Corporation for National and Community Service:</u></b>			
Pass Through Tribal Agency: AmeriCorps	94.006	12-690-13799-1	<u>47,453</u>
<b>Total Federal Awards</b>			<u><u>\$ 844,836</u></u>

SEE NOTES TO THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS

**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Year Ended June 30, 2016**

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**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of San Juan County Partnership, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of San Juan County Partnership, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of San Juan County Partnership, Inc.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- (A) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- (B) The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (C) The Organization did not provide any federal awards to subrecipients during the year.
- (D) There were no loans or loan guarantees outstanding at year-end.

**NOTE 3 – RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 844,836
Total expenditures funded by other sources	<u>350,453</u>
Total expenditures	<u>\$1,195,289</u>

**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  
San Juan County Partnership, Inc.  
Farmington, New Mexico

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 County Partnership, Inc. (a nonprofit organization), which comprise the statements of financial position as of June 30, 2016 and 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated December 28, 2016.

**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 our 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 the Organization'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2016-001).

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Organization's Response to Finding**

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

### **Purpose of this Report**

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

*David Berry, CPA, PC*

**Farmington, New Mexico  
December 28, 2016**

## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board  
San Juan County Partnership, Inc.  
Farmington, New Mexico

### **Report on Compliance for Each Major Federal Program**

We have audited San Juan County Partnership, Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2016. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*David Berry, CPA, PC*

**Farmington, New Mexico  
December 28, 2016**

**SAN JUAN COUNTY PARTNERSHIP, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**Year Ended June 30, 2016**

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**A. SUMMARY OF AUDIT RESULTS**

Financial Statements:

- 1. Type of auditors' 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. Noncompliance material to financial statements noted? ..... None noted

Federal Awards:

- 1. Internal control over major programs:
  - a. Material weakness identified? ..... None noted
  - b. Significant deficiencies identified not considered to be material weaknesses? ..... None noted
- 2. Type of auditors' report issued on compliance for major programs .....Unmodified
- 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance ..... No
- 4. The programs tested as major programs included:

Pass Through State Agency:

21 <sup>st</sup> Century Community Learning Centers - CFDA#84.287C	<u>\$ 245,186</u>
Total	<u>\$ 245,186</u>

- 5. The threshold for distinguishing Types A and B programs was .....\$750,000
- 6. Auditee qualified as low-risk auditee? ..... Yes



## **B. FINDINGS – FINANCIAL STATEMENTS AUDIT**

**Prior Year Findings - none**

**Current Year Findings**

### **2015-001 – Reconciliation of General Ledger Accounts (Significant Deficiency)**

#### Condition

Deposits payable general ledger account was not reconciled to the actual deposits payable on a timely basis.

#### Criteria

A system of internal control over financial reporting includes controls reconciliation of general ledger accounts on a timely basis.

#### Cause

The Organization does not have controls over the timely reconciliation of all of the general ledger accounts balances to actual amounts.

#### Effect

Errors (intentional or unintentional) could occur and not be discovered on a timely basis.

#### Recommendation

The Organization should adopt policies and procedures for controls over reconciliation of the general ledger balances to actual amounts on a timely basis.

#### Management Response

The Organization will consider adopting policies and procedures for controls over reconciliation of the general ledger balances to actual amounts on a timely basis.

## **C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

**Prior Year Findings - none**

**Current Year Findings - none**