

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.

FINANCIAL STATEMENTS

March 31, 2019 and 2018



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

We have audited the accompanying financial statements of Saguache County Community Council, Inc. (a nonprofit organization), which comprise the statements of financial position as of March 31, 2019 and 2018, the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Saguache County Community Council, Inc. as of March 31, 2019 and 2018, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

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Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2019 Saguache County Community Council, Inc. adopted new account guidance, *FASB ASU No. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Effects of a Fire

As described in Note 6 of the financial statements, during fiscal year 2016, a fire destroyed the leased Head Start building and significant damage occurred to the nearby Early Head Start building and playground equipment, owned by the Council. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The budgetary schedule is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards, 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*, is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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 September 06, 2019 on our consideration of Saguache County Community Council, 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 Saguache County Community Council, Inc.'s internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 06, 2019

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENTS OF FINANCIAL POSITION
March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 91,027	\$ 242,253
Grants receivable	61,485	34,844
Food reimbursement receivable	-	5,121
	<u>152,512</u>	<u>282,218</u>
Total Current Assets	<u>152,512</u>	<u>282,218</u>
NONCURRENT ASSETS		
Property and Equipment		
Buildings	3,044,701	3,044,701
Equipment	344,886	284,619
Less: Accumulated depreciation	<u>(261,590)</u>	<u>(225,951)</u>
	<u>3,127,997</u>	<u>3,103,369</u>
Total NonCurrent Assets	<u>3,127,997</u>	<u>3,103,369</u>
TOTAL ASSETS	<u><u>\$ 3,280,509</u></u>	<u><u>\$ 3,385,587</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable	\$ 55,138	\$ 400
Payroll liabilities payable	<u>36,859</u>	<u>42,184</u>
	<u>91,997</u>	<u>42,584</u>
Total Current Liabilities	<u>91,997</u>	<u>42,584</u>
TOTAL LIABILITIES	<u>91,997</u>	<u>42,584</u>
NET ASSETS		
Without donor restrictions		
Undesignated	3,150,715	3,106,574
Board designated	<u>37,797</u>	<u>236,429</u>
	<u>3,188,512</u>	<u>3,343,003</u>
TOTAL NET ASSETS	<u>3,188,512</u>	<u>3,343,003</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 3,280,509</u></u>	<u><u>\$ 3,385,587</u></u>

The accompanying notes are an integral part of this financial statement.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENTS OF ACTIVITIES
March 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
OPERATING REVENUES		
Federal grant revenues	\$ 850,987	\$ 1,066,033
Contract Services	166,962	158,388
Food reimbursement revenue	52,779	51,645
Donated commodities	-	2,340
In-kind contributions	218,501	196,134
	<u>1,289,229</u>	<u>1,474,540</u>
TOTAL OPERATING REVENUES		
	<u>1,289,229</u>	<u>1,474,540</u>
OPERATING EXPENSES		
Program	1,051,761	1,118,006
Supporting services	205,501	185,108
	<u>1,257,262</u>	<u>1,303,114</u>
TOTAL OPERATING EXPENSES		
	<u>1,257,262</u>	<u>1,303,114</u>
Change in net assets from operations	31,967	171,426
Other changes - effects of a fire		
Insurance proceeds	-	1,130,592
Lawsuit proceeds	67,481	32,519
Donations	-	2,962
Other	(14,039)	(3,009)
Reimbursement (Note 11)	(239,900)	-
	<u>(186,458)</u>	<u>1,163,064</u>
Total other changes		
	<u>(186,458)</u>	<u>1,163,064</u>
Change in Net Assets Without Donor Restrictions	(154,491)	1,334,490
NET ASSETS, BEGINNING OF YEAR	<u>3,343,003</u>	<u>2,008,513</u>
NET ASSETS, END OF YEAR	<u>\$ 3,188,512</u>	<u>\$ 3,343,003</u>

The accompanying notes are an integral part of this financial statement.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2019

	PROGRAM			OTHER	
	HEAD	EARLY	SUPPORTING	CHANGES -	
	START	HEAD START	SERVICES	EFFECTS OF	TOTAL
				A FIRE	
Personnel	\$ 416,797	\$ 128,983	\$ 82,602	\$ -	\$ 628,382
Fringe benefits	111,362	19,028	10,145	-	140,535
Travel	1,994	-	-	-	1,994
Training	4,234	-	140	-	4,374
Supplies	50,454	3,310	3,798	-	57,562
Contractual	11,847	1,244	14,000	-	27,091
Capital outlay	76,000	-	-	-	76,000
Other	65,393	9,058	2,221	14,039	90,711
Reimbursement (Note 11)	-	-	-	239,900	239,900
In-kind cash	2,000	-	-	-	2,000
In-kind cash - capital outlay	41,223	-	-	-	41,223
In-kind goods and services	175,278	-	-	-	175,278
SUBTOTAL - Expenses	956,582	161,623	112,906	253,939	1,485,050
Food purchases	52,779	-	-	-	52,779
Less: Capital outlay	(117,223)	-	-	-	(117,223)
Less: In-kind cash	(2,000)	-	-	-	(2,000)
Depreciation	-	-	92,595	-	92,595
TOTAL EXPENSES	\$ 890,138	\$ 161,623	\$ 205,501	\$ 253,939	\$ 1,511,201

The accompanying notes are an integral part of this financial statement.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended March 31, 2018

	PROGRAM			OTHER	
	HEAD	EARLY	SUPPORTING	CHANGES -	
	START	HEAD START	SERVICES	EFFECTS OF	TOTAL
				A FIRE	
Personnel	\$ 423,463	\$ 127,371	\$ 75,939	\$ -	\$ 626,773
Fringe benefits	118,513	16,311	17,605	-	152,429
Travel	6,397	779	-	-	7,176
Training	6,321	-	-	-	6,321
Supplies	73,678	1,158	14,414	3,009	92,259
Contractual	10,460	100	13,687	-	24,247
Capital outlay	238,000	-	-	1,059,725	1,297,725
Other	74,050	9,286	2,217	-	85,553
In-kind goods and services	196,134	-	-	-	196,134
SUBTOTAL - Expenses	1,147,016	155,005	123,862	1,062,734	2,488,617
Food purchases	51,645	-	-	-	51,645
Less: Capital outlay	(238,000)	-	-	(1,059,725)	(1,297,725)
Donated Commodities Used	2,340	-	-	-	2,340
Depreciation	-	-	61,246	-	61,246
TOTAL EXPENSES	\$ 963,001	\$ 155,005	\$ 185,108	\$ 3,009	\$ 1,306,123

The accompanying notes are an integral part of this financial statement.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.**STATEMENTS OF CASH FLOWS****For the Years Ended March 31, 2019 and 2018**

	<u>2019</u>	<u>2018</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operations	\$ 31,967	\$ 171,426
Adjustment to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	92,595	61,246
(Increase) decrease in:		
Grants receivable	(26,641)	(27,658)
Food reimbursement receivable	5,121	379
Increase (decrease) in:		
Accounts payable	54,738	(3,884)
Payroll liabilities payable	(5,325)	22,713
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>152,455</u>	<u>224,222</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Insurance and lawsuit proceeds from a fire	67,481	1,163,111
Donations	-	2,962
Other	(14,039)	(3,009)
Reimbursement (Note 11)	(239,900)	-
Capital asset additions	(117,223)	(1,297,725)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(303,681)</u>	<u>(134,661)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	<u>-</u>	<u>-</u>
NET INCREASE (DECREASE) IN CASH	(151,226)	89,561
CASH, BEGINNING OF YEAR	<u>242,253</u>	<u>152,692</u>
CASH, END OF YEAR	<u>\$ 91,027</u>	<u>\$ 242,253</u>
SUPPLEMENTAL DISCLOSURES		
Noncash noncapital financing activities		
USDA donated commodities	<u>\$ -</u>	<u>\$ 2,340</u>

The accompanying notes are an integral part of this financial statement.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended 2019 and 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Saguache County Community Council, Inc. (Organization) is organized as a not-for-profit corporation under the statutes of the State of Colorado, and serves as grantee for federal funds to operate a Head Start program. The Head Start program provides comprehensive early childhood development including health, education, nutritional, social, and other services primarily to disadvantaged preschool children and their families.

Basis of Accounting

The financial statements of the Saguache County Community Council, Inc. have been prepared on the accrual basis of accounting and accordingly, reflect all significant receivables, payables, and other liabilities.

Cash and Cash Equivalents

Cash and cash equivalents may include cash held by banks in either demand deposits or temporary investments in highly liquid instruments with a maturity of three months or less. For fiscal years 2019 and 2018, there were no funds held other than in demand deposit bank accounts in banks.

Property and Equipment

Property and equipment acquisitions have been valued at cost or estimated cost if actual historical cost is not available. It is the Organization's policy to capitalize all acquisitions costing \$5,000 or more and having a useful life of greater than one year. Depreciation is provided over the estimated useful life of each class of depreciable assets and is computed using the straight-line method.

In-Kind

The grant requires 20% matching for the Head Start program. A portion of this match is obtained through in-kind goods and services. These goods and services are valued and recorded at the prevailing wage rate for donated services and at the estimated fair market value for goods.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Compensated Absences

No provision or accrual of compensated absences has been made in these financial statements, as the Organization's personnel are not allowed to accumulate material compensated absences.

Income Taxes

Saguache County Community Council, Inc. is exempt from federal income taxes on income substantially related to the Organization's exempt purpose under Section 501(c)(3) of the Internal Revenue Code. Under Colorado state statutes, any Organization receiving exemption from federal income taxes is also exempt from Colorado income taxes.

Saguache County Community Council, Inc. files federal income tax returns. The federal income tax returns prior to fiscal year 2015 are closed. Saguache County Community Council, Inc.'s policy for evaluating uncertain income tax positions is to only take income tax positions that are more likely than not to be sustained if the taxing authorities were to examine the positions. If applicable, Saguache County Community Council, Inc. classifies interest and penalties as interest expense.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended 2019 and 2018

Functional Reporting of Expenses

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, those expenses require allocation on a reasonable basis that is consistently applied.

Reclassifications

Certain amounts in fiscal year 2018 have been reclassified to conform to fiscal year 2019 financial statement presentation. The reclassifications had no effect on reported net income.

New Accounting Pronouncements

In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14 Not-for-Profit (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities. The ASU, which is the first phase of a two-phase project makes significant changes in net asset classes, liquidity and availability of resources, classification and disclosure of underwater endowment funds, expense reporting, statement of cash flows, investment return, and release of restrictions on capital assets. The requirement of ASU No. 2016-14 to replace the three classes of net assets (unrestricted, temporarily restricted, and permanently restricted) by two classes of net assets, net assets with donor restrictions and net assets without donor restrictions impacted the classification of net assets which is displayed on the statement of financial position.

NOTE 2 LIQUIDITY AND AVAILABILITY OF RESOURCES

The Organization has \$152,512 of financial assets available within one year of the statement of financial position date to meet cash needs for general expenses, consisting of cash and cash equivalents of \$91,027 and grants receivable of \$61,485. None of these amounts are subject to donor restrictions or other contractual restrictions that make them unavailable for general expenses within one year of the statement of financial position.

The Organization manages liquidity needed for operations primarily through budgeted monthly cash inflows and outflows. Cash inflows can be easily predicted since they are materially comprised of federal grant revenues, contract services, and food reimbursement revenue. Cash outflows are planned accordingly so as not to exceed those expected inflows.

NOTE 3 EMPLOYEE BENEFIT PLAN

The Organization participates in a defined contribution retirement plan, pursuant to IRS Section 403(b), effective beginning fiscal year 1992. The plan covers substantially all employees who have been employed for a minimum of one year. For the years ended March 31, 2019 and 2018, the Organization's contributions to the plan were \$11,790 and \$11,625, respectively.

NOTE 4 DETAIL OF NET ASSETS

	<u>2019</u>	<u>2018</u>
Total local revenue in net assets		
SCCC funds and interest	\$ 22,718	\$ 3,205
Designated for construction of new building	37,797	236,429
Net property and equipment in net assets	<u>3,127,997</u>	<u>3,103,369</u>
Total Net Assets without donor restrictions	<u><u>\$ 3,188,512</u></u>	<u><u>\$ 3,343,003</u></u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended 2019 and 2018

NOTE 5 OPERATING LEASE

The Organization is currently leasing two buildings from Cambio, Inc. The lease is considered for accounting purposes as an operating lease. Lease expense was \$6,000 and \$4,500 for the years ended March 31, 2019 and 2018, respectively.

NOTE 6 OTHER CHANGES – EFFECTS OF A FIRE

During fiscal year 2016, a fire destroyed the leased Head Start building and significant damage occurred to the nearby Early Head Start building and playground equipment. As a result, loss on capital assets of \$232,131 was recorded in fiscal year 2016. The Organization continued the rebuilding process during Fiscal Year 2019.

The Council incurred additional costs related to the remediation of smoke and water damage to the Early Head Start building, demolition of the old Head Start building, and various phases of construction of a new Head Start building. Insurance, lawsuit proceeds, and donations were received in the amount of \$67,481 and \$1,166,073 during fiscal year 2019 and 2018, respectively. The following costs were paid during the fiscal year or recorded as accounts payable from these proceeds, which are in addition to normal management and general costs. A reimbursement of \$239,900 was paid to Cambio, Inc. in a related-party transaction. See additional information at Note 11.

	<u>2019</u>	<u>2018</u>
Reimbursement (Note 11)	\$ 239,900	\$ -
Supplies	-	3,009
Capital outlay	-	1,059,725
Repairs and maintenance	13,975	-
Other	64	-
	<u>\$ 253,939</u>	<u>\$ 1,062,734</u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended 2019 and 2018

NOTE 7 RECONCILIATION OF AUTHORIZED GRANT TO AMOUNT EXPENDED

Below is a reconciliation of the authorized grant amount to the amount actually expended and earned.

	<u>FY 2019 HS</u>
Total outlays	\$ 1,069,488
Less: Recipient's share of outlays (In-Kind)	<u>(218,501)</u>
Federal grant outlays	850,987
Federal grant authorized	<u>(869,575)</u>
Unobligated Balance	<u><u>\$ (18,588)</u></u>
 Total funds drawn down	 \$ 789,566
Add: CY Grant Receivable	61,421
Less: CY Deferred Grant Revenue	-
Add: PY Deferred Grant Revenue	-
Federal grant earned	<u><u>\$ 850,987</u></u>
 Grant authorized	 <u><u>\$ 869,575</u></u>

NOTE 8 CONCENTRATIONS

Virtually all of the Organization's support is provided by the Head Start grant. Lack of funding from the grantor would have a significant adverse impact on the Organization; however, the Organization does not expect such a decrease in funding.

NOTE 9 COMMITMENTS AND CONTINGENCIES

The Organization participates in federal grant programs, which are subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time; although the Organization expects such amounts, if any, to be immaterial.

NOTE 10 EVALUATION OF SUBSEQUENT EVENTS

Saguache County Community Council, Inc. is subject to the provisions of *FASB ASC 855-10-50, Subsequent Events*, which establishes a requirement for disclosing the date through which subsequent events have been evaluated, as well as whether that date is the date the financial statements were issued or the date the financial statements were available to be issued. Saguache County Community Council, Inc., has evaluated subsequent events through September 06, 2019, the date the financial statements were available to be issued.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended 2019 and 2018

NOTE 11 RELATED-PARTY TRANSACTION

Land and Building Lease

The Organization leases land and buildings from Cambio, Inc. in which a portion is paid and a substantial portion is donated through in-kind. Cambio, Inc. is owned by two of the Organization's board members who are shareholders of Cambio, Inc. The estimated fair market rent is \$155,500 as of June 15, 2018, per Rent Analysis Report.

Reimbursement of Building Costs

During Fiscal Year 2019, the Organization provided reimbursement to Cambio, Inc. of \$239,900 which was as a result of insurance, lawsuit proceeds, and donations received above the cost of damage to the leased land and buildings.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF GRANT REVENUES AND EXPENSES - BUDGET AND ACTUAL (NON-GAAP)
HEAD START GRANT 08CH1010-04-04
For the Year Ended March 31, 2019

	<u>APPROVED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
REVENUES			
Federal grant revenue	\$ 869,575	\$ 850,987	\$ (18,588)
In-kind contributions	<u>217,394</u>	<u>218,501</u>	<u>1,107</u>
TOTAL REVENUES	<u>1,086,969</u>	<u>1,069,488</u>	<u>(17,481)</u>
EXPENSES			
Personnel	494,517	499,399	(4,882)
Fringe benefits	168,297	121,507	46,790
Travel	5,900	1,994	3,906
Training	13,671	4,374	9,297
Supplies	24,900	54,252	(29,352)
Contractual	25,761	25,847	(86)
Other	71,529	67,614	3,915
Capital Outlay	65,000	76,000	(11,000)
In-kind cash	-	2,000	(2,000)
In-kind cash - capital outlay	-	41,223	(41,223)
In-kind goods and services	<u>217,394</u>	<u>175,278</u>	<u>42,116</u>
TOTAL EXPENSES	<u>1,086,969</u>	<u>1,069,488</u>	<u>17,481</u>
NET CHANGE IN GRANT NET ASSETS	<u><u>\$ - -</u></u>	<u><u>\$ - -</u></u>	<u><u>\$ -</u></u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Department of Health and Human Services			
Head Start	93.600		\$ 850,987
<i>Total Expenditures of Federal Awards</i>			<u><u>\$ 850,987</u></u>

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended March 31, 2019

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Saguache County Community Council, Inc. under programs of the federal government for the year ended March 31, 2019. The information in this Schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Saguache County Community Council, Inc., it is not intended to and does not present the financial position, changes in net assets or cash flows of Saguache County Community Council, Inc.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Saguache County Community Council, Inc. did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended March 31, 2019. In addition, Saguache County Community Council, Inc. did not pass-through federal funds to subrecipients.

**INDEPENDENT AUDITORS' 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**



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

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 Saguache County Community Council, Inc. (a nonprofit organization), which comprise the statement of financial position as of March 31, 2019, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 06, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization'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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of finding and questioned costs as Finding 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Organization's Response to the Finding

Organization's response to the finding identified in our audit is described in the accompanying corrective action plan. Organization'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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 06, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Board of Directors
Saguache County Community Council, Inc.
Center, Colorado

Report on Compliance for Each Major Federal Program

We have audited Saguache County Community Council, Inc.'s (a nonprofit organization) 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 Organization's major federal programs for the year ended March 31, 2019. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 Organization'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 the major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, Saguache County Community Council, Inc., 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 March 31, 2019.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control Over Compliance

Management of the Organization 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 Organization'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 Organization'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 a 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been 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.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

September 06, 2019

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes X none reported
- Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? yes X none reported

Type of auditors’ 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 X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.600	Head Start

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

Auditee qualified as a low-risk auditee? yes X no

Section II – Financial Statement Findings

**Finding 2019-001: Internal Control Over Financial Reporting
(Repeat of Finding 2018-001.)**

Type of finding: Internal Control (material weakness)

Condition/Cause: The Organization does not have a complete system of internal control to prevent or detect financial misstatements. A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation.

Criteria: A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, antifraud programs, non-routine transactions, financial statement preparation, safeguarding of assets, and compliance with the provisions of laws, regulations, contracts, and grant agreements.

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended March 31, 2019

Effect: Audit adjustments were proposed to properly state the grants receivable, accounts payable, payroll liabilities, revenues and expenses in accordance with generally accepted accounting principles.

Recommendation: The Organization should strengthen its internal controls with adopted policies and procedures to address proper recording of non-routine transactions and record necessary adjustments when performing financial close and reporting.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

SAGUACHE COUNTY COMMUNITY COUNCIL, INC.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended March 31, 2019

Section IV – Prior Year Audit Findings

Finding 2018-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Condition/Cause: The Organization does not have a complete system of internal control to prevent or detect financial misstatements. A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, non-routine transactions, and financial statement preparation. Material audit adjustments were required to correctly state the financial statements.

Status: Not implemented. See Finding 2019-001.

Center Head Start Project

P.O. Box 1240
Center, Colorado 81125
Phone: 719-754-3191
Fax: 719-754-2468

CORRECTIVE ACTION PLAN



Oversight Agency - U.S. Department of Health and Human Services

Saguache County Community Council, Inc. respectfully submits the following corrective action plan for the year ended March 31, 2019.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended March 31, 2019

The findings from the March 31, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2019-001: Internal Control Over Financial Reporting (Repeat of Finding 2018-001.)

Type of finding: Internal Control (material weakness)

Recommendation: The Organization should strengthen its internal controls with adopted policies and procedures to address proper recording of non-routine transactions and record necessary adjustments when performing financial close and reporting.

Action Taken: The Center Head Start Project will put into place a procedure to address this issue. In the case of 3rd party funding for large purchases a discussion will be had with the Fiscal Manager, Director, Board, and Independent Accounting Firm to insure accuracy when recording these purchases. This is a result of purchasing a bus and using funds from Cambio for the purchase. This is a situation which will not occur very often.

If the U.S. Department of Health and Human Services have questions regarding this plan, please call the responsible parties listed below.

Sincerely yours,


Annette Martinez, Executive Director