

**CENTER OF
PROTECTIVE ENVIRONMENT, INC.**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2017**

CENTER OF PROTECTIVE ENVIRONMENT, INC.
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JUNE 30, 2017

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CENTER OF PROTECTIVE ENVIRONMENT, INC.
OFFICIAL ROSTER
JUNE 30, 2017

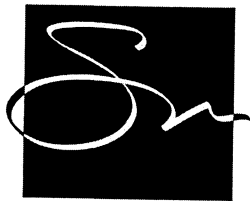
BOARD OF DIRECTORS

Jerold Wiley	Chair
Carol Teweleit	Vice-Chair
James Forney	Treasurer
Sheila Harrison	Secretary
Jeff Swanson	Director
Ingrid Fowler	Director
Glenda Mendoza	Director
Carla Kerr	Director
Tamara Dees	Director
Judy Pingel	Director
Linda Carr	Director
Donald Boots	Director

EXECUTIVE DIRECTOR

Kay Gomolak

FINANCIAL SECTION



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Center of Protective Environment, Inc.
Alamogordo, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Center of Protective Environment, Inc (a nonprofit corporation), which comprise the statements of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 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 audits 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 opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center of Protective Environment, Inc. as of June 30, 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2017, on our consideration of Center of Protective Environment, 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 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 Center of Protective Environment, Inc.'s internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Scott Northam CPA, PC". The signature is fluid and cursive, with the letters "CPA, PC" written in a smaller, more legible font at the end.

Scott Northam, CPA, PC
Ruidoso, New Mexico
September 30, 2017

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2017

ASSETS

	Unrestricted	Temporarily Restricted	Total
Cash and Cash Equivalents	\$ 452,384	\$ 24,598	\$ 476,982
Investments	380,377	-	380,377
Grants Receivable	97,011	-	97,011
United Way Receivable	-	20,215	20,215
Deposits	750	-	750
Capital Assets, Net	520,586	-	520,586
TOTAL ASSETS	<u><u>\$ 1,451,108</u></u>	<u><u>\$ 44,813</u></u>	<u><u>\$ 1,495,921</u></u>

LIABILITIES AND NET ASSETS

LIABILITIES			
Accounts Payable	\$ 1,264	\$ -	\$ 1,264
Accrued Payroll Liabilities	588	-	588
Accrued Vacation	25,524	-	25,524
TOTAL LIABILITIES	<u>27,376</u>	<u>-</u>	<u>27,376</u>
NET ASSETS			
Unrestricted	1,423,732	-	1,423,732
Temporarily Restricted	-	44,813	44,813
TOTAL NET ASSETS	<u>1,423,732</u>	<u>44,813</u>	<u>1,468,545</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 1,451,108</u></u>	<u><u>\$ 44,813</u></u>	<u><u>\$ 1,495,921</u></u>

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

	Unrestricted	Temporarily Restricted	Total
SUPPORT AND OTHER REVENUES			
<u>Public Support and Other Revenue</u>			
United Way	\$ -	\$ 27,095	\$ 27,095
Local Grants	2,500	-	2,500
Donations	32,358	26,309	58,667
Client Assessments and Support	13,789	-	13,789
In-kind Donations	130,039	-	130,039
Fundraising	78,311	-	78,311
Unrealized Gain on Investments	32,358	-	32,358
Interest Income	878	-	878
Other Income	7,702	-	7,702
Total Public Support and Other Revenue	297,935	53,404	351,339
<u>Government Agency Grants</u>			
NM Children, Youth and Families Department			
Shelter	500,131	-	500,131
Otero County	212,138	-	212,138
Lincoln County	34,683	-	34,683
NM Crime Victim Reparation Commission			
VOCA Grants	279,813	-	279,813
VAWA Grant	20,000	-	20,000
Emergency Food and Shelter Program	11,895	-	11,895
New Mexico Mortgage Finance Authority	44,598	-	44,598
Total Government Agency Grants	1,103,258	-	1,103,258
Assets Released from Restriction	26,829	(26,829)	-
Total Revenues and Support	1,428,022	26,575	1,454,597
OPERATING EXPENSES			
Program Services	1,170,413	-	1,170,413
Management and General	152,218	-	152,218
Fundraising	8,573	-	8,573
Total Expenses	1,331,204	-	1,331,204
CHANGE IN NET ASSETS	96,818	26,575	123,393
BEGINNING NET ASSETS - PREVIOUSLY REPORTED	1,345,946	18,238	1,364,184
Prior Period Adjustment	(19,032)	-	(19,032)
BEGINNING NET ASSETS - ADJUSTED	1,326,914	18,238	1,345,152
NET ASSETS, END OF YEAR	\$ 1,423,732	\$ 44,813	\$ 1,468,545

The accompanying notes are an integral part of these financial statements.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2017

	Program Services						
	SHELTER	CYFD OTERO	LINCOLN	VOCA OTERO 409	VOCA OTERO 459	VOCA LINCOLN 408-1	VOCA LINCOLN 408-2
FUNCTIONAL EXPENSES							
Salaries and Wages	\$ 328,226	\$ 203,190	\$ 68,978	\$ 17,525	\$ 51,544	\$ 7,972	\$ 22,834
Payroll Taxes	26,750	17,097	5,471	1,399	4,087	624	1,807
Employee Benefits	10,708	699	-	1,337	4,122	1,255	2,781
Advertising	632	836	600	-	-	-	-
Community Education	-	-	-	-	-	-	-
Client Services	19,236	-	-	-	-	-	-
Food	1,763	-	-	2,101	-	-	-
Supplies	4,240	2,272	1,111	-	-	-	-
Insurance	18,925	7,524	5,882	802	2,078	342	800
Office Expense	3,500	6,806	2,006	634	317	-	548
Postage	119	743	215	25	67	-	3
Printing	577	1,116	321	278	430	78	163
Professional Fees	5,341	1,777	-	-	-	-	-
Rent	60,982	6,535	7,048	-	533	661	2,081
Repairs and Maintenance	5,374	4,615	2,497	196	-	51	401
Staff Training and Development	90	115	45	-	798	-	-
Auto	878	-	-	-	-	-	-
Travel	2,802	2,350	2,952	95	1,308	270	1,550
Security	2,060	-	105	-	648	-	-
Telephone	-	623	-	164	316	315	520
Utilities	1,689	5,296	2,835	876	1,472	188	654
Capital Outlay	-	1,042	-	70	-	-	-
Less Amount Capitalized	-	-	-	-	-	-	-
Other	895	632	541	-	-	-	-
Expenses before Depreciation	494,787	263,268	100,607	25,502	67,720	11,756	34,142
Depreciation	-	-	-	-	-	-	-
TOTAL EXPENSES	\$ 494,787	\$ 263,268	\$ 100,607	\$ 25,502	\$ 67,720	\$ 11,756	\$ 34,142

The accompanying notes are an integral part of these financial statements.

Program Services									
VOCA 505-1	VOCA 505-2	VAWA	SUPPORTING GRANTS	NMMFA	Total	Management and General	Fundraising	Total	
\$ 14,798	\$ 41,317	\$ 15,092	\$ 6,805	\$ 27,010	\$ 805,291	\$ 13,360	\$ -	\$ 818,651	
1,172	3,283	1,196	-	2,150	65,036	2,076	-	67,112	
-	-	-	-	-	20,902	1,615	-	22,517	
-	-	-	-	-	2,068	100	-	2,168	
-	-	-	-	-	-	54,261	-	54,261	
-	-	-	-	-	19,236	-	-	19,236	
-	3,476	-	-	6,328	13,668	205	-	13,873	
640	654	-	4,479	-	13,396	956	8,573	22,925	
633	1,453	454	-	8,238	47,131	1,519	-	48,650	
737	317	-	997	-	15,862	828	-	16,690	
50	53	-	-	-	1,275	638	-	1,913	
2,554	53	-	56	-	5,626	-	-	5,626	
1,000	2,760	-	-	-	10,878	-	-	10,878	
341	1,041	-	-	-	79,222	16,294	-	95,516	
44	201	-	20	872	14,271	45	-	14,316	
-	798	399	-	-	2,245	795	-	3,040	
-	-	-	1,589	-	2,467	28	-	2,495	
630	2,157	2,725	2,082	-	18,921	3,509	-	22,430	
-	-	-	-	-	2,813	3,353	-	6,166	
88	3	134	-	-	2,163	7,600	-	9,763	
131	3,520	-	75	-	16,736	-	-	16,736	
8,891	47,898	-	-	-	57,901	30,216	-	88,117	
(7,228)	(45,595)	-	-	-	(52,823)	(21,758)	-	(74,581)	
-	-	-	-	-	2,068	7,331	-	9,399	
24,481	63,389	20,000	16,103	44,598	1,166,353	122,971	8,573	1,297,897	
-	-	-	-	-	-	33,307	-	33,307	
\$ 24,481	\$ 63,389	\$ 20,000	\$ 16,103	\$ 44,598	\$ 1,166,353	\$ 156,278	\$ 8,573	\$ 1,331,204	

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2017

CASH FLOWS FROM OPERATING ACTIVITIES

Change in Net Assets	\$ 123,393
Adjustments to Reconcile Change in Net Assets to Net Cash	
Provided by Operating Activities	
Unrealized Gain on Investments	(32,358)
Depreciation	33,307
Change in Operating Assets and Liabilities	
Grants Receivable	(31,001)
United Way Receivables	(1,977)
Deposits	1,000
Prepaid Expenses	2,048
Accrued Payroll Liabilities	(37)
Accrued Wages	(25,125)
Accrued Vacation	(2,712)
	<u>66,538</u>
Cash Provided by Operating Activities	<u>66,538</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of Capital Assets	<u>(107,449)</u>
Cash Used by Investing Activities	<u>(107,449)</u>

NET CHANGE IN CASH

(40,911)

CASH AT BEGINNING OF YEAR

517,893

CASH AT END OF YEAR

\$ 476,982

Supplemental Cash Flow Disclosures

In-kind Donated Services	<u><u>\$ 130,039</u></u>
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CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Center of Protective Environment, Inc. (Organization) operates as a not-for-profit organization incorporated under the laws in the State of New Mexico. The Organization is established to provide shelter, counseling and legal and advocacy services to individuals and families who have experienced domestic violence and other forms of abuse in the Otero and Lincoln County regions. The Organization is supported primarily through federal, state and local grants, local contributions, and volunteers.

The Organization is governed by a Board of Directors, which has the responsibility for determining policy and for the execution and evaluation of programs and activities conducted by the Organization. The Board is limited to a minimum of five members and a maximum of fifteen members. The term served by a Board member is two years.

Basis of Accounting - The financial statements of the Organization have been prepared on the accrual basis of accounting, in accordance with generally accepted accounting principles, and accordingly reflect all significant receivables, payables, and other liabilities.

Income Tax Status - The Organization qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes.

The Organization annually evaluates all federal and state income tax positions. This process includes an analysis of whether these tax positions the Organization takes meet the definition of an uncertain tax position under the Income Taxes Topic of the Financial Accounting Standards Codification. As of June 30, 2017 there were no uncertain tax positions noted. The Organization's policy is to classify income tax penalties and interest, when applicable, according to their natural classification. Under the statute of limitations, the Organization's tax returns are no longer subject to examination by tax authorities for years prior to 2014.

Financial Statement Presentation - The Organization reports its financial statements using FASB Accounting Standards Codification (ASC) 958-205 [formerly Statement of Financial Accounting Standards (SFAS) Number 117, *Financial Statements of Not-for-Profit Organizations*]. Under ASC 958-205, the three classes of net assets are: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Organization is required to present a statement of cash flows. As required by this statement, the Organization has classified its financial statements to present the three classes of net assets required.

Unrestricted net assets represent revenues and expenses related to the operations and management of the Organization's primary programs and supporting services.

Temporarily restricted net assets represent revenues received with donor or grantor stipulations that limit the use of the funds until such stipulations have been met.

Permanently restricted net assets represent principal amounts of gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity, with only the income from the principal amounts utilized for program and/or supporting services.

Donor-restricted contributions are reported as an increase in temporarily or permanently restricted net assets at the time of constructive receipt, depending on the nature of the restrictions. When a restriction expires (such as a time restriction or the purpose of the restriction has been accomplished by the Organization), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. If the restriction expires within the same year the donation is received, then the donation is classified as unrestricted.

As of June 30, 2017, the Organization does not have any permanently restricted net assets.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Cash and Cash Equivalents - For purposes of the statement of cash flows, the Organization considers all unrestricted highly liquid investments to be cash equivalents, including those deposits in interest-bearing and non-interest-bearing accounts..

Use of Restricted Cash - When the Organization incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever the assets have to be returned if not used.

Investments - In accordance with FASB ASC 958, the Organization's investments in marketable securities with readily determinable fair values and all investments in debt securities are stated at their fair value in the statement of financial position. Unrealized gains and losses are included in the changes in net assets. Gains and losses recognized upon the sale or redemption of securities are based upon the difference between the purchase price and sales proceeds.

Fair Value Measurements - The Organization applies the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*, for fair value measurements of financial assets and financial liabilities that are recognized at fair value in the financial statements on a recurring basis. ASC 820 defines fair value as the price that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the pricing of the asset or liability developed based on the best information available.

The Organization has determined that there was no material difference between the carrying value and fair value of its financial assets and liabilities as of June 30, 2017, therefore no adjustment for the effect of FASB ASC 820 was made to the Organization's financial statements at June 30, 2017.

Contributions and Unconditional Promises to Give - Contributions are recognized when the donor makes a promise to give to the Organization, that is, in substance, unconditional. The Organization follows ASC 958-605-25, formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with the codification standard, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted, depending on the existence or nature of any donor restrictions.

Grants Receivable - The Organization receives grant funding from state and local government agencies. Grants receivable represent receivables from the funding entities that have been recorded when the expenses to be reimbursed were incurred or the units of service under contract have been provided. No allowance for bad debts is computed as the amounts represent valid receivables from the respective agencies.

Allowance for Uncollectible Receivables - The Organization uses the direct method to determine uncollectible unconditional promises to give or grants receivable, therefore no allowance account has been set up in the financial statements.

Restricted and Unrestricted Revenue - Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Accrued Vacation - The Organization allows employees to earn annual leave based on stated policies. Annual leave is payable to the employee upon termination. These accrued amounts are shown as a liability on the statement of financial position and the related change in liability is reflected as an expense for the year in which the change occurs.

Functional Allocation of Expenses - The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Expenses are charged to program costs based on direct expenditures incurred. Any program expenditures not directly chargeable are allocated to program costs based on management estimates.

Advertising - The Organization uses advertising, promotion and community education to promote its programs. Advertising, promotion and community education expenses are expensed when 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.

Risk Management - The Organization is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Organization has obtained insurance through various underwriters to insure against these potential losses. The premiums are not directly related to claims filed.

Subsequent Events - FASB ASC 855-10-50-1 requires reporting entities to disclose the date through which subsequent events have been evaluated and whether that date is the date the financial statements were issued or available to be issued. Management has evaluated subsequent events through the date of the auditor's report, which is the date the financial statements were available to be issued.

NOTE B - CASH AND CASH EQUIVALENTS

Custodial Credit Risk - In accordance with FDIC, time deposits, savings deposits and interest bearing NOW deposits held at each financial institution will be insured up to \$250,000 in aggregate at each financial institution. The Organization uses multiple local financial institutions for its banking purposes.

Carrying value of the cash and cash equivalents of the Organization's deposits at each financial institution at June 30, 2017 was below the \$250,000 maximum covered by the federal depository insurance, therefore the Organization is not subject to custodial credit risk at the end of fiscal year.

Temporarily Restricted Cash - The Organization received a \$25,000 donation during the fiscal year from an anonymous donor to assist clients with personal expenses to aid in establishing independence. As of June 30, 2017, the Organization utilized \$402 of the donation funds for direct client services, leaving \$24,598 remaining for use in the coming fiscal year.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE C - INVESTMENTS

Substantially all of the Organization's investments were determined as Tier 1 inputs in accordance with the provisions of FASB ASC 820, *Fair Value Measurements and Disclosures*. The Organization reports the investments at market value for financial statement purposes, but records the investments at cost and adjusts for market with a valuation account. The schedule below illustrates the cost, market value and unrealized gains for each investment type as of June 30, 2017.

Investment	Cost	Market	Unrealized Gains
Corporate Bonds	\$ 43,069	\$ 43,811	\$ 742
Money Market	11,433	11,433	-
Mutual Funds	<u>312,950</u>	<u>325,133</u>	<u>12,183</u>
Total Investments	<u>\$ 367,452</u>	<u>\$ 380,377</u>	<u>\$ 12,925</u>

NOTE D - GRANT RECEIVABLES AND REVENUE

The Organization contracts with various federal, state and local authorities to provide domestic abuse counseling and support services to the area. These grants are reimbursement type grants, whereby the Organization must first spend the necessary funds and the required matching portion and then request reimbursement from the grantor.

Detailed below are the grantors and programs for which the funds are designated.

Grantor Agency	Receivable
NM Children, Youth, & Family Department	\$ 51,495
New Mexico Crime Victims Reparation Commission	
Victims of Crime Act (VOCA)	41,037
Violence Against Women Act (VAWA)	2,453
New Mexico Mortgage Finance Authority	<u>2,026</u>
Total Grants	<u>\$ 97,011</u>

The Organization receives multiple VOCA grants which have grant years that differ from the the Organization's fiscal year end. Below is a detail of the VOCA grants received during the fiscal year:

VOCA Grant	Otero	Lincoln	Special Services	Total
Grant 408-1	\$ -	\$ 11,756	\$ -	\$ 11,756
Grant 408-2	-	34,143	-	34,143
Grant 409	25,501	-	-	25,501
Grant 459	67,719	-	-	67,719
Grant 505-1			31,709	31,709
Grant 505-2	<u>-</u>	<u>-</u>	<u>108,985</u>	<u>140,694</u>
Total VOCA Grants	<u>\$ 93,220</u>	<u>\$ 45,899</u>	<u>\$ 140,694</u>	<u>\$ 279,813</u>

Contingency Risks – When the Organization participates in federal and state assisted grant programs, it is subject to program compliance audits by the grantors and/or its representatives. Compliance audits of these programs are conducted at various times during the contract year. In the case of future compliance audits, the amount of expenditures which may be disallowed and grant funds recalled, if any, is expected to be immaterial.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE D - GRANT RECEIVABLES AND REVENUE (Cont.)

Concentration of Risk – Funding from governmental agencies constitute approximately 77% of the Organization revenue and support. Although there is no assurance the grant contracts with the state and local governmental agencies will be renewed in the future, management is confident in the continued funding due to the long-term relationships with these agencies. However, should the contracts be rescinded or reduced due to budget issues by the government agencies, the reduction of income would have a severe impact on the operation of the Organization.

Single Audit - The Organization followed the Uniform Guidance circular for the fiscal year ended June 30, 2017. That circular established the threshold of federal award funds needed to be expended in the fiscal year in order to conduct a Single Audit at \$750,000. The Organization's federal expenditures for the fiscal year were under the amount stipulated by the Uniform Guidance guidelines, and as a result, the Organization is not required to conduct a Single Audit for the fiscal year. The audit was conducted under *Governmental Auditing Standards* as a requirement of the State of New Mexico grantor agencies.

NOTE E - UNITED WAY RECEIVABLE

The Organization receives a monthly allocation from the United Way of Otero County. The \$20,215 represents the remaining amount of public contributions committed to the Organization by the Otero County United Way through their fiscal year ending March, 2018, and is classified as a temporarily restricted asset due to the time restrictions placed on the funds. No allowance for bad debts is computed as this amount represents a valid receivable from the United Way of Otero County.

NOTE F - CAPITAL ASSETS

Purchased property in excess of \$1,000 is recorded at acquisition cost, while donated property is recorded at estimated fair market value at the date of donation. Depreciation shown is calculated using the straight-line method. Under this method an equal amount is charged to depreciation each year over the estimated useful life of an asset. Most grants and contracts do not require an accounting for depreciation by the Organization, however, for financial statement purposes, depreciation is recorded as a separate line item. Depreciation expense was \$289 for the 2017 fiscal year.

Capital assets balances as of June 30, 2017, consisted of the following:

Buildings and Improvments	\$ 600,863
Furniture and Equipment	118,361
Vehicles	<u>24,400</u>
	743,624
Less Accumulated Depreciation	<u>(223,038)</u>
Net Capital Assets	<u>\$ 520,586</u>

NOTE G – RETIREMENT PLAN

The Organization participates in a defined contribution retirement plan administered by the Symetra Life Insurance Company. This plan is for the benefit of all eligible staff of the Organization who qualify under applicable participation requirements. Under the terms of the plan, contributions are made under Section 403(b) of the Code and are invested, at the discretion of the plan participant, in one or more of the investment vehicles available under the plan. The plan currently does not provide for the Organization to match participant contributions.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE H - DONATED SERVICES

Donated services and other non-cash items are recorded as contributions at their estimated market value at the date of donation. Donated services are valued and amounts recorded in the financial statements for professional and skilled donated services if the ASC 958-605-25 recognition requirements are met. The Organization received \$130,039 of in-kind radio and television public service announcement contributions that were recognized as income during the 2017 fiscal year. The Organization used the donated media services for rental expense matching of \$75,778 and community education expense of \$54,261.

No amounts have been reflected in the statements for other donated time and services if the ASC 958-605-25 recognition requirements were not met. However, a substantial number of other volunteers have donated significant amounts of their time to the Organization's program services.

Concentration of Risk - The Organization is heavily dependent on the in-kind donations for advertising and public exposure of its programs and related community education. The value of the in-kind advertising is also used as matching funds on state and local grants. Should the in-kind donations be reduced or discontinued, the Organization's operations could be materially impacted.

NOTE I – PRIOR PERIOD ADJUSTMENT

The Organization had been carrying \$19,032 in prepaid insurance, but the insurance premiums have been financed and paid monthly for the current and prior fiscal years as the monthly premium comes due, thereby not incurring any prepaid insurance premiums. The Organization adjusted net assets by \$19,032 to properly reflect the amount of prepaid insurance premiums carried by the Organization at the fiscal year end.

SUPPLEMENTAL INFORMATION

CENTER OF PROTECTIVE ENVIRONMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Program or Grant Number	Program or Award Amount	Expenditures
<u>US Department of Housing and Urban Development</u>				
Passed Through the New Mexico Mortgage Finance Authority				
Emergency Shelter Grants Program	14.231	17-02-COP-EHA-001	\$ 13,000	\$ 13,000
<u>US Department of Health and Human Services</u>				
Passed Through New Mexico Children, Youth and Family Department				
Family Violence Prevention and Services Act	93.671	17-690-20129	36,970	36,970
<u>US Department of Homeland Security</u>				
Passed Through United Way of Otero County				
Emergency Food and Shelter Program	97.024	Phase 31	23,789	11,894
<u>US Department of Justice</u>				
Passed Through New Mexico Crime Victims Reparation Committee				
Violence Against Women Act	16.588	2015-WF-AX-0014	20,000	20,000
Victims of Crime Act	16.575	2016-VA-408	48,598	46,773
Victims of Crime Act	16.575	2016-VA-409	48,598	25,502
Victims of Crime Act	16.575	2016-VA-505	135,193	118,753
Victims of Crime Act	16.575	2016-VA-459	93,125	86,398
Totals for Federal Assistance			<u>\$ 419,273</u>	<u>\$ 359,290</u>

Notes To Schedule of Expenditures of Federal Awards:

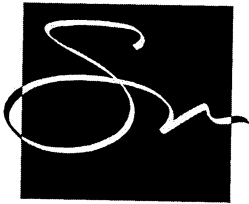
1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented on the accrual basis of accounting, which is the same basis used to prepare the accompanying financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of State and Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the accompanying financial statements.

2. Sub-recipients

Center of Protective Environment, Inc. did not provide any federal awards to sub-recipients during the year.

INTERNAL CONTROL AND COMPLIANCE



SCOTT NORTHAM, CPA, PC
Certified Public Accountants

**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***

Board of Directors
Center of Protective Environment, Inc.
Alamogordo, New Mexico

We have audited, 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, the financial statements of Center of Protective Environment, Inc.. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2017.

Internal Control over Financial Reporting

In planning and performing our audits of the financial statements, we considered Center of Protective Environment, Inc.'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Center of Protective Environment, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Center of Protective Environment, 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 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Center of Protective Environment, Inc.'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*.

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.

A handwritten signature in black ink, appearing to read "Scott Northam", with a stylized flourish at the end.

Scott Northam, CPA, PC
Ruidoso, New Mexico
September 30, 2017

**CENTER OF PROTECTIVE ENVIRONMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2017**

FINANCIAL AND FEDERAL AWARD FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE