

**Financial Statements and
Independent Auditor's Report
For the Years Ended June 30, 2019 and 2018**



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INTRODUCTORY SECTION

SAN JUAN COUNTY PARTNERSHIP, INC.

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



January, 2020

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. We have maintained program funding, at the same time being challenged to obtain adequate infrastructure support. The Partnership has done its best to maximize our resources.

The programs implemented by the Partnership exhibit conservative use of funding, while providing the best programming possible. Many of our programs have been renewed for a number of years which reflects our ability to administer the programs and effectively utilize the funding provided.

San Juan County Partnership works in collaboration with community organizations and 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 cursive script, appearing to read "Pamela Drake".

Pamela Drake
Executive Director

SAN JUAN COUNTY PARTNERSHIP, INC.

OFFICIAL ROSTER

JUNE 30, 2019

BOARD OF DIRECTORS

Kristine Carlson	Board Chair
John Dean	Vice-Chair
Sara Kaynor	Secretary/Treasurer
Roque Velarde	Member
Rosalyn Fry	Member
Roseline Jose	Member
Jenniffer Valora	Member
Wetona Becenti	Member
Victor Valdez	Member

ADMINISTRATIVE OFFICIALS

Pamela Drake	Executive Director
Deborah Frank	Office Mgr/Bookkeeper

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FINANCIAL SECTION



**Manning Accounting and Consulting
Services, LLC**

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of San Juan County Partnership, Inc., (a New Mexico nonprofit organization), which comprise the statements of financial position as of June 30, 2019 and 2018, and the related statements of activities and changes in net assets, 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

The introductory section on pages 1 through 3 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2020 on our consideration of San Juan County Partnership, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering San Juan County Partnership, Inc.'s internal control over financial reporting and compliance.

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC
Kirtland, New Mexico
February 4, 2020

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FINANCIAL STATEMENTS

SAN JUAN COUNTY PARTNERSHIP, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
<i>Current Assets</i>		
Cash and cash equivalents	\$ 89,937	\$ 100,308
Contracts and grants receivable	55,558	66,465
Other current assets	<u>4,061</u>	<u>6,858</u>
<i>Total current assets</i>	149,556	173,631
Equipment, net of accumulated depreciation of \$59,240 and \$59,055	<u>-</u>	<u>185</u>
<i>Total assets</i>	<u><u>\$ 149,556</u></u>	<u><u>\$ 173,816</u></u>
LIABILITIES AND NET ASSETS		
<i>Current liabilities</i>		
Accounts payable	\$ 8,474	\$ 7,253
Accrued expenses	2,645	1,964
Accrued compensated absences	29,871	26,810
Unearned revenue	<u>4,603</u>	<u>5,217</u>
<i>Total current liabilities</i>	<u>45,593</u>	<u>41,244</u>
<i>Net assets</i>		
Without donor restrictions		
Undesignated	103,963	132,387
Invested in property and equipment, net of related debt	<u>-</u>	<u>185</u>
<i>Total net assets</i>	<u>103,963</u>	<u>132,572</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 149,556</u></u>	<u><u>\$ 173,816</u></u>

See accompanying notes to the financial statements.

SAN JUAN COUNTY PARTNERSHIP, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>Net Assets without Donor Restrictions</u>	
	<u>2019</u>	<u>2018</u>
SUPPORT AND REVENUES		
<i>Support</i>		
Government grants and contracts	\$ 838,616	\$ 797,079
In-kind rent	19,230	19,230
<i>Total support</i>	<u>857,846</u>	<u>816,309</u>
<i>Revenues</i>		
Interest income	1,062	750
Other program revenues	15,791	5,091
Total revenues	<u>16,853</u>	<u>5,841</u>
<i>Total unrestricted support and revenues</i>	<u>874,699</u>	<u>822,150</u>
EXPENSES		
<i>Program expenses</i>		
Substance abuse prevention	285,427	287,858
Housing assistance	402,378	390,173
Community prevention & wellness	157,832	141,751
<i>Total program expenses</i>	<u>845,637</u>	<u>819,782</u>
<i>Supporting services</i>		
Management and general	46,968	37,281
Fundraising	10,703	1,874
<i>Total support services</i>	<u>57,671</u>	<u>39,155</u>
<i>Total expenses</i>	<u>903,308</u>	<u>858,937</u>
Change in net assets	(28,609)	(36,787)
Unrestricted net assets, beginning	<u>132,572</u>	<u>169,359</u>
Unrestricted net assets, ending	<u><u>\$ 103,963</u></u>	<u><u>\$ 132,572</u></u>

See accompanying notes to the financial statements.

**SAN JUAN COUNTY PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019**

	Program Expenses			Support Services		
	Substance Abuse Prevention	Housing Assistance	Community Prevention & Wellness	Management & General	Fundraising	Total
Bank charges	\$ -	\$ -	\$ -	\$ 152	\$ -	\$ 152
Communication	3,065	2,712	3,221	1,448	-	10,446
Employee benefits	12,948	912	835	1,887	-	16,582
Insurance	4,300	1,730	4,572	7,971	-	18,573
Other	614	-	288	4,679	8,648	14,229
Payroll taxes	13,794	8,450	9,675	981	-	32,900
Postage	159	140	39	166	-	504
Professional services	51,137	1,434	-	13,522	-	66,093
Program expenses	8,769	281,309	1,042	253	-	291,373
Rent	14,212	3,779	10,766	2,525	-	31,282
Salaries and wages	172,372	100,378	113,669	12,159	-	398,578
Supplies	1,667	1,475	1,397	685	2,055	7,279
Training	-	-	690	45	-	735
Travel	734	-	7,064	-	-	7,798
Vehicle expense	1,656	59	4,574	310	-	6,599
Depreciation	-	-	-	185	-	185
Total expenses	<u>\$ 285,427</u>	<u>\$ 402,378</u>	<u>\$ 157,832</u>	<u>\$ 46,968</u>	<u>\$ 10,703</u>	<u>\$ 903,308</u>

See accompanying notes to the financial statements.

SAN JUAN COUNTY PARTNERSHIP, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2018

	Program Expenses			Support Services		
	Substance Abuse Prevention	Housing Assistance	Community Prevention & Wellness	Management & General	Fundraising	Total
Bank charges	\$ -	\$ -	\$ -	\$ 62	\$ -	\$ 62
Communication	3,320	2,491	2,903	1,230	-	9,944
Employee benefits	12,086	560	720	443	-	13,809
Insurance	4,744	7,029	3,177	4,884	-	19,834
Other	1,606	-	-	3,397	-	5,003
Payroll taxes	14,097	7,795	8,819	1,674	-	32,385
Postage	154	120	10	97	-	381
Professional services	54,500	4,831	-	5,795	-	65,126
Program expenses	5,157	267,408	3,410	340	-	276,315
Rent	15,146	3,665	10,269	2,202	-	31,282
Salaries and wages	173,049	94,092	104,412	15,908	-	387,461
Supplies	1,572	1,562	1,407	310	1,874	6,725
Training	-	80	200	80	-	360
Travel	1,380	403	4,568	407	-	6,758
Vehicle expense	1,047	137	1,856	250	-	3,290
Depreciation	-	-	-	202	-	202
Total expenses	<u>\$ 287,858</u>	<u>\$ 390,173</u>	<u>\$ 141,751</u>	<u>\$ 37,281</u>	<u>\$ 1,874</u>	<u>\$ 858,937</u>

See accompanying notes to the financial statements.

SAN JUAN COUNTY PARTNERSHIP, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2019 AND 2018

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from grants and contracts	\$ 862,713	\$ 807,502
Cash received from other program revenues	1,987	5,091
Cash received from interest	1,062	750
Cash paid to employees and for other support	(587,556)	(559,425)
Cash paid for program expenses	(288,577)	(280,523)
Net cash provided (used) by operating activities	<u>(10,371)</u>	<u>(26,605)</u>
Net increase (decrease) in cash and cash equivalents	(10,371)	(27,741)
Cash and cash equivalents, beginning of period	<u>100,308</u>	<u>128,049</u>
Cash and cash equivalents, end of period	<u><u>\$ 89,937</u></u>	<u><u>\$ 100,308</u></u>
Reconciliation of change in net position to net cash provided by operating activities:		
Change in net assets	\$ (28,609)	\$ (36,787)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	185	616
Loss on disposal of property and equipment	-	722
(Increase) decrease in operating assets:		
Contracts receivable	10,907	10,206
Prepaid expenses	2,796	(4,208)
Increase (decrease) in operating liabilities:		
Accounts payable	1,222	1,310
Accrued expenses	681	(321)
Accrued compensated absences	3,061	1,640
Unearned revenue	(614)	217
Net cash provided (used) by operating activities	<u><u>\$ (10,371)</u></u>	<u><u>\$ (26,605)</u></u>
Supplemental disclosure cash flow information:		
Cash paid for interest	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Cash paid for income tax	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ORGANIZATION - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Purpose of the Organization

San Juan County Partnership, Inc. (the Organization) is a 501(c)(3) non-profit corporation which was incorporated under the laws of the State of New Mexico in 1933. 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.

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

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

Net Assets with Donor Restrictions – Net assets subject to donor– (or certain grantor–) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Organization has no net assets with donor restrictions.

Donor restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statements of activities.

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

Program Services

San Juan County Partnership, Inc. conducts the following programs:

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 and implementing prevention programs, policy development, public presentations, and monitoring program results and outcomes. Some of the individual programs include Office of Substance Abuse Prevention, Drug Free Communities, and local underage substance abuse prevention programs. Funding is provided by Federal, State and local sources.

Housing Assistance – This program includes payments for eligible homeless individuals or those at imminent risk of homelessness 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.

Cash and Cash Equivalents

Cash and cash equivalents include all monies held at financial institutions, including savings accounts and money markets. As of June 30, 2019 and 2018, cash and cash equivalent accounts in Citizens bank were insured by the Federal Deposit Insurance Corporation (FDIC). These balances have not exceeded insured limits of the FDIC. Additional funds are maintained in a money market account held with Fidelity Investment which is not insured by the FDIC. The Organization has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk. For purposes of the Statements of Cash Flows, the Organization considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Contracts and Grants Receivable and Contract Services

The Organization has entered into contracts and grants to provide the program services identified above. Contracts and grants receivable are amounts for which the required services have been provided by the Organization to the contracting or granting agencies, and those amounts have been billed to the relevant agencies but which had not been received by year-end.

San Juan County Partnership, Inc. received approximately 99% and 96% of its total revenues from contracts and grants with Federal, State, and local agencies in 2019 and 2018, respectively.

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

Allowance for Doubtful Accounts

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

Property and Equipment

San Juan County Partnership, Inc.'s policy is to capitalize all disbursements for fixed assets in excess of \$1,500. Individual items with a cost of less than \$1,500 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 five to seven years.

Revenue and Revenue Recognition

Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracted received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities, or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

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. The statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

In-kind Donations

The Organization received in-kind rent from San Juan College for the years ended June 30, 2019 and 2018. The value of the in-kind rent is based on the cost per square foot for the amount of rent provided in the rental agreement for space charged. The Organization paid rent on 846 square feet and received an additional 2,195 in in-kind revenue for both years.

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

Income Taxes

San Juan County Partnership, Inc. 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 Organization is registered, as required. San Juan County Partnership, Inc. has received a ruling from the Internal Revenue Service that it is not a private foundation under Section 509(a) of the Internal Revenue Code. No provision for income taxes for unrelated business income was necessary for either of the years ended June 30, 2019 and 2018. 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, 2016 through 2018, are still open for examination and management anticipates the statute of limitations for the return for the year ended June 30, 2019, will expire in February 2023.

Vacation and Sick Pay

It is the policy of San Juan County Partnership, Inc. 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 three years may accrue up to 10 days (120 hours) of vacation which may be carried over into the next year. Three years to seven years accrue 15 days, seven to ten years accrue 20 days, ten to fifteen years accrue 25 days, and fifteen plus years accrue 30 days. Employees may not accrue more than 30 days of leave in any year.

Upon termination of employment, only employees who have worked for San Juan County Partnership, Inc., who provided a minimum of a two week (10 working days) written notice will be eligible to receive payment for up to 30 days of accrued vacation time. A liability of \$29,871 at June 30, 2019 and \$26,810 at June 30, 2018 has been accrued to represent the Organization's commitment to fund such costs. Sick pay does not vest to employees upon separation.

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.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

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

Change in Accounting Principle

On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources and the lack of consistency in the type of information provided about expenses and investment return. We have implemented ASU 2016-14 and have adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented which resulted in no combinations of unrestricted and temporarily restricted net assets as the Organization had no temporarily restricted net assets previously.

2. **AVAILABILITY AND LIQUIDITY**

The following represents San Juan County Partnership, Inc.'s financial assets at June 30, 2019 and 2018:

	<u>2019</u>	<u>2018</u>
Financial assets at year-end:		
Bank deposits and cash equivalents	\$ 44,353	\$ 30,785
Money market funds	45,584	69,523
Contracts and grants receivable	<u>55,558</u>	<u>66,465</u>
Total financial assets	145,495	166,773
Less amounts not available to be used within one year:		
Net assets with donor restrictions	-	-
Less net assets with purpose restrictions to be met in less than a year	-	-
Restrictions established by the board	<u>-</u>	<u>-</u>
Total restrictions	<u>-</u>	<u>-</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 145,495</u></u>	<u><u>\$ 166,773</u></u>

The Organization's goal is generally to maintain financial assets to meet 45 days of operating expenses (approximately \$112,500). As part of the liquidity plan, excess cash is invested in short-term investments, including money market accounts.

3. **CONTRACTS AND GRANTS RECEIVABLE**

The details of contracts receivable at June 30, 2019 and 2018 are presented below:

Payee	2019	2018
Department of Health and Human Services	\$ 15,521	\$ 14,022
Department of Housing and Urban Development	14,514	17,174
New Mexico Department of Health	8,823	6,297
Tse Da Kaan Chapter	7,464	12,208
United Behavioral Health	7,905	10,264
Other	1,331	6,500
Total	<u>\$ 55,558</u>	<u>\$ 66,465</u>

4. **PROPERTY AND EQUIPMENT**

Property and equipment consists of the following at June 30, 2019 and 2018:

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Capital assets used in governmental activities:				
Furniture, fixtures, and equipment	13,416	-	-	13,416
Vehicles	45,824	-	-	45,824
Total capital assets being depreciated	<u>59,240</u>	<u>-</u>	<u>-</u>	<u>59,240</u>
Less accumulated depreciation:				
Furniture, fixtures, and equipment	13,231	185	-	13,416
Vehicles	45,824	-	-	45,824
Total accumulated depreciation	<u>59,055</u>	<u>185</u>	<u>-</u>	<u>59,240</u>
Total capital assets, net of depreciation	<u>\$ 185</u>	<u>\$ (185)</u>	<u>\$ -</u>	<u>\$ -</u>

Depreciation expense for the years ended June 30, 2019 and 2018 was \$185 and \$202, respectively.

5. **UNEARNED REVENUE**

Unearned revenue of \$4,603 was recorded in the current year. These funds include \$2,980 from Childhaven which were received in 2017 for the STOP program but which have not been used yet. Additionally, \$1,623 was received from NMCEH for housing assistance for veterans which is to be used in the 2019-2020 fiscal year. Unearned revenue of \$5,217 was recorded as a current liability as of June 30, 2018. This amount includes \$3,594 which was received from Childhaven and \$1,623 which was received from NMCEH.

6. **CONCENTRATION OF CREDIT RISK**

San Juan County Partnership, Inc. maintains its cash in one financial institution in Farmington, NM and one brokerage account. 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, 2019 and 2018, the Organization's deposits were fully insured.

6. CONCENTRATION OF CREDIT RISK (Continued)

The ability to collect receivables resulting from services provided is affected by general economic conditions in the State of New Mexico. Concentrations of credit risk with respect to receivables results from funding agencies accepting or rejecting claims for services provided. Contracts with Federal and State agencies account for 98 percent of its total revenues. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk

7. CONTINGENCIES

The Organization receives financial assistance from Federal, State, and local 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, State, and local 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 San Juan County Partnership, Inc.. The amount, if any, of revenues or expenses which may be disallowed by the contracting agency cannot be determined at this time, although San Juan County Partnership, Inc. expects such amounts, if any, to be insignificant.

8. OPERATING LEASE

San Juan County Partnership, Inc. 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 ended June 30, 2019. For the years ended June 30, 2019 and 2018, the annual fair market rental value of the office is estimated at \$31,282 and \$31,282, respectively. The Organization also recorded \$19,230 and \$19,230 in in-kind rent revenue in 2019 and 2018, respectively.

The Organization entered into a new rental agreement beginning 07/01/2019 which provides for a one-year term which may be renewed for one additional year at the Organization's request. The initial year of the rental agreement calls for a fee of \$1,000 per month with a 4% escalation in the rental agreement in year two of the agreement which would result in a monthly rental fee of \$1,040. At this time, the Organization does plan to remain in the current location for both years. As such, the rental agreement will require future payments of \$12,000 in year one of the agreement and \$12,480 in the option year of the agreement.

9. RETIREMENT PLAN

During the years ended June 30, 2019 and 2018, San Juan County Partnership, Inc. sponsored a defined contribution 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 fiscal years ended June 30, 2019 and 2018 there were employer contributions made for eligible participants of the SEP Plan in the amounts of \$1,777 and \$1,539, respectively. At year-end for 2019 and 2018, there were 3 employees contributing to the plan.

10. EVALUATION OF SUBSEQUENT EVENTS

San Juan County Partnership, Inc. has evaluated subsequent events through February 4, 2020, the date which the financial statements were available to be issued.

San Juan County Partnership, Inc. has determined that there are no subsequent events requiring disclosure.

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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 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 New Mexico nonprofit organization), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 4, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

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

Manning Accounting and Consulting Services, LLC

Manning Accounting and Consulting Services, LLC

Kirtland, New Mexico

February 4, 2020

SAN JUAN COUNTY PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section I – Summary of Audit Results

Financial Statements:

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

SAN JUAN COUNTY PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section II – Financial Statement Findings

None identified

SAN JUAN COUNTY PARTNERSHIP, INC.
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

Section III – Prior Year Audit Findings

Financial Section Findings

None