

**CENTER OF  
PROTECTIVE ENVIRONMENT, INC.**

**AUDITED FINANCIAL STATEMENTS  
JUNE 30, 2018**

**CENTER OF PROTECTIVE ENVIRONMENT, INC.  
TABLE OF CONTENTS  
JUNE 30, 2018**

	<b>Page Number</b>
<b>INTRODUCTORY SECTION</b>	
Table of Contents .....	i
Official Roster .....	ii
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report .....	1
<b><u>Financial Statements:</u></b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	7
Notes to Financial Statements .....	8
<b>SUPPLEMENTAL INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	14
<b>INTERNAL CONTROL AND COMPLIANCE</b>	
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 <i>Government Auditing Standards</i> .....	15
Schedule of Findings and Questioned Costs .....	17

**CENTER OF PROTECTIVE ENVIRONMENT, INC.  
OFFICIAL ROSTER  
JUNE 30, 2018**

**BOARD OF DIRECTORS**

Linda Carr	President
Tamara Dees	Vice-President
James Forney	Treasurer
Sheila Harrison	Secretary
Kimberly Boss	Director
Ingrid Fowler	Director
Arlene Garrison	Director
Lance Garrison	Director
Carla Kerr	Director
Glenda Mendoza	Director
Judy Pingel	Director
Jeff Swanson	Director
Carol Teweleit	Director
Jerold Wiley	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, 2018, 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

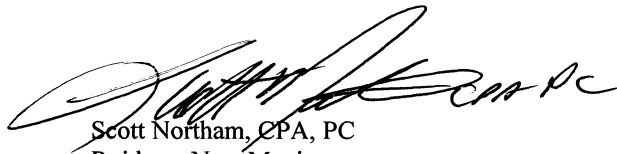
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Center of Protective Environment, Inc. as of June 30, 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Center of Protective Environment, Inc.'s 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, 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 August 13, 2018, 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  
August 13, 2018

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**JUNE 30, 2018**

**ASSETS**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>2017 (Memorandum)</b>
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 252,375	\$ 11,995	\$ 264,370	\$ 476,982
Grants Receivable	64,335	-	64,335	97,011
Thrive in Southern New Mexico Receivable	-	-	-	20,215
Deposits	<u>750</u>	<u>-</u>	<u>750</u>	<u>750</u>
Total Current Assets	317,460	11,995	329,455	594,958
<b>NONCURRENT ASSETS</b>				
Investments	648,805	-	648,805	380,377
Capital Assets, Net	<u>674,783</u>	<u>-</u>	<u>674,783</u>	<u>520,586</u>
Total Noncurrent Assets	<u>1,323,588</u>	<u>-</u>	<u>1,323,588</u>	<u>900,963</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,641,048</u>	<u>\$ 11,995</u>	<u>\$ 1,653,043</u>	<u>\$ 1,495,921</u>

**LIABILITIES AND NET ASSETS**

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>	<b>2017 (Memorandum)</b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 1,264
Accrued Payroll Liabilities	345	-	345	588
Accrued Vacation	35,505	-	35,505	25,524
CDBG Grant Payable to City of Alamogordo	<u>113,760</u>	<u>-</u>	<u>113,760</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>149,610</u>	<u>-</u>	<u>149,610</u>	<u>27,376</u>
<b>NET ASSETS</b>				
Unrestricted	1,491,438	-	1,491,438	1,423,732
Temporarily Restricted	<u>-</u>	<u>11,995</u>	<u>11,995</u>	<u>44,813</u>
<b>TOTAL NET ASSETS</b>	<u>1,491,438</u>	<u>11,995</u>	<u>1,503,433</u>	<u>1,468,545</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 1,641,048</u>	<u>\$ 11,995</u>	<u>\$ 1,653,043</u>	<u>\$ 1,495,921</u>

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2018**

	Unrestricted	Temporarily Restricted	Total	2017 (Memorandum)
<b>SUPPORT AND OTHER REVENUES</b>				
<b><u>Public Support and Other Revenue</u></b>				
Thrive in Southern New Mexico	\$ 4,429	\$ -	\$ 4,429	\$ 27,095
Local Grants	-	-	-	2,500
Donations	27,920	-	27,920	58,667
Client Assessments and Support	15,195	-	15,195	13,789
In-kind Donations	89,650	-	89,650	130,039
Fundraising	95,135	-	95,135	78,311
Unrealized Gain on Investments	20,428	-	20,428	32,358
Interest Income	603	-	603	878
Other Income	5,643	-	5,643	7,702
<b>Total Public Support and Other Revenue</b>	<u>259,003</u>	<u>-</u>	<u>259,003</u>	<u>351,339</u>
<b><u>Government Agency Grants</u></b>				
NM Children, Youth and Families Department				
Shelter	491,112	-	491,112	500,131
Otero County	223,906	-	223,906	212,138
Lincoln County	34,470	-	34,470	34,683
NM Crime Victim Reparation Commission				
VOCA Grants	258,995	-	258,995	279,813
VAWA Grant	25,000	-	25,000	20,000
Emergency Food and Shelter Program	20,453	-	20,453	11,895
New Mexico Mortgage Finance Authority	36,732	-	36,732	44,598
<b>Total Government Agency Grants</b>	<u>1,090,668</u>	<u>-</u>	<u>1,090,668</u>	<u>1,103,258</u>
Assets Released from Restriction	<u>32,818</u>	<u>(32,818)</u>	<u>-</u>	<u>-</u>
<b>Total Revenues and Support</b>	<u>1,382,489</u>	<u>(32,818)</u>	<u>1,349,671</u>	<u>1,454,597</u>
<b>OPERATING EXPENSES</b>				
Program Services	1,224,274	-	1,224,274	1,170,413
Management and General	80,024	-	80,024	152,218
Fundraising	10,485	-	10,485	8,573
<b>Total Expenses</b>	<u>1,314,783</u>	<u>-</u>	<u>1,314,783</u>	<u>1,331,204</u>
<b>CHANGE IN NET ASSETS</b>	<u>67,706</u>	<u>(32,818)</u>	<u>34,888</u>	<u>123,393</u>
<b>BEGINNING NET ASSETS</b>	<u>1,423,732</u>	<u>44,813</u>	<u>1,468,545</u>	<u>1,345,152</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 1,491,438</u>	<u>\$ 11,995</u>	<u>\$ 1,503,433</u>	<u>\$ 1,468,545</u>



**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**YEAR ENDED JUNE 30, 2018**

	Program Services					
	SHELTER	CYFD OTERO	LINCOLN	VOCA OTERO 459	VOCA LINCOLN 408	VOCA 505
<b>FUNCTIONAL EXPENSES</b>						
Salaries and Wages	\$ 351,734	\$ 189,152	\$ 74,039	\$ 19,135	\$ 8,165	\$ 15,443
Payroll Taxes	25,029	17,597	4,759	1,494	651	1,207
Employee Benefits	11,950	3,305	6,376	1,672	2,069	-
Advertising	465	465	465	-	-	-
Direct Client Services	1,384	-	-	-	-	-
Food	3,178	-	-	-	-	3,529
Supplies	6,301	3,062	1,462	-	-	70
Insurance	13,954	5,213	5,117	604	247	466
Office Expense	2,732	4,514	1,331	867	400	543
Postage	98	373	70	-	-	3
Printing	95	1,081	395	350	1,082	74
Professional Fees	4,073	2,395	-	-	-	1,327
Rent	49,037	-	7,058	-	694	347
Repairs and Maintenance	6,753	3,163	1,240	-	39	20
Staff Training and Development	670	1,988	585	-	-	-
Auto	-	-	-	-	-	-
Travel	4,566	2,677	2,790	153	659	278
Security	1,625	194	-	648	-	-
Telephone	-	350	-	102	168	-
Utilities	2,310	7,124	2,953	382	209	1,229
Capital Outlay	-	-	-	-	-	-
Other	1,677	230	402	-	-	-
<b>Expenses before Depreciation</b>	<b>487,631</b>	<b>242,883</b>	<b>109,042</b>	<b>25,407</b>	<b>14,383</b>	<b>24,536</b>
Depreciation	-	-	-	-	-	-
<b>TOTAL EXPENSES</b>	<b>487,631</b>	<b>242,883</b>	<b>109,042</b>	<b>25,407</b>	<b>14,383</b>	<b>24,536</b>
In-kind Community Education	-	-	-	-	-	-
Less Capital Outlay Capitalized	-	-	-	-	-	-
<b>NET EXPENSES</b>	<b>\$ 487,631</b>	<b>\$ 242,883</b>	<b>\$ 109,042</b>	<b>\$ 25,407</b>	<b>\$ 14,383</b>	<b>\$ 24,536</b>

Program Services									
VOCA 610	VOCA 668	VAWA	SUPPORTING GRANTS	NMMFA	Total	Management and General	Fundraising	Total	
\$ 84,734	\$ 41,662	\$ 18,014	\$ 15,253	\$ 20,017	\$ 837,348	\$ 23,484	\$ -	\$ 860,832	
6,693	3,319	1,399	1,199	1,597	64,944	964	-	65,908	
7,628	3,659	-	-	-	36,659	1,739	-	38,398	
-	-	-	-	-	1,395	100	-	1,495	
-	-	-	12,280	-	13,664	-	-	13,664	
2,217	1,439	-	-	4,692	15,055	682	-	15,737	
972	-	1,162	476	2,885	16,390	210	10,485	27,085	
2,477	1,123	444	1,733	7,542	38,920	1,636	-	40,556	
443	550	365	-	-	11,745	449	-	12,194	
101	52	100	-	-	797	686	-	1,483	
651	244	-	-	-	3,972	-	-	3,972	
-	-	-	-	-	7,795	-	-	7,795	
3,071	699	-	-	-	60,906	164	-	61,070	
1,470	119	-	81	-	12,885	-	-	12,885	
798	-	509	-	-	4,550	-	-	4,550	
-	-	-	728	-	728	28	-	756	
2,254	2,904	2,388	160	-	18,829	4,197	-	23,026	
-	-	-	740	-	3,207	-	-	3,207	
2,089	352	520	-	-	3,581	-	-	3,581	
2,885	1,507	-	84	-	18,683	-	-	18,683	
11,558	-	-	-	-	11,558	24,424	-	35,982	
7,000	-	100	-	-	9,409	140	-	9,549	
137,041	57,629	25,001	32,734	36,733	1,193,020	58,903	10,485	1,262,408	
-	-	-	-	-	-	45,545	-	45,545	
137,041	57,629	25,001	32,734	36,733	1,193,020	104,448	10,485	1,307,953	
24,084	18,728	-	-	-	42,812	-	-	42,812	
(11,558)	-	-	-	-	(11,558)	(24,424)	-	(35,982)	
<b>\$ 149,567</b>	<b>\$ 76,357</b>	<b>\$ 25,001</b>	<b>\$ 32,734</b>	<b>\$ 36,733</b>	<b>\$ 1,224,274</b>	<b>\$ 80,024</b>	<b>\$ 10,485</b>	<b>\$ 1,314,783</b>	

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**STATEMENT OF CASH FLOWS**  
**YEAR ENDED JUNE 30, 2018**

		<b>2017</b> <b>(Memorandum)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in Net Assets	\$ 34,888	\$ 123,393
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities		
Unrealized Gain on Investments	(20,428)	(32,358)
Depreciation	45,545	33,307
Change in Operating Assets and Liabilities		
Grants Receivable	32,676	(31,001)
Thrive in Southern New Mexico Receivable	20,215	(1,977)
Deposits	-	1,000
Prepaid Expenses	-	2,048
Accounts Payable	(1,264)	-
Accrued Payroll Liabilities	(243)	(37)
Accrued Wages	-	(25,125)
Accrued Vacation	9,981	(2,712)
	<u>121,370</u>	<u>66,538</u>
Cash Provided by Operating Activities		
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash Transfer to Investments	(248,000)	-
Purchase of Capital Assets	(199,742)	(107,449)
	<u>(447,742)</u>	<u>(107,449)</u>
Cash Used by Investing Activities		
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
CDBG Grant Payable to City of Alamogordo	113,760	-
	<u>113,760</u>	<u>-</u>
Cash Used by Financing Activities		
<b>NET CHANGE IN CASH</b>	(212,612)	(40,911)
<b>CASH AT BEGINNING OF YEAR</b>	<u>476,982</u>	<u>517,893</u>
<b>CASH AT END OF YEAR</b>	<u>\$ 264,370</u>	<u>\$ 476,982</u>
<b>Supplemental Cash Flow Disclosures</b>		
In-kind Donated Services	<u>\$ 89,650</u>	<u>\$ 130,039</u>

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018 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 2016.

**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, 2018, the Organization does not have any permanently restricted net assets.

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018, therefore no adjustment for the effect of FASB ASC 820 was made to the Organization's financial statements at June 30, 2018.

**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, 2018**

**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, 2018 was above the \$250,000 maximum covered by the federal depository insurance, therefore the Organization is 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 fiscal year from an anonymous donor to assist clients with personal expenses to aid in establishing independence. As of June 30, 2018, the Organization utilized \$13,005 of the donation funds for direct client services, leaving approximately \$11,995 remaining for use in the coming fiscal year.

**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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, 2018.

Investment	Cost	Market	Unrealized Gain/(Loss)
Corporate Bonds	\$ 43,920	\$ 34,742	\$ (9,178)
Money Market	23,879	23,879	-
Mutual Funds	<u>577,581</u>	<u>590,184</u>	<u>12,603</u>
Total Investments	<u>\$ 645,380</u>	<u>\$ 648,805</u>	<u>\$ 3,245</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	\$ 15,283
New Mexico Crime Victims Reparation Commission	
Victims of Crime Act (VOCA)	44,008
Violence Against Women Act (VAWA)	<u>5,044</u>
<b>Total Grants</b>	<b><u>\$ 64,335</u></b>

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	Otero	Lincoln	Special Services	Total	Receivable
Grant 610	\$ -	\$ -	\$ 137,041	\$ 137,041	\$ -
Grant 688	-	-	57,630	57,630	44,008
Grant 408	-	14,382	-	14,382	-
Grant 459	25,405	-	-	25,405	-
Grant 505	<u>-</u>	<u>-</u>	<u>24,537</u>	<u>24,536</u>	<u>-</u>
Total VOCA Grants	<u>\$ 25,405</u>	<u>\$ 14,382</u>	<u>\$ 219,208</u>	<u>\$ 258,995</u>	<u>\$ 44,008</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, 2018**

**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, 2018. 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 \$45,545 for the 2018 fiscal year.

Capital assets balances as of June 30, 2018, consisted of the following:

Buildings and Improvements	\$ 786,389
Furniture and Equipment	132,577
Vehicles	<u>24,400</u>
	943,366
Less Accumulated Depreciation	<u>(268,583)</u>
<b>Net Capital Assets</b>	<b><u>\$ 674,783</u></b>

**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 \$46,726 for the 2018 fiscal year.

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 \$113,760 remaining on the CDBG obligation to the City as of June 30, 2018. This balance is to be paid three equal installments, due before April, 2020.



**CENTER OF PROTECTIVE ENVIRONMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**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 \$89,650 of in-kind rental and radio and television public service announcement contributions that were recognized as income during the 2018 fiscal year. The Organization used the donated media services for grant matching of approximately \$42,925 for community education expense, and the in-kind rental donation of \$46,726 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 options 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:

<b>Fiscal Year Ending</b>	
2019	11,100
2020	<u>2,775</u>
<b>Total Minimal Lease Payments</b>	<b><u>\$ 13,875</u></b>

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, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Program or Grant Number	Pass-through Identifying Number	Program or Award Amount	Expenditures
<b><u>US Department of Housing and Urban Development</u></b>					
Passed Through the New Mexico Mortgage Finance Authority					
Emergency Shelter Grants Program	14.231	-	17-02-COP-EHA-001	\$ 36,733	\$ 13,000
<b><u>US Department of Health and Human Services</u></b>					
Passed Through New Mexico Children, Youth and Family Department					
Family Violence Prevention and Services Act	93.671	-	17-690-20129-2	36,970	36,970
<b><u>US Department of Homeland Security</u></b>					
Passed Through United Way of Otero County					
Emergency Food and Shelter Program	97.024	-	Phase 32 & 33	20,452	20,452
<b><u>US Department of Justice</u></b>					
Passed Through New Mexico Crime Victims Reparation Committee					
Violence Against Women Act	16.588	2016-WF-AX-0010	2018-WF-411	25,000	25,000
Victims of Crime Act	16.575	2015-VA-GX-0053	2017-VA-408	48,598	14,382
Victims of Crime Act	16.575	2015-VA-GX-0053	2017-VA-505	135,193	24,536
Victims of Crime Act	16.575	2014-VA-GX-0059	2017-VA-459	93,125	25,406
Victims of Crime Act	16.575	2015-VA-GX-0053	2018-VA-610	137,041	137,041
Victims of Crime Act	16.575	2016-VA-GX-0064	2018-VA-668	115,622	57,630
Totals for Federal Assistance				<u>\$ 648,734</u>	<u>\$ 354,417</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, 2018, 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 August 13, 2018.

**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.

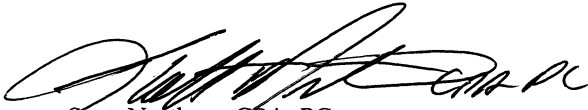
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.



Scott Northam, CPA, PC  
Ruidoso, New Mexico  
August 13, 2018

**CENTER OF PROTECTIVE ENVIRONMENT, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2018**

**FINANCIAL AND FEDERAL AWARD FINDINGS**

*CURRENT YEAR FINDINGS:*

NONE

*PRIOR YEAR FINDINGS:*

NONE