

**ROCKY MOUNTAIN SER/  
JOBS FOR PROGRESS, INC.**

**FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors and Finance Committee  
Rocky Mountain SER / Jobs for Progress, Inc.

We have audited the accompanying statement of financial position of Rocky Mountain SER / Jobs for Progress, Inc. (RMSER), (a nonprofit organization) as of June 30, 2007, and the related statements of activities and cash flows for the fiscal year then ended. These financial statements are the responsibility of RMSER's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RMSER as of June 30, 2007, and the changes in its net assets and its cash flows for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2007 on our consideration of RMSER's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, 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 the internal control over financial reporting or on compliance. That report is an internal part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of RMSER taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Parker, Colorado  
December 20, 2007

# **ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

## **STATEMENTS OF FINANCIAL POSITION**

**JUNE 30, 2007 AND 2006**

	<b>2007</b>	<b>(Memo Only) 2006</b>
<b>ASSETS:</b>		
Cash	\$ 11,004	\$ 4,520
Grants receivable	335,269	464,272
Promises to give	8,238,810	8,199,356
Employee advances	88,364	22,474
Prepaid expenses	27,238	27,238
Total Current Assets	<u>8,700,685</u>	<u>8,717,860</u>
<b>PROPERTY AND EQUIPMENT, at cost:</b>		
Buildings	4,484,738	3,664,877
Leasehold improvements	2,763,603	2,472,106
Land	2,612,399	194,269
Furniture, fixtures and equipment	1,336,326	1,242,898
Vehicles	1,197,177	839,284
	<u>12,394,243</u>	<u>8,413,434</u>
Less accumulated depreciation	4,125,842	3,396,511
Net Property and Equipment	<u>8,268,401</u>	<u>5,016,923</u>
<b>Total Assets</b>	<u>\$ 16,969,086</u>	<u>\$ 13,734,783</u>
<b>LIABILITIES AND NET ASSETS:</b>		
Accounts payable	\$ 537,297	\$ 503,485
Accrued expenses:		
Employee benefits	213,210	219,975
Payroll taxes	159,141	81,162
Interest	63,388	-
Wages	20,314	3,308
Deferred revenue	9,464	53,669
Lines of credit	248,229	250,000
Notes payable, financial institutions	2,473,053	2,506,567
Total Current Liabilities	3,724,096	3,618,166
Notes payable, financial institutions, net of current portion	915,849	859,532
Total Liabilities	<u>4,639,945</u>	<u>4,477,698</u>
<b>NET ASSETS:</b>		
Unrestricted	3,611,890	1,057,729
Temporarily restricted	8,717,251	8,199,356
Total Net Assets	<u>12,329,141</u>	<u>9,257,085</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 16,969,086</u>	<u>\$ 13,734,783</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**STATEMENTS OF ACTIVITIES**

**FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<b>2007</b>		
	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Total</b>
<b>REVENUES AND OTHER SUPPORT:</b>			
Grant revenues	\$ 44,959	\$ 18,780,802	\$ 18,825,761
Contributions	3,615,357	-	3,615,357
Program service fees	47,840	-	47,840
Net assets released from restrictions	18,262,907	(18,262,907)	-
Total Revenues and Other Support	<u>21,971,063</u>	<u>517,895</u>	<u>22,488,958</u>
<b>PROGRAM SERVICES:</b>			
Vocational education and training	2,801,784	-	2,801,784
Children's education and family support	14,100,189	-	14,100,189
Total Program Services	<u>16,901,973</u>	<u>-</u>	<u>16,901,973</u>
<b>SUPPORTING SERVICES:</b>			
Management and general	2,514,929	-	2,514,929
Total Supporting Services	<u>2,514,929</u>	<u>-</u>	<u>2,514,929</u>
Total Expenses	<u>19,416,902</u>	<u>-</u>	<u>19,416,902</u>
<b>CHANGE IN NET ASSETS</b>	2,554,161	517,895	3,072,056
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>1,057,729</u>	<u>8,199,356</u>	<u>9,257,085</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ 3,611,890</u>	<u>\$ 8,717,251</u>	<u>\$ 12,329,141</u>

See accompanying Notes to Financial Statements.

**(Memo Only)**  
**2006**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>REVENUES AND OTHER SUPPORT:</b>			
Grant revenues	\$ -	\$ 17,542,149	\$ 17,542,149
Contributions	126,616	-	126,616
Program service fees	43,089	-	43,089
Net assets released from restrictions	<u>17,367,156</u>	<u>(17,367,156)</u>	<u>-</u>
 Total Revenues and Other Support	 <u>17,536,861</u>	 <u>174,993</u>	 <u>17,711,854</u>
 <b>PROGRAM SERVICES:</b>			
Vocational education and training	3,020,573	-	3,020,573
Children's education and family support	<u>13,650,645</u>	<u>-</u>	<u>13,650,645</u>
 Total Program Services	 <u>16,671,218</u>	 <u>-</u>	 <u>16,671,218</u>
 <b>SUPPORTING SERVICES:</b>			
Management and general	<u>1,953,883</u>	<u>-</u>	<u>1,953,883</u>
 Total Supporting Services	 <u>1,953,883</u>	 <u>-</u>	 <u>1,953,883</u>
 Total Expenses	 <u>18,625,101</u>	 <u>-</u>	 <u>18,625,101</u>
 <b>CHANGE IN NET ASSETS</b>	 (1,088,240)	 174,993	 (913,247)
 <b>NET ASSETS, BEGINNING OF YEAR</b>	 <u>2,145,969</u>	 <u>8,024,363</u>	 <u>10,170,332</u>
 <b>NET ASSETS, END OF YEAR</b>	 <u>\$ 1,057,729</u>	 <u>\$ 8,199,356</u>	 <u>\$ 9,257,085</u>

**ROCKY MOUNTAIN SER/JOB'S FOR PROGRESS, INC.****STATEMENTS OF FUNCTIONAL EXPENSES****FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<b>2007</b>					<b>(Memo) 2006</b>
	<b>PROGRAM SERVICES</b>					
	<b>Vocational Education and Training</b>	<b>Children's Education and Family Support</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
<b>Personnel Costs:</b>						
Salaries and wages	\$ 1,245,020	\$ 7,208,926	\$ 8,453,946	\$ 989,238	\$ 9,443,184	\$ 9,322,899
Payroll taxes and fringe benefits	<u>347,765</u>	<u>2,275,804</u>	<u>2,623,569</u>	<u>142,551</u>	<u>2,766,120</u>	<u>2,902,192</u>
Total Personnel Costs	<u>1,592,785</u>	<u>9,484,730</u>	<u>11,077,515</u>	<u>1,131,789</u>	<u>12,209,304</u>	<u>12,225,091</u>
<b>Direct Participant Costs:</b>						
Program supplies	14,738	1,195,836	1,210,574	-	1,210,574	992,850
Job training and tuition costs	648,047	-	648,047	-	648,047	705,826
Participant support	<u>138,071</u>	<u>452,616</u>	<u>590,687</u>	<u>-</u>	<u>590,687</u>	<u>571,461</u>
Total Direct Participant Costs	<u>800,856</u>	<u>1,648,452</u>	<u>2,449,308</u>	<u>-</u>	<u>2,449,308</u>	<u>2,270,137</u>
<b>Other Operating Expenses</b>						
Rent and utilities	118,590	1,047,176	1,165,766	40,649	1,206,415	1,276,529
Contract services	25,850	609,346	635,196	20,955	656,151	617,904
Depreciation	-	304,883	304,883	424,449	729,332	514,942
Audit, insurance and other services	46,538	221,499	268,037	189,911	457,948	193,810
Travel	80,610	79,311	159,921	112,183	272,104	171,473
Equipment rental and maintenance	36,868	119,766	156,634	41,336	197,970	418,265
Communications	35,656	133,605	169,261	45,478	214,739	216,082
Office supplies	23,383	76,634	100,017	53,082	153,099	151,789
Building repairs and maintenance	420	216,098	216,518	31,338	247,856	152,091
Other expenses	38,087	31,908	69,995	110,878	180,873	132,791
Vehicle costs	<u>2,141</u>	<u>126,553</u>	<u>128,694</u>	<u>24,402</u>	<u>153,096</u>	<u>98,008</u>
Total Other Operating Expenses	<u>408,143</u>	<u>2,966,779</u>	<u>3,374,922</u>	<u>1,094,661</u>	<u>4,469,583</u>	<u>3,943,684</u>
<b>Other Expenses</b>						
Interest	-	228	228	254,905	255,133	158,334
Board expenses	-	-	-	30,671	30,671	20,452
Contributions	-	-	-	2,903	2,903	7,403
Total Other Expenses	<u>-</u>	<u>228</u>	<u>228</u>	<u>288,479</u>	<u>288,707</u>	<u>186,189</u>
<b>Total Expenses</b>	<u>\$ 2,801,784</u>	<u>\$14,100,189</u>	<u>\$16,901,973</u>	<u>\$ 2,514,929</u>	<u>\$19,416,902</u>	<u>\$18,625,101</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.****STATEMENTS OF CASH FLOWS****FOR THE FISCAL YEARS ENDED JUNE 30, 2007 AND 2006**

	<u>2007</u>	<u>(Memo Only) 2006</u>
<b>CASH FLOWS FROM (USED FOR) OPERATING ACTIVITIES:</b>		
(Decrease)/Increase in net assets	3,072,056	(913,247)
Adjustments to reconcile change in net cash from operating activities:		
Depreciation	729,332	488,568
Non cash contribution	(3,360,000)	-
Net (increase) decrease in assets:		
Unreimbursed grant funds receivable	129,003	54,349
Grant awards available	(39,454)	469,630
Other receivables	(65,887)	(22,474)
Prepaid expenses	-	92,611
Net increase (decrease) in liabilities:		
Accounts payable	33,810	71,600
Accrued expenses	161,071	(48,376)
Deferred revenue	(53,669)	(158,595)
Net cash from operating activities	<u>606,262</u>	<u>34,066</u>
<b>CASH FLOWS FROM (USED FOR) INVESTING ACTIVITIES:</b>		
Purchase of property and equipment	<u>(527,210)</u>	<u>(226,909)</u>
Net cash used for investing activities	<u>(527,210)</u>	<u>(226,909)</u>
<b>CASH FLOWS FROM (USED FOR) FINANCING ACTIVITIES:</b>		
Principle payments on notes payable	<u>(72,568)</u>	<u>(22,700)</u>
Net cash (used for)/from financing activities	<u>(72,568)</u>	<u>(22,700)</u>
<b>NET (DECREASE)/INCREASE IN CASH</b>	6,484	(215,543)
<b>CASH, BEGINNING OF YEAR</b>	4,520	220,063
<b>CASH, END OF YEAR</b>	<u>\$ 11,004</u>	<u>\$ 4,520</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid for interest	<u>\$ 255,133</u>	<u>\$ 158,334</u>
<b>NON-CASH TRANSACTIONS:</b>		
Contribution of property	<u>\$ 3,360,000</u>	<u>\$ -</u>
Purchase of property and equipment with loan proceeds	<u>\$ 93,600</u>	<u>\$ 2,038,922</u>
Acquisition of fixed assets with proceeds from note payable	<u>\$ 93,600</u>	<u>\$ 2,038,922</u>



**ROCKY MOUNTAIN SER/JOB'S FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS**

Rocky Mountain SER/Job's for Progress, Inc. is a Colorado nonprofit corporation established in 1980. The Organization's primary function is to serve individuals residing in Colorado who have physical, social, emotional or economic needs by aiding in the development of self-sufficiency and growth. The Organization also serves as a resource to other community organizations that are working with those people. A primary goal of the Organization is to address the fundamental service needs of people while not duplicating the efforts of other agencies. Primary funding for such services is provided through grants and contracts with the State of Colorado, Office of Rural Job Training, the U.S. Department of Labor, and the U.S. Department of Health and Human Services. Additional funding is provided through grants from state and local government agencies and private donations.

The Organization's major activities and programs are described below:

**Programs:**

**Vocational Education and Training:** Adult and youth vocational education and training includes all costs associated with classroom vocational training as well as on-site job training and all necessary support structure costs including, but not limited to, the following: basic education, GED preparation, English as a second language (ESL), emergency transportation, child-care, tools and work clothes financial assistance.

**Children's Education and Family Support:** Programs for childhood education, health, and safety. Includes all costs associated with pre-school programs, children's health and safety programs and family support programs designed to maximize childhood education, health and safety.

**Supporting Services:**

**Management and General:** Direct and indirect costs associated with the management and administration of the organization.

**Basis of Accounting**

The Organization's financial statements are prepared on the accrual basis and accordingly reflect all significant receivables, payables, and other liabilities.

**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)**

**Basis of Presentation**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its SFAS No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, the Organization 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.

**Cash and cash equivalents**

For purposes of the Statement of Cash Flows, the Organization considers all unrestricted and undesignated highly liquid investments with an initial maturity of three months or less to be cash equivalents.

**Promises to Give**

Promises to Give (grant awards available) are recognized as revenue in the period received as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Promises to give are recorded at net realizable value if they are expected to be collected in one year and at fair value if they are expected to be collected in more than one year. Conditional promises to give are recognized when the conditions on which they depend are substantially met. As of June 30, 2007, all material promises to give were less than one year and classified as current.

**Property, Equipment and Depreciation**

The Organization records property and equipment at cost if purchased or fair value if contributed and charges depreciation over the estimated useful lives of the respective assets on a straight-line basis. The estimated useful lives of assets range from three to thirty nine years.

The Organization's capitalization policy was established to be in conformity with federal requirements; these requirements dictate that all property and equipment purchased with federal funds in excess of \$5,000 be capitalized and depreciated. Purchases made with unrestricted funds in excess of \$1,000 are to be capitalized and depreciated.

# **ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

## **NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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### **NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)**

#### **Restricted and Unrestricted Support**

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

#### **In-Kind Donations**

**Facilities:** Donated facilities are recorded as contributions at their estimated fair values at the date of donation.

**Property and Equipment:** Donations of property and equipment are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. The Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets at that time.

**Services:** Volunteers assisting the Organization with specific assistance programs and various committee assignments all performed donated services; however, these services did not meet the requirements for recognition under SFAS No. 116. Therefore, the financials do not reflect donated services for the fiscal year ended June 30, 2007. Had donated services rendered met the requirements for recognition under SFAS No. 116 they would have been recorded at their estimated fair market value.

#### **Use of Estimates**

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

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND NATURE OF OPERATIONS (Continued)**

**Fair Values of Financial Instruments**

The Organization has a number of financial instruments, consisting primarily of cash, grants receivable, promises to give, line of credit, trade payables and accruals. None of the financial instruments are held for trading purposes. The Organization estimates that the fair value of all financial instruments at June 30, 2007, does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position. The estimated value of the financial instruments was based upon the short-term nature of the financial instruments and the fact that the interest rate on the line of credit fluctuates with the prime interest rate.

**Functional Expense Allocation**

Whenever possible, the Organization charges expenses directly to the benefiting program or support service based upon reasonable and allocable bases, such as direct salaries and square footage. When this is difficult or impractical, costs are allocated to programs and support services based upon direct salaries or other appropriate direct cost bases.

**Income Taxes**

The Organization is exempt from federal and state income taxes under the applicable provisions of the Internal Revenue Code and the Colorado Income Tax Act of 1964 (as amended).

**NOTE 2 UNREIMBURSED GRANT FUNDS RECEIVABLE**

Unreimbursed grant funds receivable represents monies due to the Organization for actual grant related expenditures incurred prior to June 30, 2007.

**NOTE 3 GRANT AWARDS AVAILABLE**

Grant awards available consist of grants awarded from various federal, state, and local agencies as of June 30, 2007, less any amounts received through June 30, 2007. All amounts are due within one year.

**NOTE 4 PREPAID EXPENSES**

Prepaid expenses consist of advance payments made by the Organization as of June 30, 2007. With the passage of time, the advance payments will gradually expire and the expired portion will be expensed accordingly.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 5      PROPERTY AND EQUIPMENT**

Property and equipment acquired with certain grant funds are recorded as unrestricted upon the purchase of the equipment. However, the Organization is subject to restrictions on sale or other disposition of the property as specified by the various grantor agencies. Also, should the grantor discontinue funding, all property acquired with the grant funds may be recovered by the grantor. A summary of property and equipment follows:

	Unrestricted	Temporarily	
	Fixed	Restricted	Total Fixed
	Assets	Assets	Assets
Buildings	\$ 4,005,676	\$ 479,062	\$ 4,484,738
Leasehold improvements	195,981	2,567,622	2,763,603
Land	2,550,000	62,399	2,612,399
Furniture, fixtures and equipment	125,640	1,210,686	1,336,326
Vehicles	198,300	998,877	1,197,177
Total property and equipment	7,075,597	5,318,646	12,394,243
Less accumulated depreciation	288,451	3,837,391	4,125,842
Net property and equipment	\$ 6,787,146	\$ 1,481,255	\$ 8,268,401

Depreciation expense for the fiscal year ended June 30, 2007 was \$729,332.

**NOTE 6      DEFERRED REVENUE**

Deferred revenue represents excess cash on hand drawn down from the grantors; per grant requirements RMSER has 60 days to incur allowable expenditures which can be used to offset the excess cash on hand.

**ROCKY MOUNTAIN SER/JOB'S FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 7      LINE OF CREDIT, BANK**

Line of credit with bank due September 2007, bearing interest at a rate of 8.50% at June 30, 2007. The line of credit is collateralized by all the Organization's business assets.

\$ 248,229

Interest expense on the line of credit was \$26,602.

**NOTE 8      NOTES PAYABLE, FINANCIAL INSTITUTIONS**

Notes payables at June 30, 2007 consist of the following:

Note payable to bank due July 2007, bearing interest at a rate of 7.75% at June 30, 2007. Interest due monthly through July 2007 and one final principal payment plus any outstanding interest due July 2007. The note is collateralized by all the Organization's Seton Head Start Center in Pueblo, Colorado.

\$ 2,030,000

Note payable to bank due September 2009, bearing interest at a rate of 6.65% at June 30, 2007. Principal and interest of \$4,909 due monthly through October 2009 and one final estimated payment of \$148,994 due September 2009. The note is collateralized by all the Organization's business assets.

197,353

Note payable to bank due May 2008, bearing interest at a rate of 8.25% at June 30, 2007. The note is collateralized by all the Organization's business assets.

365,648

Note payable to USDA due December 2033, bearing interest at a rate of 4.625% at June 30, 2007. Principal and interest of \$3,548 due monthly. The note is collateralized by the Head Start Center in Conejos, Colorado and the Riverside Head Start Center in Grand Junction, Colorado.

660,269

**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 8      NOTES PAYABLE, FINANCIAL INSTITUTIONS (Continued)**

Three note payables to GMAC each due December 2010, each bearing interest at a rate of 4.90% at June 30, 2007. Principal and interest of \$696 due monthly on two of the notes and \$666 due monthly on the third note. The notes are each collateralized by a vehicle. 68,600

Note payable to Ford Credit due July 2012, bearing interest at a rate of 0.00% at June 30, 2007. Principal and interest of \$417 due monthly. The note is collateralized by a vehicle. 23,750

Note payable to Landmark Financial Corporation due May 2009, bearing interest at a rate of 8.00% at June 30, 2007. Principal and interest of \$2,106 due monthly. The note is collateralized by a two school busses. 43,282

Total \$ 3,388,902

Interest expense for the fiscal year ended June 30, 2007 on the note payables was \$228,303.

The following are the maturities of notes payable, banks and line of credit, bank for the next five years and thereafter:

June 30, 2008	\$ 2,473,052
June 30, 2009	81,492
June 30, 2010	189,937
June 30, 2011	13,986
June 30, 2012	13,160
Thereafter	<u>617,275</u>
Total	<u>\$ 3,388,902</u>

**NOTE 9      RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets consist of \$8,334,729 of grant awards available (promises to give) for performance of program services in the subsequent year. In addition, the net book value of the temporarily restricted fixed assets of \$1,500,297 (see NOTE 5) is included in temporarily restricted net assets.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 10 COMMITMENTS**

The Organization has obligations under operating lease agreements for vehicles, office/classroom space and equipment.

The following are the Organization's minimum future lease payments:

June 30, 2008	\$ 512,205
June 30, 2009	416,543
June 30, 2010	327,729
June 30, 2011	250,228
June 30, 2012	200,082
Thereafter	<u>776,042</u>
Total	<u>\$ 2,482,829</u>

**NOTE 11 EMPLOYEE BENEFIT PLAN**

The Organization has a qualified tax sheltered annuity plan for its employees established under Section 401(k) of the Internal Revenue Codes. All employees desiring to participate may have their salaries reduced and the money invested in annuities for them. The Organization will match employee contributions to the plan up to 3% of each participating employee's compensation. Beyond 3% an additional match is available. The additional match is either 3.5% or 4% for employees contributing 4% or 5% of compensation, respectively. The Organization contributed \$230,270 to the plan during the year ended June 30, 2007.

**NOTE 12 ECONOMIC DEPENDENCY**

The Organization receives a substantial amount of its total revenues (directly and as pass-through contracts) from the U.S. Department of Health and Human Services and the U.S. Department of Labor. A significant reduction in the level of such support, if this were to occur, may have an adverse affect on the Organization's programs and activities.

**NOTE 13 CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2007, a majority of grant related receivables are from two federal agencies (directly and as pass-through contracts); the U.S. Department of Health and Human Services and the U.S. Department of Labor.



**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**NOTES TO FINANCIAL STATEMENTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 14    SUBSEQUENT EVENT**

Subsequent to the date fieldwork was completed for the June 30, 2007 audit and prior to the issuance of the financial statements; RMSER was successful in obtaining bond financing which will be used to refinance the Organization's long-term debt at a substantially lower interest rate.

**SUPPLEMENTARY INFORMATION**

**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

<b>Federal Grantor/Pass-through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Federal Expenditures</b>
<b><u>U. S. DEPARTMENT OF LABOR</u></b>		
<b><u>Direct:</u></b>		
Migrant and Seasonal Farmworkers	17.264	\$ 948,957
<b>Total Direct Funding</b>		<u>948,957</u>
<b><u>Passed through Colorado Department of Labor and Employment:</u></b>		
WIA Adult Program	17.258	857,065
WIA Youth Activities	17.259	628,142
WIA Dislocated Workers	17.260	190,599
<b>Total WIA Cluster</b>		<u>1,675,806</u>
WIA Adult NER SC and SE	17.255	56,581
<b>Total Colorado Department of Labor and Employment</b>		<u>1,732,387</u>
<b><u>Passed through National SER:</u></b>		
WIA - Older Workers Act Title V (SCSEP)	17.235	302,002
<b>Total National SER</b>		<u>302,002</u>
<b>TOTAL U. S. DEPARTMENT OF LABOR</b>		<u>2,983,346</u>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
<b><u>Direct:</u></b>		
Headstart	93.600	13,878,183
<b>Total Direct Funding</b>		<u>13,878,183</u>
<b><u>Passed through Local Schools:</u></b>		
Trinidad Public Schools - Head Start	93.600	120,104
<b>Total Local Schools</b>		<u>120,104</u>
<b>TOTAL U.S. DEPART. OF HEALTH AND HUMAN SERVICES</b>		<u>13,998,287</u>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
<b><u>Passed through Colorado Dept. of Public Health &amp; Environment:</u></b>		
Child and Adult Care Food Program	10.558	786,028
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>786,028</u>
<b>TOTAL FEDERAL EXPENDITURES</b>		<u>\$ 17,767,661</u>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

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**NOTE 1      BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of RMSER and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basis financial statements.

**NOTE 2      DETAILS OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

The following represents the details of the schedule of expenditures of federal awards as reported to the Federal Audit Clearinghouse on the Data Collection Form:

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Federal Expenditures</u>
<b><u>U. S. DEPARTMENT OF LABOR</u></b>		
<b><u>Direct:</u></b>		
MSFW (WIA Section 167)	17.264	\$ 948,957
<b>Total Direct Funding</b>		<b>948,957</b>
<b><u>Passed through Colorado Department of Labor and Employment:</u></b>		
WIA ADULT SC	17.258	659,630
WIA ADULT SE	17.258	197,435
WIA DW SC	17.260	47,061
WIA DW SE	17.260	63,319
ENH DW SC	17.260	42,789
ENH DW SE	17.260	37,430
WIA YTH SC 30%	17.259	142,488
WIA YTH SC 70%	17.259	253,574
WIA YTH SE 30%	17.259	42,059
WIA YTH SE 70%	17.259	97,808
WIA ADULT NER SC	17.255	44,014
WIA ADULT NER SE	17.255	12,567
WIA YOUTH PUEBLO 30%	17.259	18,212
WIA YOUTH PUEBLO 70%	17.259	74,001
<b>TOTAL COLORADO DEPARTMENT OF LABOR AND EMPLOYMENT</b>		<b>1,732,387</b>

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

**NOTE 2**      **DETAILS OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal Expenditures
<b><u>Passed through National SER:</u></b>		
WIA - OLDER WORKERS Act Title V (SCSEP)	17.235	302,002
<b>Total National SER</b>		302,002
<b>TOTAL U. S. DEPARTMENT OF LABOR</b>		2,983,346
 <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>		
<b><u>Direct:</u></b>		
Head Start - Denver	93.600	5,121,518
Head Start - Southern Colorado	93.600	1,505,026
Head Start - Conejos/Costilla	93.600	1,367,603
Head Start - Grand Junction 01	93.600	2,669,828
Head Start - Pueblo County	93.600	3,214,208
<b>Total Direct Funding</b>		13,878,183
<b><u>Passed through Local Schools:</u></b>		
Trinidad Public Schools - Head Start	93.600	120,104
<b>Total Local Schools</b>		120,104
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		13,998,287
 <b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>		
<b><u>Passed through Colorado Dept. of Public Health &amp; Environment:</u></b>		
CACFP Denver	10.558	308,834
CACFP Grand Junction	10.558	149,392
CACFP Southern Colorado	10.558	96,594
CACFP Pueblo County	10.558	142,352
CACFP Conejos/Costilla	10.558	88,856
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		786,028
<b>TOTAL FEDERAL EXPENDITURES</b>		\$ 17,767,661

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENT PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors and Finance Committee  
Rocky Mountain SER/Jobs for Progress

We have audited the financial statements of Rocky Mountain SER/Jobs for Progress, Inc. (a nonprofit organization) as of and for the fiscal year ended June 30, 2007, and have issued our report thereon dated December 30, 2007. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered Rocky Mountain SER/Jobs for Progress, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rocky Mountain SER/Jobs for Progress, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to a significant deficiency in internal control over financial reporting. (Finding reference number - 06-30-07-1).

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Rocky Mountain SER/Jobs for Progress, Inc.'s financial statements are free of 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 06-30-07-2.

We noted certain matters that we reported to management of Rocky Mountain SER/Jobs for Progress, Inc. in a separate letter dated December 20, 2007.

Rocky Mountain SER/Jobs for Progress, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Rocky Mountain SER/Jobs for Progress, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the Finance Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

***May Jackson Hendrick, LLC***  
***Certified Public Accountants***

Parker, Colorado  
December 20, 2007

**INDEPENDENT AUDITORS' REPORT**  
**ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO**  
**EACH MAJOR PROGRAM AND ON**  
**INTERNAL CONTROL OVER COMPLIANCE IN**  
**ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors and Finance Committee  
Rocky Mountain SER/Jobs for Progress

**Compliance**

We have audited the compliance of Rocky Mountain SER/Jobs for Progress, Inc. with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007. Rocky Mountain SER/Jobs for Progress, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rocky Mountain SER/Jobs for Progress, Inc.'s management. Our responsibility is to express an opinion on Rocky Mountain SER/Jobs for Progress, Inc.'s compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Rocky Mountain SER/Jobs for Progress, Inc.'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. Our audit does not provide a legal determination of Rocky Mountain SER/Jobs for Progress, Inc.'s compliance with those requirements.

As described in item 06-30-07-2 in the accompanying schedule of findings and questioned costs, Rocky Mountain SER/Jobs for Progress, Inc. did not comply with requirements regarding allowable expenditures that are applicable to its Head Start program. Compliance with such requirements is necessary, in our opinion, for Rocky Mountain SER/Jobs for Progress, Inc. to comply with the requirements applicable to that program.



In our opinion, except for the noncompliance described in the preceding paragraph, Rocky Mountain SER/Jobs for Progress, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the fiscal year ended June 30, 2007.

### **Internal Control Over Compliance**

The management of Rocky Mountain SER/Jobs for Progress, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Rocky Mountain SER/Jobs for Progress, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Rocky Mountain SER/Jobs for Progress, Inc.'s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 06-30-07-2 to be significant deficiencies.

Rocky Mountain SER/Jobs for Progress, Inc.'s response to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Rocky Mountain SER/Jobs for Progress, Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Directors, the Finance Committee, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

May Jackson Hendrick, LLC  
Certified Public Accountants

Parker, Colorado  
December 20, 2007

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007.**

**Summary of Auditors' Results**

**Financial Statements**

Type of auditors' report issued:

***Unqualified***

Internal control over financial reporting:

\* Material weaknesses identified? \_\_\_\_\_ yes  X  no

\* Significant deficiencies identified that are not considered to be material weaknesses?  X  yes \_\_\_\_\_ none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes  X  no

**Federal Awards**

Internal control over major programs:

\* Material weaknesses identified? \_\_\_\_\_ yes  X  no

\* Significant deficiencies identified that are not considered to be material weaknesses?  X  yes \_\_\_\_\_ none reported.

Type of auditor's report issued on compliance for major programs:

***Unqualified***

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?  X  yes \_\_\_\_\_ no

Identification of major programs:

***93.600 Department of Health and Human Services - Head Start***

***10.558 Child and Adult Care Food Program***

***17.264 Migrant and Seasonal Farmworkers***

***17.258, 17.259, 17.260 Workforce Investment Act (Adult Program, Youth Activities and Dislocated Workers)***

Dollar threshold used to distinguish between Type A and Type B programs:

***\$ 533,030***

Auditee qualified as low-risk auditee?  X  yes \_\_\_\_\_ no

**ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007.**

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**Financial Statement Findings**

**Significant Deficiency**

**06-30-07-1 Cash Disbursements**

*Condition and Criteria:* Checks issued without proper supporting documentation and approval due to management override by Charles Tafoya, Executive Director.

*Effect:* The expenses paid for with the checks may not be legitimate Rocky Mountain Ser/Jobs in Progress, Inc. expenses.

*Auditor's Recommendation:* All employees should be reminded of the internal controls in place to insure the procedures are properly followed. In addition, employees should be reminded to maintain a level of professional skepticism to assist in identifying possible management override of internal controls.

**Findings and Questioned Costs - Major Federal Award Programs Audit**

Questioned  
Costs

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**DEPARTMENT OF HEALTH AND HUMAN SERVICES**

Head Start Program - CFDA No. 93.600

**06-30-07-2 Grant no. 08CH137/04; Grant period - 1/1 - 12/31/07.**

*Condition and Criteria:* Checks issued without proper supporting documentation and approval due to management override by Charles Tafoya, Executive Director.

*Effect:* The expenses paid for with the checks are subject to disallowance and is, therefore, considered a questioned cost.

*Cause:* Internal controls appear to have failed due to management override.

*Population and Items Tested:* All transactions initiated and approved by Charles Tafoya between July 1, 2006 and July 31, 2007. A population of 18 transactions totaling \$25,228 were identified during this time period. Of the 18 transactions, six were paid with Head Start grant dollars totaling \$19,102. Of the six transactions, three transactions with questioned costs totaling \$8,600 were found to be in noncompliance.

\$ 8,600

*Auditor's Recommendation:* All employees should be reminded of the internal controls in place to insure the procedures are properly followed. In addition, employees should be reminded to maintain a level of professional skepticism to assist in identifying possible management override of internal controls.

**ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2007.**

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**Findings and Questioned Costs - Major Federal Award Programs Audit (Continued)**

	<u>Questioned Costs</u>
<b>06-30-07-2</b> Grant no. 08CH137/04; Grant period - 1/1 - 12/31/07 (Continued).	
<i>Grantee Response:</i> The Organization agrees with the finding. Of the \$8,600 questioned costs, \$7,500 have been refunded as of the date of this report; the remaining \$1,100 has been credited to the grant and paid for with unrestricted corporate funds.	
Total - Head Start	<u>8,600</u>
Total - Department of Health and Human Services	<u>8,600</u>
Total - Questioned Costs	<u><u>\$ 8,600</u></u>