

Rocky Mountain SER/Jobs For Progress, Inc.
Financial Statements
For the Year Ended June 30, 2014

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 18
Supplementary Information:	
Schedule of Expenditures of Federal Awards	19
Notes to Schedule of Expenditures of Federal Awards	20
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 <i>Government Auditing Standards</i>	21 - 22
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133	23 - 24
Schedule of Findings and Questioned Costs	25 – 27
Corrective Action Plan	28
Schedule of Findings and Questioned Costs Prior Year	29



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of Rocky Mountain SER/ Jobs for Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express 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 financial statements referred to above present fairly, in all material respects, the financial position of Rocky Mountain SER/ Jobs for Progress, Inc. as of June 30, 2014, 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.

Certified Public Accountants & Consultants

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Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 March 27, 2015, on our consideration of Rocky Mountain SER/Jobs For Progress, 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 Rocky Mountain SER/Jobs For Progress, Inc.'s internal control over financial reporting or compliance.

Denver, Colorado
March 27, 2015

Comiskey & Company
PROFESSIONAL CORPORATION

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2014 and 2013

	2014	(Memo Only) 2013
ASSETS:		
Cash	\$ 209,990	\$ 165,549
Grants receivable	711,458	1,239,250
Other receivables	9,205	-
Total Current Assets	930,653	1,404,799
PROPERTY AND EQUIPMENT, at cost:		
Non-depreciable assets:		
Land	2,281,799	2,281,799
Depreciable Assets:		
Buildings	5,872,704	5,881,251
Leasehold improvements	3,415,174	3,391,717
Furniture, fixtures and equipment	2,134,589	2,136,588
Vehicles	1,175,987	1,199,575
Total depreciable Assets	12,598,454	12,609,131
Less accumulated Depreciation	(8,432,073)	(7,871,895)
Net Property and Equipment	6,448,180	7,019,035
OTHER ASSETS:		
Deposits	10,369	4,181
Total other assets	10,369	4,181
Total Assets	\$ 7,389,202	\$ 8,428,015
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 246,339	\$ 1,048,480
Accrued expenses:		
Employee benefits	54,490	506,825
Wages	212,033	202,878
Notes payable - financial institutions	136,650	125,511
Total Current Liabilities	649,512	1,883,694
Notes payable - financial institutions, net of current	3,234,971	3,379,146
Total Liabilities	3,884,483	5,262,840
NET ASSETS:		
Unrestricted	2,738,868	2,268,925
Temporarily restricted	765,851	896,250
Total Net Assets	3,504,719	3,165,175
Total Liabilities and Net Assets	\$ 7,389,202	\$ 8,428,015

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB'S FOR PROGRESS, INC.**STATEMENTS OF ACTIVITIES
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	2014			(Memo only)
	Unrestricted	Temporarily Restricted	Total	2013
				Total
REVENUES AND OTHER SUPPORT:				
Grant revenues	\$ 18,898,094	\$ -	\$ 18,898,094	18,807,725
In-kind contributions	1,332,053	-	1,332,053	1,993,939
Contributions	27,454	2,000	29,454	31,875
Program service fees and income	668,369	34,000	702,369	629,903
Other income	73,785	-	73,785	60,283
Gain on disposal of fixed assets	-	-	-	3,258
Interest income	121	-	121	40
Special event revenue	-	-	-	27,387
Net assets released from restrictions	<u>166,399</u>	<u>(166,399)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	21,166,275	(130,399)	21,035,876	21,554,410
PROGRAM SERVICES:				
Vocational education and training	899,120	-	899,120	802,051
Children's education and family support	<u>17,256,080</u>	<u>-</u>	<u>17,256,080</u>	<u>18,911,360</u>
Total program services	18,155,200	-	18,155,200	19,713,411
Management and general	<u>2,541,132</u>	<u>-</u>	<u>2,541,132</u>	<u>2,869,307</u>
Total Supporting Services	<u>2,541,132</u>	<u>-</u>	<u>2,541,132</u>	<u>2,869,307</u>
Total Expenses	<u>20,696,332</u>	<u>-</u>	<u>20,696,332</u>	<u>22,582,718</u>
CHANGE IN NET ASSETS	469,943	(130,399)	339,544	(1,028,308)
NET ASSETS, BEGINNING OF YEAR	<u>2,268,925</u>	<u>896,250</u>	<u>3,165,175</u>	<u>4,193,483</u>
NET ASSETS, END OF YEAR	<u>\$ 2,738,868</u>	<u>\$ 765,851</u>	<u>\$ 3,504,719</u>	<u>\$ 3,165,175</u>

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013**

	2014				(Memo Only) 2013	
	Vocational Education and Training	Children's Education and Family Support	Total Program Services	Management and General	Total Expenses	Total Expenses
Personnel Costs:						
Salaries and wages	\$ 390,271	8,466,838	\$ 8,857,109	\$ 1,089,595	\$ 9,946,704	\$ 10,662,804
Contract employees	480	0	480	-	480	57,648
Payroll taxes	52,825	1,795,223	1,848,048	113,840	1,961,888	1,012,551
Employee Benefits	42,834	1,333,802	1,376,636	124,379	1,501,015	1,362,446
Payroll services	2,570	55,351	57,921	7,640	65,561	65,232
Education and retention	98	157,702	157,800	19,081	176,881	203,790
Employee Settlements	-	-	-	-	-	371,000
Total Personnel Costs	489,078	11,808,916	12,297,994	1,354,535	13,652,529	13,735,471
Direct Participant Costs:						
Program supplies	2,379	1,215,019	1,217,398	20,374	1,237,772	1,556,875
Job training and tuition costs	6,220	0	6,220	-	6,220	136,065
Participant support	247,355	120,869	368,224	-	368,224	267,701
Total Direct Participant Costs	255,954	1,335,888	1,591,842	20,374	1,612,216	1,960,641
Rent and utilities	43,212	939,881	983,093	17,096	1,000,189	1,011,430
Professional contract services	-	164,021	164,021	125,151	289,172	232,938
Depreciation and amortization	-	323,004	323,004	260,761	583,765	631,652
Audit, insurance and other services	20,154	392,327	412,481	229,787	642,268	779,071
Travel	52,086	79,452	131,538	51,331	182,869	381,542
Equipment rental and maintenance	5,935	127,996	133,931	22,509	156,440	295,260
Communications	23,821	175,808	199,629	51,570	251,199	243,186
Office supplies	7,749	96,423	104,172	33,839	138,011	178,510
Building repairs and maintenance	64	262,617	262,681	27,509	290,190	909,826
Fundraising	0	38,742	38,742	4,451	43,193	94,978
Other expenses	(2,917)	25,979	23,062	62,826	85,888	135,005
Vehicle costs	3,984	102,296	106,280	37,570	143,850	136,953
Total Other Operating Expenses	154,088	2,728,546	2,882,634	924,400	3,807,034	5,030,351
Other Expenses:						
In-kind contribution	-	1,332,053	1,332,053	-	1,332,053	1,993,939
Interest, taxes and penalties	-	49,069	49,069	222,850	271,919	196,788
Board expenses	-	-	-	18,698	18,698	38,027
Restrict Equip Purch & LHI	-	-	-	-	-	(236,009)
Capitalization of equipment purchases	-	-	-	-	-	(137,690)
Contributions	-	1,608	1,608	275	1,883	1,200
Total Other Expenses	-	1,382,730	1,382,730	241,823	1,624,553	1,856,255
Total Expenses	\$ 899,120	\$ 17,256,080	\$ 18,155,200	\$ 2,541,132	\$ 20,696,332	\$ 22,582,718

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

STATEMENTS OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2014 AND 2013

	2014	(Memo Only) 2013
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	\$ 339,544	\$ (1,028,308)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	583,765	608,799
Gain on disposal of fixed assets	-	(3,258)
Net (increase) decrease in assets:		
Grants receivable	527,792	158,896
Other receivables	(9,205)	34,555
Prepaid expenses	-	77,065
Deposits	(6,188)	(1,770)
Net increase(decrease) in liabilities:		
Accounts payable	(802,141)	764,216
Accrued expenses	(443,180)	(85,281)
Unearned revenue	-	(184,334)
Net cash provided by operating activities	190,387	340,580
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Net cash (used for) investing activities	(12,912)	(360,399)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Principal payments on notes payable	(133,034)	(110,429)
Net cash (used for) financing activities	(133,034)	(110,429)
NET INCREASE (DECREASE) IN CASH	44,441	(130,248)
CASH, BEGINNING OF YEAR	165,548	295,797
CASH, END OF YEAR	\$ 209,989	\$ 165,548
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	\$ 171,457	\$ 168,025
NON-CASH TRANSACTIONS:		
Purchase of vehicles with loan proceeds	\$ -	\$ 58,323

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Rocky Mountain SER/Jobs for Progress, Inc. ("RMSER", "the Organization") is a Colorado nonprofit corporation established in 1980. RMSER'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. RMSER also serves as a resource to other community organizations that are working with those people. A primary goal of RMSER 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.

RMSER's major activities and programs are described below:

Programs:

Vocational Education and Training: Adult and youth vocational education and training including 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. This program 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 RMSER.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

Basis of Accounting:

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

Basis of Presentation:

The financial statements are presented in accordance with the requirements established under the Not-for-Profit Entities - Presentation of Financial Statements Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). Under this Topic, RMSER 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. No permanently restricted assets were held during the fiscal year and accordingly these financial statements do not reflect any activity related to this class of net assets for the fiscal year ended June 30, 2014.

Cash and Cash equivalents

For purpose of the Statement of Cash Flows, RMSER considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Property, Equipment and Depreciation

RMSER 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 relating to depreciable asset classes of Furniture, fixtures, and equipment; Vehicles; Buildings; and Leasehold improvements.

RMSER'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 capitalized and depreciated.

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, RMSER reports the support as unrestricted.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

In-Kind Donations

Presentation: In-Kind donations on the accompanying financial statements are reported on RMSER's fiscal year for the year ended June 30, 2014.

Facilities: Donated facilities are recorded as contribution at their estimated fair values at the date of donation. Donated facilities recorded at June 30, 2014 were \$571,970.

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. RMSER reports expirations of donor restrictions over the useful lives of the assets as the donated or acquired assets are depreciated.

Services: Certain volunteers assisting RMSER with specific assistance to programs and various committee assignments performed donated services that meet the criteria for recognition under ASC 905 (services that create or enhance a nonfinancial asset or require specialized skills, are provided by entities or persons possessing those skills, and would need to be purchased if they were not donated.) Accordingly, the financial statements reflect donated services as in-kind contributions under both revenue and expense for the fiscal year ended June 30, 2014. In-Kind Services totaling \$424,708 were recorded in the fiscal year ended June 30, 2014. These services include \$150,694 in Special Education, \$179,655 in Professional Services and \$94,359 in Community Partnerships. Parent Volunteers and Community Volunteers contributed approximately 125,579 hours during the year. RMSER additionally received \$117,529 from various school districts and foundations.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

In-Kind Donations

Materials and Goods: Donations of materials and goods 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. RMSER reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. RMSER reclassifies temporarily restricted net assets to unrestricted net assets at that time. Donated goods recorded as In Kind for the fiscal year end June 30, 2014 was \$231,839.

Head Start Required Local Match: Head Start annual grant agreements require RMSER to report a local match of 20% of total program awards per calendar year. For this purpose, In Kind donated facilities, services and goods are included in this matching amount. In addition RMSER also includes local grants and contributions and the value of non-professional volunteer services in their local match calculation. The total of all In Kind and non-federal funding support for the calendar year 2014 was \$3,164,105. This amount differs from the amount reported in the accompanying financial statements due to the difference in the reporting period, cash amounts recorded in other financial statement categories, and by the value of volunteer services that do not qualify for recognition under ASC 905.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

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

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. For significant estimates it is at least reasonably possible that the estimates will change within one year of the date of the financial statements due to one or more confirming events. Accordingly, actual results could differ from those estimates.

Fair Values of Financial Instruments

RMSER has a number of financial instruments, consisting primarily of cash, grants and other receivables, accounts and notes payable, accrued expenses, and the line of credit. None of the financial instruments are held for trading purposes. RMSER estimates that the fair value of all financial instruments at June 30, 2014 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, RMSER 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 RMSER's indirect rate of 11.00%.

Income Taxes

RMSER is a 501(c) 3 entity and 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). RMSER did not report any unrelated business income tax as of June 30, 2014. Information returns for fiscal years prior to 2011 are no longer subject to audit by taxing authorities.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable represents monies due to RMSER at June 30, 2014 and are recorded using the accrual basis of accounting. As of June 30, 2014 grants receivable totaled \$711,458.

It is the policy of RMSER to maintain a reserve for uncollectible accounts receivable. At the end of each fiscal year, the allowance for doubtful accounts is adjusted based on an analysis of outstanding aged accounts receivables; historical collection and bad debt experience; and evaluations of specific accounts based on discussions with the department that originated the sale resulting in the receivable.

It is the policy of RMSER to ensure that all available means of collecting accounts receivable have been exhausted before write-off procedures are initiated. Write-offs are initiated by the department associated with the amount to be written off, in conjunction with the accounting department. If an account receivable is deemed uncollectible, the appropriate approvals by upper management are required. No bad debt allowance was considered necessary for the year ended June 30, 2014.

NOTE 3 PREPAID EXPENSES

Prepaid expenses consist of advance payments made by RMSER as of June 30, 2014. With the passage of time, the advance payments will gradually expire and the expired portion will be expensed accordingly. As of June 30, 2014, there were no material amounts prepaid.

NOTE 4 FUNDRAISING

RMSER participates in fundraising activities. During the year ended June 30, 2014, total cost of all fund-raising activities was \$43,194.

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment acquired with various grant funds are recorded as temporarily restricted upon the purchase of the equipment. RMSER 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.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 5 PROPERTY AND EQUIPMENT (Continued)

A summary of property and equipment follows:

	Unrestricted Fixed Assets	Temporarily Restricted Fixed Assets	Total Fixed Assets
Nondepreciable:			
Land	<u>\$ 2,219,400</u>	<u>\$ 62,399</u>	<u>\$ 2,281,799</u>
Total Nondepreciable:	<u>2,219,400</u>	<u>62,399</u>	<u>2,281,799</u>
Depreciable:			
Buildings	5,618,557	254,148	5,872,705
Leasehold Improvements	781,966	2,633,209	3,415,175
Furniture, fixtures and equipment	160,910	1,973,678	2,134,588
Vehicles	<u>517,650</u>	<u>658,336</u>	<u>1,175,986</u>
Total Depreciable:	<u>7,079,083</u>	<u>5,519,371</u>	<u>12,598,454</u>
Less accumulated depreciation	<u>(3,616,154)</u>	<u>(4,815,919)</u>	<u>(8,432,073)</u>
Total Net Depreciable	<u>3,462,929</u>	<u>703,452</u>	<u>4,166,381</u>
Total Property and Equipment	<u>\$ 5,682,329</u>	<u>\$ 765,851</u>	<u>\$ 6,448,180</u>

Depreciation expense for the fiscal year ended June 30, 2014 was \$583,765.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 6	<u>NOTES PAYABLE, FINANCIAL INSTITUTIONS</u>	<u>Outstanding Balance as of June 30, 2014</u>
	Note payable to JPMorgan Chase Bank, NA due March 12, 2023, interest rate of 4.67% at June 30, 2014 Principal and interest of \$18,394 due monthly. The note is collateralized by commercial real estate.	\$ 2,736,337
	Original amount of Note Payable was \$33,024 issued on June 8, 2010. Note payable to Ally Automotive Financing due June 2015, bearing interest at a rate of 0.00% at June 30, 2014. Principal and interest of \$550 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$6,666.	6,570
	Original amount of Note Payable was \$33,200 issued on May 28, 2010. Note payable to Ally Automotive Financing due June 2015, bearing interest at a rate of 0.00% at June 30, 2014. Principal and interest of \$553 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$6,634.	6,675
	Original amount of Note Payable was \$29,699 issued on November 20, 2009. Note payable to Ally Automotive Financing due December 2014, interest at a rate of 10.79% at June 30, 2014. Principal and interest of \$645 due monthly. The note is collateralized by the vehicle that was financed by this note with a carrying value net of depreciation of \$2,029.	3,964

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 7	<u>NOTES PAYABLE, FINANCIAL INSTITUTIONS</u>	<u>Outstanding Balance as of June 30, 2014</u>
	Original amount of Note Payable was \$25,496 issued on May 25, 2012. Note payable to Ford Credit due June 2017, interest at a rate of 6.54% at June 30, 2014. Principal and interest of \$501 due monthly. The note is collateralized by the vehicle financed by this note with a carrying value net of depreciation of \$14,873.	16,315
	Original amount of Note Payable was \$32,827 issued on May 19, 2012 Notes payable to Ford Credit due June 2017, bearing interest at a rate of 6.54% at June 30, 2014. Principal and interest of \$645 due monthly. The note is collateralized by a vehicle financed by this note with a carrying value net of depreciation of \$19,149.	21,004
	Original amount of Note Payable was \$597,220 issued on August 16, 2012 Notes payable to Citywide Banks due August 2037, bearing interest at a rate of 5.25% at June 30, 2014. Principal and interest of \$3,605 due monthly. The note is collateralized by the building with a carrying value net of depreciation of \$340,121 .	<u>580,756</u>
	Total	<u>\$ 3,371,621</u>

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 7 **NOTES PAYABLE, FINANCIAL INSTITUTIONS continued**

Total interest incurred and charged to expense for the fiscal year ended June 30, 2014 on the notes payable to financial institutions was \$171,457.

The interest effect for those notes payable with a 0% interest rate is considered immaterial to the financial statements.

The following are the maturities of notes payable, financial institutions for the next five years and thereafter:

June 30, 2015	\$136,650
June 30, 2016	125,470
June 30, 2017	131,560
June 30, 2018	124,175
June 30, 2019	130,191
Thereafter	<u>2,723,575</u>
Total	<u>\$ 3,371,621</u>

NOTE 8 **NOTE PAYABLE, JPMORGAN CHASE BANK, NA**

The note payable, JPMorgan Chase Bank, NA (NOTE 7), is the result of the Colorado Housing and Finance Authority (CHFA) issuing a tax exempt obligation evidenced by an Issuer Note to JPMorgan Chase Bank, NA in the amount of \$3,220,000; the proceeds from the Issuer Note were used to make a loan to RMSER. At the completion of the financing, CHFA assigned all of its rights to JPMorgan Chase Bank, NA; therefore, the tax exempt obligation and note payable are non-recourse to CHFA.

NOTE 9 **RESTRICTIONS ON NET ASSETS**

Temporarily restricted net assets totaling \$765,851 consists solely of the net book value of temporarily restricted fixed assets of \$765,851 (NOTE 5).

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 10 COMMITMENTS

RMSEr has obligations under operating lease agreements for vehicles, office/classroom space and equipment. Rent incurred and charged to expense for the year ended June 30, 2014 totaled \$660,494.

The following are RMSEr's minimum future lease payments under non-cancelable operating lease agreements:

June 30, 2015	\$ 352,337
June 30, 2016	214,700
June 30, 2017	93,680
June 30, 2018	11,012
June 30, 2019	<u>911</u>
Total	<u>\$672,640</u>

NOTE 11 EMPLOYEE BENEFIT PLAN

RMSEr has a qualified tax sheltered annuity plan for its employees established under Section 401 (k) of the Internal Revenue Codes. All employees are eligible to participate in the plan on the first day of each month only after 1,000 hours of service has been performed within a twelve-consecutive-month period of time and the employee is at least 21 years old. Eligible employees can contribute an amount between 1% and 15% of compensation as defined by the Plan, limited by the requirements of the Internal Revenue Code. RMSEr's matching contributions are calculated at 3% of the employee's eligible compensation plus 1/2% for each additional 1% contributed by the employee up to 5% for a maximum employer matching contribution of 4%.

RMSEr contributed \$113,698 to the plan during the fiscal year ended June 30, 2014.

RMSEr may, at its discretion, make a Profit Sharing contribution to the plan. The Profit Sharing contribution will be allocated in proportion to the sum of eligible compensation plus eligible compensation in excess of 80% of the Social Security Taxable Wage Base. RMSEr made no Profit Sharing contributions in the fiscal year ended June 30, 2014.

Participants are fully vested in their individual contributions and the earnings thereon. Participants are also fully vested in their Organization matching contribution and the earnings thereon after three or more years of service.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

**NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

NOTE 12 CONTINGENCIES

Management is aware that significant funding sources are contingent on compliance with Federal and State and Local grants. If noncompliance were to occur, expenditure funding could be revoked. As of June 30, 2014 management believes there are no noncompliance issues.

NOTE 13 SELF FUNDED HEALTH INSURANCE

RMSER funds its own health insurance plan which is administered through a third party. All health insurance claims incurred by covered employees and their families (when applicable) are paid by RMSER. Claims paid reduce RMSER's health insurance liability which has been established throughout the years from:

- Funds withheld from employee's paychecks representing the employee paid portion and
- An accrued expense representing RMSER's portion of health insurance provided to the employees

NOTE 13 SELF FUNDED HEALTH INSURANCE (continued)

The third party administrator determines RMSER's terminal liability which is pre-set cost for claims that protects RMSER from claims that are incurred after termination. The liability reflected within the financial statements, represents RMSER's total terminal liability. As of June 30, 2014, the estimated liability is \$81,177 and is included in Employee benefits payable on the Statements of Financial Position.

NOTE 14 REIMBURSABLE EMPLOYER LIABILITY/STATE UNEMPLOYMENT TAX ACCRUAL

RMSER was self-insured for unemployment claims until January 1, 2014, when they converted to a participant in Colorado's unemployment insurance program. The company believes all claims from the period of unemployment self-insurance have been paid as of June 30, 2014.

NOTE 15 ECONOMIC DEPENDENCY

RMSER receives a substantial amount of its total revenues (directly and as pass-through contracts) from the U.S. Department of Health and Human Services. Approximately 73% of total revenue is earned from this Department. A significant reduction in the level of such support, if this were to occur, may have an adverse affect on RMSER's programs and activities.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 16 CONCENTRATIONS OF CREDIT RISK

As of June 30, 2014, a majority of grant related receivables are from two direct federal agencies; the U.S. Department of Health and Human Services and the Department of Labor. 72% of receivables are due from U.S. Department of Health and Human Services and 12% of total receivables are due from the Department of Labor.

Significant concentrations of credit risk exist arising from cash deposits in excess of federally insured limits. As of June 30, 2014 there is \$38,152 of cash deposits in excess of the Federal Deposit Insurance Corporation (FDIC). RMSER does not currently have a deposit policy to address these credit risks.

NOTE 17 CONSOLIDATION OF Affiliated Entity

Due to commonality of governance, RMSER is including Rocky Mountain Community Development Corporation's (RMCDC) assets, liabilities, revenues and expenditures in its financial statements for the year. Opening unrestricted net assets has been increased by \$85,306 to reflect the consolidation of RMCDC activity. RMCDC is a not-for-profit organization formed for the purpose of pursuing economic development opportunities in low income areas. RMCDC's activities for fiscal year June 30, 2014 include the ownership of real estate which is leased as a head start center to RMSER. Intercompany transactions have been eliminated. Financial position and Results of Operation for the comparative period of the previous year have also been restated to include the consolidation of RMCDC effective July 1, 2012.

NOTE 18 SUBSEQUENT EVENTS

During December 2014 RMSER settled the last of a series of wrongful termination claims for \$150,000. Previously, RMSER had accrued \$360,000 as the potential cost of these claims. As a result of the settlements, which totaled \$150,000 in the aggregate, the accompanying financial statements show a reduction of the accrued liability of \$210,000, which is included in miscellaneous income.

RMSER received material federal grants subsequent to year end which will be recognized as grant revenue in the June 30, 2014 year. The grants are a recurring source of funding for RMSER.

In April 2015, RMSER received an assessment for unpaid wages from the Department of Labor from an audit of wage and hour claims for the period January 2012 through March of 2014 in the amount of approximately \$350,000. RMSER considers certain of the findings to be invalid or based on incorrect information and has engaged counsel to dispute the assessment. As the amount of the ultimate liability is uncertain, no amount has been accrued.

Except for the matter discussed in the previous paragraph, Management has evaluated the subsequent events for the period from June 30, 2014 through the issuance date of March 27, 2015 which is the date that the financial statements are available for issuance.

ROCKY MOUNTAIN/JOBS FOR PROGRESS, INC.

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014**

Federal Grantor/Pass-through Grantor/Program Title	CFDA Number	Federal Expenditures
<u>U. S. DEPARTMENT OF LABOR</u>		
<u>Direct:</u>		
Migrant and Seasonal Farmworkers Grant	17.264	\$ 946,058
Total Direct Funding		946,058
Passed through CDHDC		
Migrant and Seasonal Farmworkers Grant	17.264	34,984
Total Pass-through Funding		34,984
TOTAL U. S. DEPARTMENT OF LABOR		981,042
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
<u>Direct:</u>		
Total Head Start	93.600	16,926,575
Total Direct Funding		16,926,575
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		16,926,575
<u>U.S. DEPARTMENT OF AGRICULTURE</u>		
<u>Passed through Colorado Dept. of Public Health & Environment:</u>		
Child and Adult Care Food Program	10.558	986,227
TOTAL U.S. DEPARTMENT OF AGRICULTURE		986,227
TOTAL FEDERAL EXPENDITURES		\$ 18,893,844

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2014

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Rocky Mountain SER/ Jobs for Progress, Inc. under programs of federal government for the year ended June 30, 2014. The information in this schedule is presented in accordance with the requirements of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of Rocky Mountain SER/ Jobs for Progress, it is not intended to and does not present the financial position, changes in net assets or cash flows of Rocky Mountain SER/ Jobs for Progress.

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 OMB Circular A-122, *Costs Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.



**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***

To the Board of Directors
Rocky Mountain SER/ Jobs for Progress, Inc.

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 Rocky Mountain SER/ Jobs for Progress, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, 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 March 27, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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. Accordingly, we do not express an opinion on the effectiveness of Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control.

Our consideration of the 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding number 2014-1 to be a material weakness.

Certified Public Accountants & Consultants

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rocky Mountain SER/ Jobs for Progress, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Rocky Mountain SER/Jobs for Progress' Response to Findings

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. Rocky Mountain SER/Jobs for Progress, Inc.'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.

Denver, Colorado
March 27, 2015

Cornisley & Company
PROFESSIONAL CORPORATION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

To the Board of Directors
Rocky Mountain SER/ Jobs for Progress, Inc.

Report on Compliance for Each Major Federal Program

We have audited Rocky Mountain SER/ Jobs for Progress, Inc.'s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rocky Mountain SER/ Jobs for Progress, Inc.'s major federal programs for the year ended June 30, 2014. Rocky Mountain SER/ Jobs for Progress, Inc.'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 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 Rocky Mountain SER/ Jobs for Progress, Inc.'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Rocky Mountain SER/ Jobs for Progress, Inc.'s compliance.

Opinion on Each Major Federal Program

In our opinion, Rocky Mountain SER/ Jobs for Progress, 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 June 30, 2014.

Report on Internal Control Over Compliance

Management of Rocky Mountain SER/ Jobs for Progress, Inc. 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 Rocky Mountain SER/ Jobs for Progress, Inc.'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 OMB Circular A-133, 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.

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Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2014-2 to be a material weakness.

Rocky Mountain SER/ Jobs for Progress, Inc.'s response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Rocky Mountain SER/ Jobs for Progress, Inc.'s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Denver, Colorado
March 27, 2015


PROFESSIONAL CORPORATION

Rocky Mountain SER/ Jobs for Progress, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified? X yes no

Significant deficiencies identifies that are not
considered to be material weaknesses? yes X no

Noncompliance material to financial
statements noted?

 yes X no

Two material deficiencies disclosed during the audit of the financial statements are reported in the Yellow Book report on Internal Control over Reporting and Compliance.

Federal Awards

Internal control over major programs:

Material weaknesses identified? X yes no

Significant deficiencies identified that are not
considered to be material weaknesses? yes X no

Type of auditors' 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 OMB Circular A-133?

 X yes no

Two material deficiencies disclosed during the audit of the financial statements are reported in the Yellow Book report on Internal Control over Reporting and Compliance.

Identification of major programs:

93.600 Head Start

10.558 Child and Adult Care Food Program

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

\$570,307

Auditee qualified as low-risk auditee?

 X yes no

Schedule of Prior Year Audit Findings:

Included

Rocky Mountain SER/ Jobs for Progress, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

FINDINGS - FINANCIAL STATEMENT AUDIT

2014-001 Account Reconciliations

Condition: During the fiscal year ended June 30, 2014, Rocky Mountain SER/ Jobs for Progress, Inc. failed to reconcile the financial statement amount for accounts payable to the underlying detail of unpaid invoices. Further, the organization failed to reconcile its operating cash account to the monthly bank statements in a timely manner. Both of these failures resulted in the requirement for material adjustments to previously issued interim internal financial statements.

Criteria: Internal controls should be in place to provide reasonable assurance about the achievement of the Organization's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Context: The timely reconciliation of financial statement balances to third party documentation and subsidiary detail is a necessary control to ensure that the amounts recorded in the financial statements are complete and accurate with no omissions or duplications. Accounting personnel reconciled the accounts and corrected cash and accounts payable errors several months after year end in connection with the preparation for the annual audit.

Effect: Because cash and accounts payable were not adjusted on a timely basis during the fiscal year, interim reports used by management to ascertain operating results were inaccurate.

Recommendation: RMSER should ensure that accounting staff assigned to produce financial reports are adequately trained in generally accepted accounting principles as well as thoroughly familiar with the accounting system, reports and the scope and purpose of periodic reconciliations. Accounts such as cash and vendor payables should be reconciled as part of the monthly financial statement closing procedures, differences should be researched timely, and error corrections should be recorded in the accounting records. An employee independent of the preparation of month end closing entries and reconciliations should review them for completeness and accuracy.

Management's Response:

Rocky Mountain SER/ Jobs for Progress, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

2014-002 Account Reconciliations

Condition: Rocky Mountain SER/ Jobs for Progress, Inc. failed to perform customary account reconciliations in a timely manner. See 2014-1 in Findings - Financial Statement Audit for a detailed description of the deficiency.

Criteria: Internal controls should be in place to provide reasonable assurance about the achievement of the Organization's objectives for controlling Allowable Costs and Cost Principles and Reporting as it relates to its major programs.

Context: The periodic reconciliation of financial accounts helps to ensure that potential accounting errors, omissions or improper use of funds are discovered on a timely basis.

Effect: A greater potential for reimbursement of unallowable costs or the misuse of available funds was present, although none was noted for the year ended June 30, 2014.

Recommendation: See 2014-1 in Findings - Financial Statement Audit for recommended strengthening of controls.

Management's Response:

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

CORRECTIVE ACTION PLAN FOR THE FISCAL YEAR ENDED JUNE 30, 2014

Financial Statement Finding #2014-001

Management Response: During the fiscal year 2014, RMSER experienced major turnover in very key management and frontline staff. The turnover was attributable to the Sequestration and a change of direction of the CEO at that time. The accounting department experienced the loss of the Director of Finance, Senior Accountant, and two Accounts Payable Technicians. During the year, there were only two accounting professionals (the CFO and one Accounts Payable Technician). We have now hired a Controller, Payroll Manager, Fiscal Grants and Compliance, and two Accountants I. Because of the transition, we were able to upgrade the accounting department to a higher level. Now everyone at the minimum possesses a Bachelor's degree. And four out of six professionals possesses a Master's degree. All are now trained and separation of duties has been established. The proper internal controls are in effect. As well as monthly reconciliations of balance sheet accounts are being performed.

The completion of separation of duties occurred March 1, 2015. Monthly reconciliations of all balance sheet accounts are update and now being done monthly.

Merci Gimenez, Controller
3555 Pecos St
Denver, CO 80211
303-480-9394

Major Federal Award Finding #2014-002

Management Response: During the fiscal year 2014, RMSER experienced major turnover in very key management and frontline staff. The turnover was attributable to the Sequestration and a change of direction of the CEO at that time. The accounting department experienced the loss of the Director of Finance, Senior Accountant, and two Accounts Payable Technicians. During the year, there were only two accounting professionals (the CFO and one Accounts Payable Technician). We have now hired a Controller, Payroll Manager, Fiscal Grants and Compliance, and two Accountants I. Because of the transition, we were able to upgrade the accounting department to a higher level. Now everyone at the minimum possesses a Bachelor's degree. And four out of six professionals possesses a Master's degree. All are now trained and separation of duties has been established. The proper internal controls are in effect. As well as monthly reconciliations of balance sheet accounts are being performed.

The completion of separation of duties occurred March 1, 2015. Monthly reconciliations of all balance sheet accounts are update and now being done monthly.

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303-480-9394

Rocky Mountain SER/ Jobs for Progress, Inc.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2014

Review of payroll during 6/30/14 fiscal year did not reveal any reoccurrence of the payroll discrepancy from prior year finding 2013-1.