

**CENTER OF
PROTECTIVE ENVIRONMENT, INC.**

**AUDITED FINANCIAL STATEMENTS
JUNE 30, 2019**

CENTER OF PROTECTIVE ENVIRONMENT, INC.
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CENTER OF PROTECTIVE ENVIRONMENT, INC.
OFFICIAL ROSTER
JUNE 30, 2019

BOARD OF DIRECTORS

Linda Carr	President
Judy Pingel	Vice-President
James Forney	Treasurer
Sheila Harrison	Secretary
Ingrid Fowler	Director
Joanne Gronewold	Director
Carolyn Lee	Director
Glenda Mendoza	Director
Warren Robinson	Director
Jeff Swanson	Director
Carol Teweleit	Director
Kim Wing	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 (COPE, a nonprofit corporation), which comprise the statements of financial position as of June 30, 2019, 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, 2019, 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.

Report on Summarized Comparative Information

We have previously audited the Center of Protective Environment, Inc.'s 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 13, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2019, 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.



Scott Northam, CPA, PC
Ruidoso, New Mexico
July 19, 2019

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

ASSETS

	Unrestricted	Temporarily Restricted	Total	2018 (Memorandum)
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 140,592	\$ 10,028	\$ 150,620	\$ 264,370
Grants Receivable	187,097	-	187,097	64,335
Deposits	750	-	750	750
Total Current Assets	328,439	10,028	338,467	329,455
NONCURRENT ASSETS				
Investments	675,940	-	675,940	648,805
Capital Assets, Net	671,128	-	671,128	674,783
Total Noncurrent Assets	1,347,068	-	1,347,068	1,323,588
TOTAL ASSETS	<u>\$ 1,675,507</u>	<u>\$ 10,028</u>	<u>\$ 1,685,535</u>	<u>\$ 1,653,043</u>

LIABILITIES AND NET ASSETS

LIABILITIES				
Accrued Payroll Liabilities	\$ 763	\$ -	\$ 763	\$ 345
Accrued Vacation	44,411	-	44,411	35,505
CDBG Grant Payable to City of Alamogordo	75,840	-	75,840	113,760
TOTAL LIABILITIES	121,014	-	121,014	149,610
NET ASSETS				
Without Donor Restrictions				
Unrestricted	1,554,493	-	1,554,493	1,491,438
With Donor Restrictions				
Temporarily Restricted	-	10,028	10,028	11,995
TOTAL NET ASSETS	1,554,493	10,028	1,564,521	1,503,433
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,675,507</u>	<u>\$ 10,028</u>	<u>\$ 1,685,535</u>	<u>\$ 1,653,043</u>

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2019

	Without Donor Restrictions	With Donor Restrictions Temporarily Restricted	Total	2018 (Memorandum)
SUPPORT AND OTHER REVENUES				
<u>Public Support and Other Revenue</u>				
Thrive in Southern New Mexico	\$ 19,585	\$ -	\$ 19,585	\$ 4,429
Donations	28,444	-	28,444	27,920
Client Assessments and Support	19,225	-	19,225	15,195
In-kind Donations	153,639	-	153,639	89,650
Fundraising	95,366	-	95,366	95,135
Investment Income, Net	27,135	-	27,135	20,428
Interest Income	517	-	517	603
Other Income	9,489	-	9,489	5,643
Total Public Support and Other Revenue	353,400	-	353,400	259,003
<u>Government Agency Grants</u>				
NM Children, Youth and Families Department				
Shelter	507,650	-	507,650	491,112
Otero County	200,480	-	200,480	223,906
Lincoln County	46,858	-	46,858	34,470
NM Crime Victim Reparation Commission				
VOCA Grants	496,480	-	496,480	258,995
VAWA Grant	25,000	-	25,000	25,000
Emergency Food and Shelter Program	-	-	-	20,453
New Mexico Mortgage Finance Authority	38,534	-	38,534	36,732
Total Government Agency Grants	1,315,002	-	1,315,002	1,090,668
Assets Released from Restriction	1,967	(1,967)	-	-
Total Revenues and Support	1,670,369	(1,967)	1,668,402	1,349,671
OPERATING EXPENSES				
Program Services	1,513,195	-	1,513,195	1,224,274
Management and General	80,527	-	80,527	80,024
Fundraising	13,592	-	13,592	10,485
Total Expenses	1,607,314	-	1,607,314	1,314,783
CHANGE IN NET ASSETS	63,055	(1,967)	61,088	34,888
BEGINNING NET ASSETS	1,491,438	11,995	1,503,433	1,468,545
NET ASSETS, END OF YEAR	\$ 1,554,493	\$ 10,028	\$ 1,564,521	\$ 1,503,433

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

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED JUNE 30, 2019

	Program Services					
	SHELTER	CYFD OTERO	LINCOLN	VOCA 668	VOCA 711	VAWA
FUNCTIONAL EXPENSES						
Salaries and Wages	\$ 348,693	\$ 223,697	\$ 71,079	\$ 42,502	\$ 276,877	\$ 17,564
Payroll Taxes	29,537	14,255	5,301	3,326	21,730	1,364
Employee Benefits	15,783	5,561	5,497	3,933	23,257	-
Advertising	779	779	100	-	-	-
Direct Client Services	-	-	-	-	15,324	-
Food	4,903	99	-	1,372	4,100	-
Supplies	6,775	1,887	1,217	10	2,057	2,870
Insurance	16,190	4,366	2,677	1,137	6,052	537
Office Expense	3,019	5,442	1,233	157	2,679	343
Postage	382	605	379	-	301	25
Printing	-	1,105	603	1,455	2,153	-
Professional Fees	4,227	4,086	59	-	-	-
Rent	195	-	7,057	1,041	3,122	-
Repairs and Maintenance	7,748	2,625	1,776	144	588	-
Staff Training and Development	250	1,825	169	-	3,316	399
Auto	1,508	-	-	-	-	-
Travel	2,097	2,483	1,664	754	7,788	1,405
Security	2,722	543	-	-	-	-
Telephone	-	-	-	537	6,658	388
Utilities	1,499	7,005	3,657	1,623	5,006	-
Capital Outlay	-	-	-	-	57,030	-
Other	381	316	240	-	450	105
Expenses before Depreciation	446,688	276,679	102,708	57,991	438,488	25,000
Depreciation	-	-	-	-	-	-
TOTAL EXPENSES	446,688	276,679	102,708	57,991	438,488	25,000
In-kind Services	123,187	-	-	-	30,452	-
Less Capital Outlay Capitalized	-	-	-	-	(38,500)	-
NET EXPENSES	\$ 569,875	\$ 276,679	\$ 102,708	\$ 57,991	\$ 430,440	\$ 25,000

Program Services						
SUPPORTING				Management		
GRANTS	NMMFA	Total		and General	Fundraising	Total
\$ -	\$ 19,761	\$ 1,000,173	\$ 22,610	\$ -	\$ 1,022,783	
-	1,533	77,046	1,094	-	78,140	
-	-	54,031	14	-	54,045	
-	-	1,658	-	-	1,658	
11,967	-	27,291	380	-	27,671	
-	6,686	17,160	223	-	17,383	
-	-	14,816	4	13,592	28,412	
-	7,851	38,810	1,830	-	40,640	
-	2,704	15,577	471	-	16,048	
-	-	1,692	238	-	1,930	
-	-	5,316	-	-	5,316	
-	-	8,372	-	-	8,372	
-	-	11,415	-	-	11,415	
-	-	12,881	-	-	12,881	
-	-	5,959	175	-	6,134	
-	-	1,508	1,668	-	3,176	
-	-	16,191	2,739	-	18,930	
-	-	3,265	-	-	3,265	
-	-	7,583	-	-	7,583	
-	-	18,790	-	-	18,790	
-	-	57,030	5,654	-	62,684	
-	-	1,492	1,273	-	2,765	
11,967	38,535	1,398,056	38,373	13,592	1,450,021	
-	-	-	45,754	-	45,754	
11,967	38,535	1,398,056	84,127	13,592	1,495,775	
-	-	153,639	-	-	153,639	
-	-	(38,500)	(3,600)	-	(42,100)	
<u>\$ 11,967</u>	<u>\$ 38,535</u>	<u>\$ 1,513,195</u>	<u>\$ 80,527</u>	<u>\$ 13,592</u>	<u>\$ 1,607,314</u>	

CENTER OF PROTECTIVE ENVIRONMENT, INC.
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2019

	2019	2018 (Memorandum)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 61,088	\$ 34,888
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized Gain on Investments	(27,135)	(20,428)
Depreciation	45,754	45,545
Change in Operating Assets and Liabilities		
Grants Receivable	(122,762)	32,676
Deposits	-	-
Prepaid Expenses	-	-
Accounts Payable	-	(1,264)
Accrued Payroll Liabilities	419	(243)
Accrued Wages	-	-
Accrued Vacation	8,906	9,981
	<u>(33,730)</u>	<u>121,370</u>
Cash Provided by Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Transfer to Investments	-	(248,000)
Purchase of Capital Assets	(42,100)	(199,742)
	<u>(42,100)</u>	<u>(447,742)</u>
Cash Used by Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
CDBG Grant Payable to City of Alamogordo	(37,920)	113,760
	<u>(37,920)</u>	<u>113,760</u>
Cash Used by Financing Activities		
NET CHANGE IN CASH	(113,750)	(212,612)
CASH AT BEGINNING OF YEAR	<u>264,370</u>	<u>476,982</u>
CASH AT END OF YEAR	<u><u>\$ 150,620</u></u>	<u><u>\$ 264,370</u></u>
Supplemental Cash Flow Disclosures		
In-kind Donated Services	<u><u>\$ 153,639</u></u>	<u><u>\$ 89,650</u></u>

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019 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 2017.

Net Asset Presentation - The Organization reports information regarding its financial position and activities according to two classes of net assets that are based upon the existence or absence of restrictions on use that are placed by its donors: net assets without donor restrictions and net assets with donor restrictions. FASB ASC 958-210-45-1 requires the total amount for each of the two classes of net assets and the total of net assets to be presented in the statement of financial position.

Net assets with donor restrictions are resources that are subject to donor-imposed restrictions. Some restrictions are temporary in nature, such as those that are restricted by a donor for use for a particular purpose or in a particular future period. Other restrictions may be permanent in nature; such as those that are restricted by a donor that the resources be maintained in perpetuity. The Organization does not have any permanently restricted net assets restricted by the donor.

The Organization's unspent contributions are reported in net assets with donor contributions if the donor limited their use, as are promised contributions that are not yet due. Contributions of property and equipment or cash restricted to acquisition of property and equipment are reported as net assets with donor restrictions if the donor has restricted the use of the property or equipment to a particular program. These restrictions expire when the assets are placed in service.

When a donor's restriction is satisfied, either by using the resources in the manner specified by the donor or by the passage of time, the expiration of the restriction is reported in the financial statements by reclassifying the net assets from net assets with donor restrictions to net assets without donor restrictions.

Net assets without donor restrictions are resources available to support operations and not subject to donor restrictions. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the Organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019, therefore no adjustment for the effect of FASB ASC 820 was made to the Organization's financial statements at June 30, 2019.

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, *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, 2019

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 a single local financial institution for its banking purposes.

Carrying value of the cash and cash equivalents of the Organization's deposits at the financial institution during the fiscal year and at June 30, 2019 was not above the \$250,000 maximum covered by the federal depository insurance, therefore the Organization was not subject to custodial credit risk at the end of fiscal year. However, management feels the risk is minimal as the financial institution is not at risk for collapsing.

Temporarily Restricted Cash - The Organization received a \$25,000 donation during the 2017 fiscal year from an anonymous donor to assist clients with personal expenses to aid in establishing independence. As of June 30, 2019, the Organization utilized \$14,972 of the donation funds for direct client services, leaving approximately \$10,028 remaining for use in the coming fiscal year.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019.

Investment	Cost	Market	Unrealized Gain/(Loss)
Corporate Equities	\$ 45,407	\$ 33,934	\$ (11,473)
Other Traded Equities	74,532	79,963	5,431
Money Market	8,715	8,715	-
Mutual Funds	<u>533,329</u>	<u>553,328</u>	<u>19,999</u>
Total Investments	<u>\$ 661,983</u>	<u>\$ 675,940</u>	<u>\$ 13,957</u>

The Organization is reporting the following income and expenses related to the investments:

Interest and Dividends	\$ 26,232
Unrealized Gain on Investments	8,534
Brokerage and Investment Fees	<u>(7,631)</u>
Net Investment Income	<u>\$ 27,165</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	\$ 25,699
New Mexico Crime Victims Reparation Commission	
Victims of Crime Act (VOCA)	158,480
Violence Against Women Act (VAWA)	<u>2,918</u>
Total Grants	<u>\$ 187,097</u>

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

VOCA Grant	Total	Receivable
Grant 688	\$ 57,992	\$ -
Grant 711	<u>438,488</u>	<u>158,480</u>
Total VOCA Grants	<u>\$ 496,480</u>	<u>\$ 158,480</u>

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE D - GRANT RECEIVABLES AND REVENUE (Cont.)

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.

Concentration of Risk – Funding from governmental agencies constitute approximately 78% 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, 2019. 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 - 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 \$45,754 for the 2019 fiscal year.

Capital assets balances as of June 30, 2019, consisted of the following:

Buildings and Improvements	\$ 789,989
Furniture and Equipment	132,577
Vehicles	<u>62,900</u>
	985,466
Less Accumulated Depreciation	<u>(314,338)</u>
Net Capital Assets	<u>\$ 671,128</u>

NOTE F - CDBG GRANT PAYABLE

In May 2014, the Organization entered into a Memorandum of Understanding (MOU) with the City of Alamogordo (City) by which the City would apply for a Community Development Block Grant application to the State of New Mexico. The CDBG grant funds would be used for renovations and construction costs of the Organization's administration office facilities. To apply for the grant, the Organization was required to fund a ten percent (10%) cash match of the grant amount, as well as convey the title of the building and property to the City. The City would then lease back the building and property to the Organization, and would inkind donate the lease value of the property in exchange for services rendered to victims of domestic violence in the community. The inkind value of the lease donation to the Organization was approximately \$123,187 for the 2019 fiscal year.

CENTER OF PROTECTIVE ENVIRONMENT, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE F - CDBG GRANT PAYABLE (Cont.)

The final cost of the renovations was approximately \$200,000 above the amount of the CDBG grant and related matching. The City paid the overage amount and is requesting reimbursement from the Organization. The Organization has approximately \$75,840 remaining on the CDBG obligation to the City as of June 30, 2019. The remaining balance is to be paid two equal installments, due before April, 2020.

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.

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 \$30,452 of in-kind rental and radio and television public service announcement contributions that were recognized as income during the 2019 fiscal year. The Organization used the donated media services for grant matching of approximately \$123,187 for in-kind rental donation in grant matching for shelter rental expense.

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 - LEASES

The Organization rents office space for its operations in Otero and Lincoln Counties under separate lease agreements for each location. The Lincoln County office lease has a monthly expense of \$925 and expires in September 2019, with option to renew. Amount paid for rental for the Lincoln office space was approximately \$11,100 for the fiscal year. Future minimal lease payments for this lease is detailed below:

Fiscal Year Ending	
2020	<u>\$ 2,775</u>
Total Minimal Lease Payments	<u>\$ 2,775</u>

The Otero County office space, as noted in Notes F and H, does not have a monthly cash rental expense. This lease expires in December, 2022, with options to renew.

SUPPLEMENTAL INFORMATION

CENTER OF PROTECTIVE ENVIRONMENT, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Program or Grant Number	Pass-through Identifying 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	-	18-02-COP-EHA-001	\$ 38,534	\$ 38,534
<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	17-690-20129-3	SPD #60-690-16-13376	36,970	36,970
<u>US Department of Justice</u>					
Passed Through New Mexico Crime Victims Reparation Committee					
Violence Against Women Act	16.588	2017-WF-AX-0019	2019-WF-510	25,000	25,000
Victims of Crime Act	16.575	2016-VA-GX-0064	2018-VA-668	115,622	57,992
Victims of Crime Act	16.575	2017-VA-GX-0076	2019-VA-711	588,244	438,488
Totals for Federal Assistance				<u>\$ 804,370</u>	<u>\$ 596,984</u>

Notes To Schedule of Expenditures of Federal Awards:

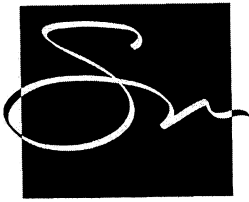
1. Basis of Presentation

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, 2019, 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 July 19, 2019.

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 CPA PC".

Scott Northam, CPA, PC
Ruidoso, New Mexico
July 19, 2019

**CENTER OF PROTECTIVE ENVIRONMENT, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2019**

FINANCIAL AND FEDERAL AWARD FINDINGS

CURRENT YEAR FINDINGS:

NONE

PRIOR YEAR FINDINGS:

NONE