



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**COMMUNITY ACTION AGENCY  
OF SOUTHERN NEW MEXICO**

**INDEPENDENT AUDITOR'S REPORT  
AND CONSOLIDATED FINANCIAL  
STATEMENTS**

**For the Year Ended September 30, 2017**

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
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**COMMUNITY ACTION AGENCY OF NEW MEXICO  
OFFICIAL ROSTER  
SEPTEMBER 30, 2017**

**BOARD OF DIRECTORS**

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Michal G. Rudloff	Chair
Mark Pickett	Vice Chair
Cathy Diaz	Director
Christine Ortiz	Director
Kristin Maruska	Director
Gilda Dorbandt	Director
Steve Fischmann	Director
Ray Lara	Director
Lisa Pena	Director
Zetdi Runyan Sloan	Director
Cruzita Jaffe	Director
Alberto Cuen	Director

**Administrative Offices**

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Dawn Hommer	CEO
Kimberly Daisley	Finance Director



**INDEPENDENT AUDITOR’S REPORT**

The Board of Directors  
Community Action Agency of Southern New Mexico  
Las Cruces, New Mexico

**Report on the Financial Statements**

We have audited the accompanying consolidated financial statements of Community Action Agency of Southern New Mexico, Inc. (Agency) (a nonprofit organization) which comprise the consolidated statement of financial position, as of September 30, 2017, and the related consolidated 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

**Opinion**

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

**Emphasis of Matter**

As discussed in Note S to the consolidated financial statements, the 2016 net asset have been restated. Our opinion is not modified with respect to these matters.

**Other Matters**

*Other Information*

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

*Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2018, on our consideration of Agency'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 Agency's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.  
Albuquerque, NM  
June 27, 2018

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017**

	Notes	2017
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	B	\$ 330,915
Restricted cash	B	64,312
Grant receivable	C	200,160
Other receivable	C	1,507
Prepaid expenses	E	3,333
<b>Total current assets</b>		<b>600,227</b>
<b>Non-current assets</b>		
Property and equipment, net	F	2,531,932
Investment in New Mexico Community Foundation	D	48,641
<b>Total noncurrent assets</b>		<b>2,580,573</b>
<b>Total assets</b>	\$	<b>3,180,800</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Current liabilities</b>		
Accounts payable		\$ 138,420
Payroll related liabilities		17,989
Accrued salaries and leave payable	G	27,126
Accrued interest payable		78
Current portion of long-term notes payable	H	11,824
<b>Total current liabilities</b>		<b>195,437</b>
<b>Long-term liabilities</b>		
Notes payable, long-term	H	69,574
<b>Total liabilities</b>		<b>265,011</b>
<b>Net Assets</b>		
Unrestricted		
Net investment in property and equipment		2,531,932
Available for operations		270,904
Temporarily restricted	J	64,312
Permanently restricted	K	48,641
<b>Total net assets</b>		<b>2,915,789</b>
<b>Total liabilities and net assets</b>	\$	<b>3,180,800</b>

See independent auditor's report  
The accompanying notes are integral to these financial statements

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATED STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>2017</b>			<b>Total</b>
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	
<b>Revenue and Support</b>				
Federal funds	\$ 2,857,030	-	-	<b>2,857,030</b>
Local revenues and other	298,209	117,760	-	<b>415,969</b>
Rent revenue	16,340	-	-	<b>16,340</b>
Gain/(loss) on investment	-	-	4,290	<b>4,290</b>
Net assets released from restriction	94,498	(94,498)	-	-
<b>Total revenue and support</b>	<b>3,266,077</b>	<b>23,262</b>	<b>4,290</b>	<b>3,293,629</b>
<b>Expenses</b>				
Program services:				
Programs	2,762,354	-	-	<b>2,762,354</b>
Support Services:				
Administrative	489,401	-	-	<b>489,401</b>
Fundraising	1,536	-	-	<b>1,536</b>
CPI	83,617	-	-	<b>83,617</b>
<b>Total expenses</b>	<b>3,336,908</b>	<b>-</b>	<b>-</b>	<b>3,336,908</b>
Change in net assets	(70,831)	23,262	4,290	<b>(43,279)</b>
Net assets, beginning of year	2,815,240	41,050	44,351	<b>2,900,641</b>
Restatement	58,427	-	-	<b>58,427</b>
Net assets, beginning of year - restated	2,873,667	41,050	44,351	<b>2,959,068</b>
Net assets, end of year	<b>\$ 2,802,836</b>	<b>64,312</b>	<b>48,641</b>	<b>2,915,789</b>

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The accompanying notes are integral to these financial statements

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	2017									
	Program Services					Support Services				
	Community Services Block Grant	Child Care Food Program	Housing Program	Other Outreach Programs	C.A.R.E Program	Total Program Services	General and Administrative	Fundraising	CPI	Total
Salaries	\$ 206,370	142,750	-	187,293	-	536,413	260,893	-	-	<b>797,306</b>
Employee benefits	24,495	30,515	-	13,791	-	68,801	40,762	-	-	<b>109,563</b>
Payroll taxes	25,506	17,642	-	21,301	-	64,449	28,788	-	-	<b>93,237</b>
Total salaries and related expenses	256,371	190,907	-	222,385	-	669,663	330,443	-	-	<b>1,000,106</b>
Care and support	415	1,710,421	-	68,547	79,720	1,859,103	-	-	-	<b>1,859,103</b>
Maintenance	4,080	938	13,254	1,267	-	19,539	45,774	479	18,752	<b>84,544</b>
Contract labor	1,212	259	83	17,896	28,913	48,363	22,798	486	-	<b>71,647</b>
Insurance	10,571	3,619	712	574	1,373	16,849	20,104	-	4,497	<b>41,450</b>
Vehicles expense	13,115	7,222	13	2,839	-	23,189	2,134	12	-	<b>25,335</b>
Travel	8,693	2,996	-	6,224	-	17,913	6,204	-	-	<b>24,117</b>
Rent of equipment	3,119	2,982	5	1,266	18	7,390	10,820	20	-	<b>18,230</b>
Utilities	11,401	3,276	636	2,270	-	17,583	-	-	-	<b>17,583</b>
Miscellaneous	-	-	12,003	2,986	125	15,114	-	195	-	<b>15,309</b>
Telephone	4,550	3,973	-	481	-	9,004	4,627	-	-	<b>13,631</b>
Training	8,377	686	-	374	-	9,437	1,939	-	-	<b>11,376</b>
Rent of building	2,642	1,385	-	313	2,400	6,740	3,513	-	-	<b>10,253</b>
Office supplies	1,972	2,700	66	2,235	210	7,183	1,701	106	-	<b>8,990</b>
Food	274	716	-	7,189	44	8,223	237	-	-	<b>8,460</b>
Subscriptions and fees	3,968	40	-	-	3,858	7,866	577	-	-	<b>8,443</b>
Inventory exempt	511	81	630	4,290	2,735	8,247	-	-	-	<b>8,247</b>
Property taxes	74	28	2,990	5	-	3,097	62	-	-	<b>3,159</b>
Postage	450	1,658	-	136	158	2,402	438	-	-	<b>2,840</b>
Donations	-	-	-	1,945	-	1,945	505	-	-	<b>2,450</b>
Interest	-	-	-	-	-	-	2,166	-	-	<b>2,166</b>
Printing	23	557	-	434	-	1,014	688	134	-	<b>1,836</b>
Advertising	20	-	-	1,050	-	1,070	52	104	-	<b>1,226</b>
Uniforms	-	-	-	734	-	734	119	-	-	<b>853</b>
Board expenses	-	-	-	-	-	-	820	-	-	<b>820</b>
Bank charges	-	-	686	-	-	686	-	-	-	<b>686</b>
Total expenses before depreciation	331,838	1,934,444	31,078	345,440	119,554	2,762,354	455,721	1,536	23,249	<b>3,242,860</b>
Depreciation	-	-	-	-	-	-	33,680	-	60,368	<b>94,048</b>
Total expenses	\$ 331,838	1,934,444	31,078	345,440	119,554	2,762,354	489,401	1,536	83,617	<b>3,336,908</b>

See independent auditor's report  
The accompanying notes are integral to these financial statements

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>2017</b>
<b>Cash Flows From Operating Activities</b>	
Cash from federal funds	\$ 2,684,749
Cash from other sources	436,599
Cash paid to employees and suppliers	(3,104,817)
Interest paid	(2,166)
Cash provided by (used for) operating activities	<b>14,365</b>
<b>Cash Flows From Investing Activities</b>	
Purchases of property and equipment	(36,016)
Cash provided by (used for) investing activities	<b>(36,016)</b>
<b>Cash Flows From Financing Activities</b>	
Payments of borrowings	(11,483)
Cash provided by (used for) financing activities	<b>(11,483)</b>
Net change in cash, restricted cash, and cash equivalents	<b>(33,134)</b>
Cash, restricted cash, and cash equivalents, beginning of year	<b>428,361</b>
Cash, restricted cash, and cash equivalents, end of year	<b>\$ 395,227</b>
<b>Reconciliation of Change in Net Assets to  Net Cash Provided (Used) by Operating Activities</b>	
Change in net assets	\$ (43,279)
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:	
Depreciation	94,048
Unrealized/realized (gain) loss on investments	(4,290)
Restatement	119,070
Changes in assets and liabilities:	
Receivables	(9,498)
Prepaid expenses	24,925
Accounts payable	3,827
Deferred revenue	(162,783)
Other liabilities	(251)
Payroll liabilities	(7,404)
Total adjustments	<b>57,644</b>
Cash provided by (used for) operating activities	<b>\$ 14,365</b>

See independent auditor's report  
The accompanying notes are integral to these financial statements

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of Community Action Agency of Southern New Mexico (the Agency) have been prepared on the accrual basis. The following is a general description of significant policies followed by the Agency in accounting for its operations. These significant accounting policies and other notes to financial statements are described below to enhance the usefulness of the financial statements to the reader.

**Organization**

The Agency is a nonprofit organization established in 1965, which provides social services in the form of community assistance and services to low income individuals and households in the southern New Mexico counties of Dona Ana, Luna, Hidalgo, Sierra, and Grant. The Agency is exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code. This code section defines such organizations as “corporations...organized and operated exclusively for religious, charitable, scientific testing of public safety, literary or educational purposes...no part of the net earnings of which inures to the benefit of any shareholder or individual...”

The Agency operates the following programs:

**Community Services Block Grant** – The Agency utilizes the funds from the Community Services Block Grant to provide a variety of community social services. Programs currently funded through this grant include (1) Free Tax Preparation (2) Financial and Computer Literacy and (3) Benefit screenings for low income families.

**Child Care Food Program** – Provides cash reimbursements for food and child care technical assistance to individuals caring for children in their homes.

**Asset Development** – The Business Development program allows the self-employed to understand and effectively implement the many areas of running a small business. The Tax Program prepares federal and state tax returns for free. The IDA program offers clients financial accounts for education, business or home with a 4-to-1 match on savings after completion of the program.

The Agency also receives funding from the State of New Mexico Department of Health, U.S. Housing and Urban Development, City of Las Cruces, W.K. Kellogg Foundation (Empowerment Congress Grant), and the United Way of Southwest New Mexico, which is used to assist in providing community social services to low income individuals and households.

**CARE Program**

The Agency operates the Cancer Aid Resource and Education program (“CARE”) on behalf of CARE, Inc. The Agency, acting as a fiscal agent, has taken on the responsibility of the operations of the CARE program. The Agency receives, for being the fiscal agent of CARE, 2.5% of CARE’s contributed revenues or at least \$250 annually. The Agency has separately reported the program activity on the accompanying statement of functional expenses and reports the net proceeds received by the program as restricted cash and cash equivalents on the statement of financial position.

**USDA Rural Business Enterprise**

The EATP will focus on assisting existing businesses whose basic operational needs (such as infrastructure) are already fulfilled by the community. Through EATP, Agency will offer 6 months of one-on-one mentoring services to businesses with modest revenues but with potential for growth, including business owners with limited English proficiency. The proposed project will consist of

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

planning and assessment period and subsequently entail providing individual entrepreneurship and innovation consulting services to 5 small businesses in the Village of Hatch over a 6-month period.

**NM DOH Healthy Kids Healthy Childcare**

Manage trainings reaching 35 licensed childcare centers. Trainings at child care centers are to establish childcare wellness policies to support healthy eating and increased physical activity. Implement Family 5.2.1.0 challenge to encourage and support families to adopt healthy behaviors at home. The Agency also receives funding from the State of New Mexico Department of Health, U.S. Housing and Urban Development, City of Las Cruces, and the United Way of Southwest New Mexico, which is used to assist in providing community social services to low income individuals and households.

**Consolidation of Related Not-for-Profit Entities**

FASB 958-810-25 (FASB 958) states that in the case of control of a related but separate not-for-profit entity through a majority voting interest in the board of the other not-for-profit entity by means other than ownership or sole corporate membership and an economic interest in other such organizations, consolidation is required, unless control does not rest with the holder of the majority voting interest, in which case consolidation is prohibited. A not-for-profit entity has a majority voting interest in the board of another entity if it has the direct or indirect ability to appoint individuals that together constitute a majority of the votes of the fully constituted board (that is, including any vacant board positions). For the year ended September 30, 2017, the Agency was required to consolidate Community Properties, Inc. (CPI) into its financials based on the criteria noted above.

**Controlled Affiliate**

The controlled affiliate, CPI, is a single asset nonprofit corporation that serves as a holding company for the Agency. The determination of why the CPI should be consolidated is disclosed above. CAASNMM paid rent each month to CPI in the amount of \$8,000 for land and building. The amount of the rent is reevaluated each year. CPI pays taxes and any repairs and maintenance required on the building. Any funds remaining in CPI at the end of the year are reverted back to the CAASNMM. During 2017, CPI returned \$68,254 to the CAASNMM.

**Principles of Consolidation**

The consolidated financial statements include the accounts of CPI. Intercompany accounts and transactions for these entities have been eliminated in the preparation of the consolidated financial statements. Collectively, the consolidated entity is referred to as the "Agency".

**Functional Allocation of Expenses**

Expenses are charged directly to program and supporting services categories based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent.

**Management Estimates and Assumptions**

The preparation of financial statements in conformity with US 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.

**Basis of Presentation**

Financial statement presentation follows the recommendations of FASB ASC No. 958, Not-for-Profit Entities. Under this Standard, the Agency is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Temporarily and Permanently Restricted Net Assets**

Temporarily restricted net assets are those whose use by the Agency has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by the Agency in perpetuity.

**Revenue Recognition**

Grant revenues and contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

**Cash and Cash Equivalents**

Cash and cash equivalents consist of cash held in checking and money market accounts and certificates of deposit with maturities of less than 90 days. At times, these balances exceed amounts covered by insurance provided by the Federal Deposit Insurance Corporation (FDIC), up to \$250,000 per institution. As of September 30, 2017, the maximum loss that would have resulted from that risk totaled \$37,268. The Agency has not experienced any losses and maintains deposits with reputable institutions. As such, the Agency believes it is not exposed to any significant credit risk to cash.

**Investments**

The Agency has adopted FASB ASC 958, Not-for-Profit Entities. Under this Standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at their fair values in the Statement of Financial Position.

Unrealized gains and losses are included in the change of net assets. Investment income and gains restricted by a donor are reported as increases in restricted net assets if the restrictions are met in the reporting period in which the income and gains are recognized.

**Fair Value of Financial Instruments**

The fair values of substantially all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such amounts.

**Property and Equipment**

Assets purchased whose cost is greater than \$5,000 are recorded, at cost, as property and equipment. Depreciation of property and equipment is provided using the straight-line method over the assets estimated useful life or the lease term of the related asset improvement. Repairs and maintenance costs are expensed as incurred. Estimated useful lives of the assets are as follows:

<u>Type</u>	<u>Life</u>
Furniture and fixtures	5-10 years
Equipment	5-10 years
Vehicles	5 years
Buildings and improvements	40 years

Management reviews long-lived assets to assess recoverability whenever events or changes in circumstances indicate that expected future undiscounted cash flows might not be sufficient to support the carrying amount of an asset. If an asset is determined to be impaired, the loss is measured

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

as the amount by which the carrying value of the asset exceeds its fair value. At this time, no impairment losses have been recorded.

Gifts of long-lived assets such as land, buildings, or equipment are reported, at fair value at date of donation, as unrestricted support, and are excluded from the excess of revenues over expenses, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, expirations of donor restrictions are reported when the donated or acquired long-lived assets are placed in service.

**Advertising**

The Agency expenses advertising costs as amounts are incurred. For the period ended September 30, 2017, the Agency recorded \$1,226 in advertising expense.

**Income Taxes**

The Agency is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986 and, therefore, has made no provision for federal income taxes in the accompanying financial statements. There was no unrelated business income for the fiscal year ending September 30, 2017.

**Compensated Absences**

Employees of the Agency are entitled to paid vacation depending on length of service. Non-vesting sick leave benefits are not accrued. Employees are not paid for any sick leave balance at termination of employment.

**Receivables**

The Agency estimates that all receivables will be collected; therefore, no allowance for doubtful accounts has been set up.

**Subsequent Events**

Subsequent events are events or transactions that occur after the consolidated statement of financial position date but before consolidated financial statements are available to be issued. The Agency recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about the conditions that existed at the date of the consolidated statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The Agency's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that exist at the date of the consolidated statement of financial position but arose after the consolidated statement of financial position date and before the consolidated financial statements are available to be issued. The Agency has evaluated subsequent events through June 27, 2018, which is the date the consolidated financial statements were available to be issued and, as a result of evaluation, there were no subsequent events that require disclosure.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**B. CASH, RESTRICTED CASH, AND CASH EQUIVALENTS**

At September 30, cash and cash equivalents were as follows:

<u>Cash and cash equivalents</u>	<u>2017</u>
Citizen Bank - unrestricted cash	\$ <b>330,915</b>
Citizen Bank - restricted cash	<b>64,312</b>
Petty Cash	-
Total cash and cash equivalents	<b>\$ <u>395,227</u></b>

**C. RECEIVABLES**

Receivables as of September 30, were as follows:

Grants	<u>2017</u>
USDA	\$ <b>4,502</b>
State of New Mexico - DOH	<b>3,650</b>
City of Las Cruces CARE	<b>2,536</b>
Child Care Food Reimbursement	<b>167,472</b>
Burell Institute	<b>22,000</b>
Other	
Other	<b>1,507</b>
Community Properties, Inc.	<b>87,006</b>
Elimination due to consolidation	<b>(87,006)</b>
Total receivables	<b>\$ <u>201,667</u></b>

No allowance for doubtful accounts has been established. All accounts are expected to be collected.

**D. INVESTMENTS**

As of September 30, 2017, investments consisted of an endowment at the Community Foundation of Southern New Mexico (NMCF) which is valued at the fair market value of the investment. Distributions from these funds can only be made in accordance with the NMCF's distribution policy and the funds are the property of the (NMCF). The Agency will receive matching contributions along with interest income allocated to the Endowment. Current fair market value, as reported on the Statement of Financial Position, was as follows:

Fair value at beginning of year	\$ <u>44,351</u>
Contributions	-
Net realized and unrealized gains (loss)	<u>4,728</u>
Total additions	<b>4,728</b>
Fees	<b>(438)</b>
Distributions	-
Total withdrawals	<u>(438)</u>
Change in beneficial interest in asset held by others	<b>4,290</b>
Fair value at end of year	<b>\$ <u>48,641</u></b>

Additionally, the NMCF holds endowment matching funds of \$23,784. The Agency is entitled to an annual distribution from these funds, but they do not belong to the Agency. The Agency opted not to take the distribution as of September 30, 2017.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**E. PREPAID EXPENSE**

Prepaid expense at September 30 consisted of the following:

Prepaid postage	\$ <u>2017</u> <u>3,333</u>
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**F. PROPERTY AND EQUIPMENT AND DEPRECIATION**

Property and equipment at September 30 include:

	2016	Additions	Deletions	Adjustments	2017
Land	\$ 14,342	-	-	-	<b>14,342</b>
Land - CPI	421,290	-	-	-	<b>421,290</b>
Vehicles	185,489	36,016	-	-	<b>221,505</b>
Office furniture and equipment	695,207	-	-	-	<b>695,207</b>
Equipment	7,995	-	-	-	<b>7,995</b>
Cactus building	233,616	-	-	-	<b>233,616</b>
Building - CPI	2,414,737	-	-	-	<b>2,414,737</b>
Total property and equipment	3,972,676	36,016	-	-	<b>4,008,692</b>
Less: accumulated depreciation	(1,322,071)	(94,049)	-	(60,640)	<b>(1,476,760)</b>
Property and equipment, net	\$ 2,650,605	(58,033)	-	(60,640)	<b>2,531,932</b>

Depreciation expense for the year ended September 30, 2017 was \$94,049.

**G. ACCRUED ANNUAL LEAVE AND ACCRUED EXPENSES**

Accrued annual leave and accrued wages payable as of September 30, 2017 were as follows:

Accrued annual leave	\$ <u>2017</u> <u>27,126</u>
Accrued wages payable	-
Total accrued leave and salary payable	<u>27,126</u>

**H. LONG-TERM DEBT**

Long term debt as of September 30, 2017 was as follows:

	<b>2017</b>
Note payable, US Bank, secured by Cactus Gardens, payable at \$481 per month at 7.25%, matures 06/30/2024	\$ <b>30,267</b>
Note Payable, City of Las Cruces, secured by building, payable in monthly installments of \$302 at 0.00%, matures 11/02/2023	<b>21,753</b>
Note payable, City of Las Cruces, secured by building, payable in monthly installments of \$418 at 1.00%, matures 10/01/2023	<b>29,378</b>
Less: current portion of long-term debt	<u>(11,824)</u>
	<u>\$ <b>69,574</b></u>

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Estimated maturities on the long-term notes payable are as follows at September 30, 2017:

2018	\$	11,824
2019		12,145
2020		12,487
2021		12,851
2022		13,240
Thereafter		<u>18,851</u>
	\$	<u><u>81,398</u></u>

**I. CHILD CARE FOOD PROGRAM VENDOR PAYMENTS**

The Agency records the child vendor payments through the Child Care Food Program as support and revenue or an expense in the Statement of Activities. These payments pass through the Agency, which acts as an administrative agent for the State. The total child vendor payments for the fiscal year ended September 30, 2017, were \$1,710,419.

**J. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets include residual restricted cash generated from the Agency acting as fiscal agent in which the Agency takes responsibility for operations of the Cancer Aid Resource and Education program. At September 30, 2017, the balance was as follows:

CARE	\$	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
		<u>41,050</u>	<u>117,760</u>	<u>(94,498)</u>	<u>64,312</u>

**K. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets include an endowment for the Food Bank from the Stocker Foundation. The grant is to be used for restricted purposes. At September 30, 2017, the balance was as follows:

NMCF Endowment	\$	<u>2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>2017</u>
		<u>44,351</u>	<u>4,290</u>	<u>-</u>	<u>48,641</u>

**L. RENT EXPENSE AND LEASE COMMITMENTS**

The following operational leases were in place at September 30, 2017:

1. Lease for Tierra Del Sol, Anthony Office, payable at \$215 per month and on a month-to-month basis.
2. Lease for Las Cruces office payable at \$8,000 per month until April 30, 2019.
3. Lease of a mailing machine at \$225 per month until July 30, 2022.
4. Lease of the Panasonic phone system at \$357 per month until April 24, 2018.
5. Lease of a Xerox machine at \$165 per month until August 30, 2020.
6. Lease of a Xerox machine at \$106 per month until April 30, 2020.
7. Lease of a Xerox machine at \$336 per month until April 30, 2020.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Additionally, the following operational lease was in place for CARE at September 30, 2017:

1. Lease for CEC Las Cruces Office, payable at \$200 per month until November 30, 2017; a new lease was signed on February 2018 for \$300 per month until February 28, 2023

Future minimum lease payments for the period ended September 30, 2017 for the Agency and CARE are as follows:

CAASNМ		CARE	
2018	\$ 110,638	2018	\$ 2,400
2019	46,638	2019	3,600
2020	7,539	2020	3,600
2021	3,072	2021	3,600
2022	2,304	2022	3,600
Thereafter	-	Thereafter	1,200
	\$ 170,192		\$ 18,000

Rental expense for the year ended September 30, 2017 \$ 124,483.

**M. RETIREMENT PLAN**

A qualified deferred compensation plan 403(b) has been established for employees through Mutual of America. Employees participating in the plan are fully vested at initial contribution. Employer contributions were as follows:

Employer contributions	\$ <u><u>2017</u></u> <u><u>22,456</u></u>
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**N. IN-KIND CONTRIBUTIONS**

The Agency recognizes all contributed equipment at their fair market value at the time of the donation. Fixed assets are depreciated over their estimated useful life. A total of 1,474.5 volunteer hours were identified during the year; however, the value is not recorded in the Statement of Activities. The Board of Directors contributed 49.5 hours of their time in performance of board duties, CAA staff volunteered 65 hours in support of the Dance for a Cause Fundraiser, and 1,360 volunteer hours were contributed by various individuals in support of the Senior Community Service Employment Program, Department of Vocational Rehabilitation program, and the SL Start/CareerLink Program.

**O. FAIR VALUES MEASUREMENT**

Under FASB ASC 820-10-05, the Financial Accounting Standards Board establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This Statement reaffirms that fair value is the relevant measurement attribute. The adoption of this standard did not have a material effect on the Agency's financial statements as reflected herein. The carrying amounts of cash and cash equivalents, receivables, payables, accrued expenses, and other liabilities approximate fair value due to the short maturity periods of these instruments. The fair value of long-term debt is the carrying value due to the adjustable market rate if interest. The Agency measures certain financial assets and liabilities at fair value on a recurring basis, including its derivative liabilities. The Agency's financial assets and liabilities are measured using inputs from the three levels of the fair value hierarchy. The three levels are as follows:

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Level 1**

Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the organization has the ability to access.

**Level 2**

Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

**Level 3**

Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The fair value of investments securities is the market value based on the quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs to the limited market activity of the instrument.

The following table summarizes the valuation of the Agency's financial instruments by the above FASB ASC 820-10 categories as of September 30:

<u>Description</u>	<u>Level 1</u>
	<u>2017</u>
Endowment	\$ <u><u>48,641</u></u>

All of the Agency's other assets and liabilities meet Level 1 criteria.

**P. SUBLEASE OF FACILITY**

The Agency entered in to a sublease agreement with Ngage New Mexico. The terms of the agreement are \$1,285 per month on a month to month basis.

**Q. CONTINGENCIES**

The Agency participates in a number of federal award programs. Although the Agency's programs have been audited in accordance with the provisions of the Uniform Guidance, these programs are still subject to financial and compliance audits. The amounts, if any, of expenditures or overhead allowances which may be disallowed or changed by the granting agencies cannot be determined at this time, although the Agency expects such amounts, if any, to be immaterial.

Amounts received, or receivables from grantor agencies and through agreements, are subject to audit and adjustment by grantor and organizations. Any disallowed claims, including amounts already collected, may constitute a liability of the Agency. The amount, if any, of expenses which may be disallowed by the grantor or organization cannot be determined at this time, although the Agency expects such amount, if any, to be immaterial.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**R. ECONOMIC DEPENDENCY**

The Agency receives a significant portion of its revenue in the form of grants from governmental entities. The Agency expects these grants to continue into the foreseeable future. If, however, a significant portion of these funds are not continued, the Agency's ability to continue all programs would be diminished. The following is a summary of concentrations from grants as of September 30:

<u>Concentrations</u>	<u>2017</u>
Federal	\$ <u>2,857,030</u>
Local	<u>415,969</u>
	\$ <u>3,272,999</u>
 Total revenue	 \$ <u>3,293,629</u>
 Concentration percentage	 <u>99.4%</u>

**S. RESTATEMENTS**

The Agency had the following restatements at September 30:

<u>Net Assets</u>	<u>CAASNM</u> <u>Unrestricted</u>	<u>CPI</u> <u>Unrestricted</u>	<u>Total</u>
As previously reported	\$ 300,039	2,515,201	2,815,240
Adjustment to contract receivables	(7,714)	-	(7,714)
Adjustment to deferred revenues	143,502	-	143,502
Adjustment to accumulated depreciation	24,596	(85,236)	(60,640)
Adjustment to cash	(8,671)	-	(8,671)
Adjustments to other assets	(24,091)	-	(24,091)
Adjustments to payroll liabilities	16,041	-	16,041
Prior year, restated	\$ <u>443,702</u>	<u>2,429,965</u>	<u>2,873,667</u>

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Number</u>	<u>Federal Expenditures</u>
<b><u>Department of Agriculture</u></b>			
<i>Passed through the State of New Mexico Children, Youth, and Families Department:</i>			
Child Care Food Program			
Operational	10.558*	Agreement #11	\$ 1,710,419
Administrative	10.558*	Agreement #11	371,500
			<u>2,081,919</u>
USDA Rural Development			
USDA RBEG-TA			
10/01/16-09/30/17	10.769	830737846	<u>40,939</u>
<b><u>Department of Health and Human Services</u></b>			
<i>Passed through the State of New Mexico New Mexico Department of Health:</i>			
Healty Eating Active Living Grant			
Administrative 01/19/2017 - 06/29/2017	93.737	PSA	54,690
Administrative 08/08/2017 - 06/30/2018	93.737	PSA	19,003
			<u>73,693</u>
<i>Passed through the State of New Mexico Human Services Department:</i>			
Community Services Block Grant			
07/01/16-06/30/17	93.569	PSC-17-630-9000-0005	519,843
07/01/17-09/30/17	93.569	PSC-17-630-9000-0005 A-1	157,355
			<u>677,198</u>
Assets for Independence Grant			
08/28/15-06/30/16	93.602	PSA	<u>12,442</u>
<b><i>Total Expenditures of Federal Awards</i></b>			<b><u><u>\$ 2,886,191</u></u></b>
<b><u>Reconciliation of federal expenditure to Statement of Activity:</u></b>			
Federal awards expended per SEFA			\$ 2,886,191
Total expenditures funded by other sources			407,438
Total expenditures reported in Statement of Activities			<u><u>\$ 3,293,629</u></u>

\* Major program

**Note 1**

**Basis of Accounting**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of CAASNМ and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*.

**Note 2**

**Subrecipients**

CAASNМ did not provide any federal funds to subrecipients.

**Note 3**

There were no federal awards expended in the form of non-cash assistance or loan guarantees outstanding at year-end.

**Note 4**

CAASNМ did not use the 10 percent de minimis indirect cost rate.

See independent auditor's report

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2017**

	Notes	CAASNМ	CPI	Elimination	2017
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and cash equivalents	B	\$ 179,412	151,503	-	<b>330,915</b>
Restricted cash	B	64,312	-	-	<b>64,312</b>
Grants receivable	C	200,160	-	-	<b>200,160</b>
Other receivables	C	88,513	-	(87,006)	<b>1,507</b>
Prepaid expenses	E	3,333	-	-	<b>3,333</b>
<b>Total current assets</b>		<u>535,730</u>	<u>151,503</u>	<u>(87,006)</u>	<b>600,227</b>
<b>Non-current assets</b>					
Property and equipment, net	F	222,335	2,309,597	-	<b>2,531,932</b>
Investment in New Mexico Community Foundation	D	48,641	-	-	<b>48,641</b>
<b>Total noncurrent assets</b>		<u>270,976</u>	<u>2,309,597</u>	<u>-</u>	<b>2,580,573</b>
<b>Total assets</b>		<u>\$ 806,706</u>	<u>2,461,100</u>	<u>(87,006)</u>	<b>3,180,800</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>Current liabilities</b>					
Accounts payable		\$ 138,420	87,006	(87,006)	<b>138,420</b>
Payroll related liabilities		17,989	-	-	<b>17,989</b>
Accrued salaries and leave payable	G	27,126	-	-	<b>27,126</b>
Accrued interest payable		78	-	-	<b>78</b>
Current portion of long-term notes payable	H	11,824	-	-	<b>11,824</b>
<b>Total current liabilities</b>		<u>195,437</u>	<u>87,006</u>	<u>(87,006)</u>	<b>195,437</b>
<b>Long-term liabilities</b>					
Notes payable, long-term		69,574	-	-	<b>69,574</b>
<b>Total liabilities</b>		<u>265,011</u>	<u>87,006</u>	<u>(87,006)</u>	<b>265,011</b>
<b>Net Assets</b>					
<b>Unrestricted</b>					
Net investment in property and equipment		222,335	2,309,597	-	<b>2,531,932</b>
Available for operations		206,407	64,497	-	<b>270,904</b>
Temporarily restricted	J	64,312	-	-	<b>64,312</b>
Permanently restricted	K	48,641	-	-	<b>48,641</b>
<b>Total net assets</b>		<u>541,695</u>	<u>2,374,094</u>	<u>-</u>	<b>2,915,789</b>
<b>Total liabilities and net assets</b>		<u>\$ 806,706</u>	<u>2,461,100</u>	<u>(87,006)</u>	<b>3,180,800</b>

See independent auditor's report

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	CAASNМ				CPI	Elimination	<b>2017 Total</b>
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total			
<b>Revenue and Support</b>							
Federal funds	\$ 2,857,030	-	-	2,857,030	-	-	<b>2,857,030</b>
Local revenues and other	366,463	117,760	-	484,223	-	(68,254)	<b>415,969</b>
Rent revenue	16,340	-	-	16,340	96,000	(96,000)	<b>16,340</b>
Gain/(loss) on investment	-	-	4,290	4,290	-	-	<b>4,290</b>
Net assets released from restriction	94,498	(94,498)	-	-	-	-	-
<b>Total revenue and support</b>	<b>3,334,331</b>	<b>23,262</b>	<b>4,290</b>	<b>3,361,883</b>	<b>96,000</b>	<b>(164,254)</b>	<b>3,293,629</b>
<b>Expenses</b>							
Program services:				-			
Programs	2,825,465	-	-	2,825,465	-	(63,111)	<b>2,762,354</b>
Support Services:							
General and administrative	522,290	-	-	522,290	-	(32,889)	<b>489,401</b>
Fundraising	1,536	-	-	1,536	-	-	<b>1,536</b>
CPI	-	-	-	-	151,871	(68,254)	<b>83,617</b>
<b>Total expenses</b>	<b>3,349,291</b>	<b>-</b>	<b>-</b>	<b>3,349,291</b>	<b>151,871</b>	<b>(164,254)</b>	<b>3,336,908</b>
Change in net assets	(14,960)	23,262	4,290	12,592	(55,871)	-	<b>(43,279)</b>
Net assets, beginning of year	300,039	41,050	44,351	385,440	2,515,201	-	<b>2,900,641</b>
Restatement	143,663	-	-	143,663	(85,236)	-	<b>58,427</b>
Net assets, beginning of year - restated	443,702	41,050	44,351	529,103	2,429,965	-	<b>2,959,068</b>
Net assets, end of year	\$ 428,742	64,312	48,641	541,695	2,374,094	-	<b>2,915,789</b>

See independent auditor's report

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
CONSOLIDATING SCHEDULE OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<b>2017</b>										
	Program Services						Support Services				
	Community Services Block Grant	Child Care Food Program	Housing Program	Other Outreach Programs	C.A.R.E Program	Total Program Services	General and Administrative	Fundraising	CPI	Eliminations	Total
Salaries	\$ 206,370	142,750	-	187,293	-	536,413	260,893	-	-	-	<b>797,306</b>
Employee benefits	24,495	30,515	-	13,791	-	68,801	40,762	-	-	-	<b>109,563</b>
Payroll taxes	25,506	17,642	-	21,301	-	64,449	28,788	-	-	-	<b>93,237</b>
Total salaries and related expenses	256,371	190,907	-	222,385	-	669,663	330,443	-	-	-	<b>1,000,106</b>
Care and support	415	1,710,421	-	68,547	79,720	1,859,103	-	-	-	-	<b>1,859,103</b>
Maintenance	4,080	938	13,254	1,267	-	19,539	45,774	479	18,752	-	<b>84,544</b>
Contract labor	1,212	259	83	17,896	28,913	48,363	22,798	486	-	-	<b>71,647</b>
Insurance	10,571	3,619	712	574	1,373	16,849	20,104	-	4,497	-	<b>41,450</b>
Vehicle expense	13,115	7,222	13	2,839	-	23,189	2,134	12	-	-	<b>25,335</b>
Travel	8,693	2,996	-	6,224	-	17,913	6,204	-	-	-	<b>24,117</b>
Rent of equipment	3,119	2,982	5	1,266	18	7,390	10,820	20	-	-	<b>18,230</b>
Utilities	11,401	3,276	636	2,270	-	17,583	-	-	-	-	<b>17,583</b>
Miscellaneous	-	-	12,003	2,986	125	15,114	-	195	-	-	<b>15,309</b>
Telephone	4,550	3,973	-	481	-	9,004	4,627	-	-	-	<b>13,631</b>
Training	8,377	686	-	374	-	9,437	1,939	-	-	-	<b>11,376</b>
Rent of building	27,381	14,356	-	25,714	2,400	69,851	36,402	-	-	(96,000)	<b>10,253</b>
Office supplies	1,972	2,700	66	2,235	210	7,183	1,701	106	-	-	<b>8,990</b>
Food	274	716	-	7,189	44	8,223	237	-	-	-	<b>8,460</b>
Subscriptions and fees	3,968	40	-	-	3,858	7,866	577	-	-	-	<b>8,443</b>
Inventory exempt	511	81	630	4,290	2,735	8,247	-	-	-	-	<b>8,247</b>
Property taxes	74	28	2,990	5	-	3,097	62	-	-	-	<b>3,159</b>
Postage	450	1,658	-	136	158	2,402	438	-	-	-	<b>2,840</b>
Donations	-	-	-	1,945	-	1,945	505	-	-	-	<b>2,450</b>
Interest	-	-	-	-	-	-	2,166	-	-	-	<b>2,166</b>
Printing	23	557	-	434	-	1,014	688	134	-	-	<b>1,836</b>
Advertising	20	-	-	1,050	-	1,070	52	104	-	-	<b>1,226</b>
Uniforms	-	-	-	734	-	734	119	-	-	-	<b>853</b>
Board expenses	-	-	-	-	-	-	820	-	-	-	<b>820</b>
Bank charges	-	-	686	-	-	686	-	-	-	-	<b>686</b>
Contribution to CAA	-	-	-	-	-	-	-	68,254	(68,254)	-	<b>-</b>
Total expenses before depreciation	356,577	1,947,415	31,078	370,841	119,554	2,825,465	488,610	1,536	91,503	(164,254)	<b>3,242,860</b>
Depreciation	-	-	-	-	-	-	33,680	-	60,368	-	<b>94,048</b>
Total expenses	\$ 356,577	1,947,415	31,078	370,841	119,554	2,825,465	522,290	1,536	151,871	(164,254)	<b>3,336,908</b>

See independent auditor's report



**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  
Community Action Agency of Southern New Mexico  
Las Cruces, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Community Action Agency of Southern New Mexico, Inc. (Agency), which comprise the consolidated statement of financial position as of September 30, 2017, and the related consolidated 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 June 27, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness: 2017-001.

June 27, 2018

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Agency'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*.

**The Agency's Response to Findings**

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

**Purpose of this Report**

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
June 27, 2018



**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN REQUIRED BY UNIFORM GUIDANCE**

Board of Directors  
Community Action Agency of Southern New Mexico  
Las Cruces, New Mexico

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

We have audited Community Action Agency of Southern New Mexico, Inc. (Agency) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Agency’s major federal programs for the year ended September 30, 2017. The Agency’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

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

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

**Opinion on Each Major Federal Program**

In our opinion, the Agency complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

**Report on Internal Control Over Compliance**

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified.

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
June 27, 2018

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued **Unmodified**

Internal control over financial reporting:

- Material weakness(es) identified? Yes    No
- Significant deficiency(ies) identified that not considered to be a material weakness(es)? Yes    No
- Noncompliance material to the financial statements noted? Yes    No

**Federal Awards**

Internal control over major programs:

- Material weakness(es) identified? Yes    No
- Significant deficiency(ies) identified that not considered to be a material weakness(es)? Yes    No

Type of auditor’s report issued on compliance for major programs **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a) Yes    No

Identification of major programs:

<b>CFDA Number(s)</b>	<b>Name of Federal Programs or Cluster</b>	<b>Funding Source</b>
10.558	Child and Adult Care Food Program	USDA

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes    No

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**SECTION II and III– SUMMARY OF FINDINGS**

**FINANCIAL AND FEDERAL FINDINGS**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Prior Year Findings</u>	<u>Type of Finding</u>
<b><u>Prior Year Findings</u></b>			
NONE			
<b><u>Current Year Findings</u></b>			
<b>2017-001</b>	FINANCIAL CLOSE AND REPORTING	Current	A

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Other Matters Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance to Federal Awards

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**CURRENT YEAR FINDINGS**

**2017-001-FINANCIAL CLOSE AND REPORTING**

**Type of Finding: A**

**Statement of Condition**

The Agency has not implemented effective financial close and reporting process controls for the year ended September 30, 2017. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and nonroutine events and transactions) that will be needed in order to maintain and systematically adjust the Agency's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Agency's transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

Significant areas that required audit adjustments, with approximate dollar amounts, are as follows:

- Reconcile fund balance \$170,615
- Net adjustment to contract receivables \$36,495
- Net adjustment to accounts payable \$(26,277)
- Net adjustment to accrued payroll/tax/benefit \$8,357
- Net adjustment to prepaid expense \$(42,193)
- Net adjustment to deferred revenue \$(76,143)
- Net adjustment to payable from CPI to CAA \$(18,752)
- Net adjustment to fixed assets \$36,014
- Net adjustment to allowance for doubtful accounts \$23,995
- Net adjustment to CPI's allowance for doubtful accounts \$(85,236)
- Net restatements of \$(143,664)

**Criteria**

There are several key underlying accounting standards related to an organization designing and implementing an effective financial close and reporting process. Auditors, are required to identify and communicate internal weaknesses according to AU-C 265 "Communicating Internal Control Related Matters Identified in an Audit". The following are a few concepts associated with this standard:

- The auditor cannot be part of a client's internal control because becoming part of a client's internal control impairs auditor independence;
- The auditor's work is independent of the client's internal control over financial reporting, and the auditor cannot be a compensating control for the client; and
- A system of internal control over the financial reporting does not stop at the general ledger – it includes controls over the presentation of the financial statements.

The Financial Close is considered a significant process of internal control and should be performed by the Agency's staff.

**COMMUNITY ACTION AGENCY OF SOUTHERN NEW MEXICO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**Cause**

Although it is staff responsibility to conduct a year end reconciliation of its accounts, the Agency did not receive all the Adjusting Journal Entries from the previous Auditor until the fiscal year was closed. Additionally, staff made seven (7) errors which have since been corrected.

**Effect**

There were a significant number of adjustments needed to present materially correct financial statements.

**Recommendation**

We recommend the Agency institute procedures to ensure there is a proper monthly/quarterly and year-end/financial close to its accounts.

**View of Responsible Official**

- CAASNM will identify all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the Agency's general ledger.
- CAASNM will revise its financial close policies and procedures to ensure there is a proper monthly/quarterly and year-end financial close to its accounts beginning in Fiscal Year 2018 to include monitoring assigned personnel are completing the tasks timely and accurately.
- Fiscal Department to attend Webinar offered by WIPFLI "Fiscal Year Close Procedures".
- Several Adjusting Journal Entries are in the normal course of business.

**CAASNM Detailed Explanation to Bullets Listed Above**

- Reconcile fund balance \$170,615
  - *AJE #1. Prior auditor AJE not received by CAASNM.*
- Net adjustment to contract receivables \$36,495
  - *AJE #4. CAASNM did not record because once paid would be paid out to other IDA organization. AJE #9. JE not received by prior auditor.*
- Net adjustment to accounts payable \$(26,277)
  - *Reference AJE #1 that was not received from prior auditor.*
- Net adjustment to accrued payroll/tax/benefit \$8,357
- Net adjustment to prepaid expense \$(42,193)
  - *AJE #1. Not received by prior Auditor. AJE#16. AJE #8. This is a normal JE that was always given by prior auditors.*
- Net adjustment to deferred revenue \$(76,143)
  - *AJE #5. These entries were made by organization. MIP Accounting Software not rolling over balance from 2016. Consulting Abila as to why.*
- Net adjustment to payable from CPI to CAA \$(18,752)
  - *AJE #14. Current Auditor combining 501(c)2 and 501(c)3 books. Amount is maintenance expenses owed to CAA.*
- Net adjustment to fixed assets \$36,014
  - *AJE #10. Recording two new vehicles to fixed assets inadvertently not done at year end.*
- Net adjustment to allowance for doubtful accounts \$23,995
- Net adjustment to CPI's allowance for doubtful accounts \$(85,236)
  - *AJE #25. Organization depreciated amount given by prior Auditor for building and roof. Current Auditor used their depreciation schedule and came up with different amount that should have been depreciated.*
- Net restatements of \$(143,664)



Helping People Achieve Economic Success

3880 FootHills Rd. Ste. A Las Cruces, NM 88011  
www.caasnm.org 575-527-8799

June 25, 2018

Community Action Agency of Southern New Mexico's (CAASNM) is providing the following response to **Finding A. Material Weakness in Internal Control Over Financial Reporting: 2017-001- Financial Close And Reporting** from the *Independent Auditor's Report And Consolidated Financial Statements For the Year Ended September 30, 2017*.

**Statement of Condition**

The Agency has not implemented effective financial close and reporting process controls for the year ended September 30, 2017. The financial close should include but not be limited to:

- Identifying all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the Agency's general ledger.
- Establishing and implementing procedures and records to initiate, authorize, record process, correct, transfer to the general ledger, and report the Agency's transactions.
- Monitoring assigned personnel are completing their task timely and accurately.

**Significant areas that required audit adjustments, with approximate dollar amounts, are as follows:**

- Reconcile fund balance \$170,615
- Net adjustment to contract receivables \$36,495 Net adjustment to accounts payable \$(26,277)
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- Net adjustment to deferred revenue \$(76,143)
- Net adjustment to fixed assets \$36,014
- Net adjustment to allowance for doubtful accounts \$23,995
- Net adjustment to CPI's allowance for doubtful accounts \$(85,236)
- Net restatements of \$(143,664)

**View of Responsible Official:**

- CAASNM will identify all sources of financial and non-financial data (routine and non-routine events and transactions) that will be needed in order to maintain and systematically adjust the Agency's general ledger.
- CAASNM will revise its financial close policies and procedures to ensure there is a proper monthly/quarterly and year-end financial close to its accounts beginning in Fiscal Year 2018 to include monitoring assigned personnel are completing the tasks timely and accurately.
- Fiscal Department to attend Webinar offered by WIPFLI "Fiscal Year Close Procedures".
- Several Adjusting Journal Entries are in the normal course of business

**CAASNM Detailed Explanation to Bullets Listed Above**

- Reconcile fund balance \$170,615 AJE #1. Prior auditor AJE not received by CAASNM
- Net adjustment to contract receivables \$36,495 AJE #4. CAASNM did not record because once paid would be paid out to other IDA organization. AJE #9. JE not received by prior auditor.
- Net adjustment to accounts payable \$(26,277) Reference AJE #1 that was not received from prior auditor

- Net adjustment to accrued payroll/tax/benefit \$8,357
- Net adjustment to prepaid expense \$(42,193) AJE #1. Not received by prior Auditor. AJE#16. AJE #8. This is a normal JE that was always given by prior auditors.
- Net adjustment to deferred revenue \$(76,143) JE #5. These entries were made by organization. MIP Accounting Software not rolling over balance from 2016. Consulting Abila as to why.
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- Net restatements of \$(143,664)

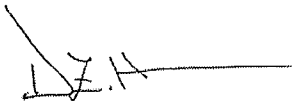
**Cause:** Several Adjusting Journal Entries were required due to the following reasons:

- Although it is staff responsibility to conduct a year end reconciliation of its accounts, CAASNM did not receive all the Adjusting Journal Entries from the previous Auditor until the fiscal year was closed.
- Staff made seven (7) errors which have been corrected.

Please note that contracts were not affected by these errors and remained in compliance.

Please feel free to contact me via phone at 575-527-8799, ext.139 or by email at [dawnh@caasnm.org](mailto:dawnh@caasnm.org) if required.

Sincerely,



Dawn Z. Hommer, CEO



Mike Rudloff, Board Chair