

Rocky Mountain SER/Jobs For Progress, Inc.  
Financial Statements  
For the Year Ended June 30, 2016

## *Table of Contents*

	<u>Page</u>
Independent Auditors' Report	1-2
Statements of Financial Position	3
Statements of Activities	4
Statements of Functional Expenses	5
Statements of Cash Flows	6
Notes to Financial Statements	7 - 14
Supplementary Information:	
Schedule of Expenditures of Federal Awards	15
Notes to Schedule of Expenditures of Federal Awards	16
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance	17 - 18
Schedule of Findings and Questioned Costs	19-20
Schedule of Findings and Questioned Costs Prior Year	21



*Independent Auditor's Report*

Board of Directors  
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., which comprise the statement of financial position as of June 30, 2016, 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, 2016, 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.

### ***Other Matters***

The financial statements of Rocky Mountain SER/Jobs for Progress, Inc. for the year ended June 30, 2015, were audited by another auditor who expressed an unmodified opinion on those statements on March 28, 2016.

### ***Other Information***

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 is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) , 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 Schedule of Expenditures of Federal Awards 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 31, 2017 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 the 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 and compliance.

*Watson Coon & Associates P.C.*

March 31, 2017

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
STATEMENTS OF FINANCIAL POSITION  
June 30, 2016

	<b>2016</b>
<b>ASSETS:</b>	
Cash	\$ 129,894
Grants receivable	1,738,703
Other receivables	1,066
Total Current Assets	1,869,663
<b>PROPERTY AND EQUIPMENT, at cost:</b>	
Non-depreciable assets:	
Land	2,419,372
Depreciable Assets:	
Buildings	6,270,132
Leasehold improvements	3,493,160
Furniture, fixtures and equipment	2,254,590
Vehicles	1,175,987
Total Depreciable Assets	13,193,869
Less Accumulated Depreciation	(9,640,967)
Net Property and Equipment	5,972,274
<b>OTHER ASSETS:</b>	
Deposits	1,500
Total other assets	1,500
<b>Total Assets</b>	\$ 7,843,437
<b>LIABILITIES AND NET ASSETS:</b>	
Accounts payable	\$ 222,614
Accrued expenses:	
Employee benefits	192,871
Wages	146,838
Notes payable - financial institutions	143,739
Total Current Liabilities	706,062
Notes payable - financial institutions, net of current	3,356,123
Total Liabilities	4,062,185
<b>NET ASSETS:</b>	
Unrestricted	3,283,618
Temporarily restricted	497,634
Total Net Assets	3,781,252
<b>Total Liabilities and Net Assets</b>	\$ 7,843,437

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
STATEMENTS OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2016		
	Unrestricted	Temporarily Restricted	Total
<b>REVENUES AND OTHER SUPPORT:</b>			
Grant revenues	\$ 20,558,761	\$ -	\$ 20,558,761
In-kind contributions	2,532,561	-	2,532,561
Contributions	5,812	-	5,812
Program service fees and income	740,114	50,000	790,114
Other income	39,156	-	39,156
Interest income	121	-	121
Net assets released from restrictions	200,338	(200,338)	-
<b>Total revenues and other support</b>	<b>24,076,863</b>	<b>(150,338)</b>	<b>23,926,525</b>
<b>PROGRAM SERVICES:</b>			
Vocational education and training	854,726	-	854,726
Children's education and family support	19,911,133	-	19,911,133
<b>Total program services</b>	<b>20,765,859</b>	<b>-</b>	<b>20,765,859</b>
Management and general	2,837,272	-	2,837,272
<b>Total Expenses</b>	<b>23,603,131</b>	<b>-</b>	<b>23,603,131</b>
<b>CHANGE IN NET ASSETS</b>	<b>473,732</b>	<b>(150,338)</b>	<b>323,394</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>2,809,886</b>	<b>647,972</b>	<b>3,457,858</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 3,283,618</b>	<b>\$ 497,634</b>	<b>\$ 3,781,252</b>

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.  
STATEMENTS OF FUNCTIONAL EXPENSES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	2016				
	Vocational Education and Training	Children's Education and Family Support	Total Program Services	Management and General	Total Expenses
<b>Personnel Costs:</b>					
Salaries and wages	\$ 332,362	9,485,529	\$ 9,817,891.32	\$ 944,667	\$ 10,762,558
Payroll taxes	21,716	670,622	692,338	68,741	761,079
Employee Benefits	84,838	2,036,596	2,121,434	255,925	2,377,360
Payroll services	3,488	133,208	136,696	5,466	142,162
Education and retention	1,813	633,884	635,697	40,440	676,137
Total Personnel Costs	<u>444,217</u>	<u>12,959,839</u>	<u>13,404,056</u>	<u>1,315,239</u>	<u>14,719,296</u>
<b>Direct Participant Costs:</b>					
Program supplies	2,043	1,294,454	1,296,497	24,633	1,321,130
Job training and tuition costs	9,520	-	9,520	-	9,520
Participant support	258,705	269,845	528,550	-	528,550
Total Direct Participant Costs	<u>270,268</u>	<u>1,564,299</u>	<u>1,834,567</u>	<u>24,633</u>	<u>1,859,200</u>
<b>Other Operating Expenses:</b>					
Rent and utilities	35,388	833,952	869,340	15,700	885,040
Professional contract services	539	201,060	201,599	341,486	543,085
Depreciation and amortization	-	282,771	282,771	372,062	654,833
Audit, insurance and other services	17,065	361,511	378,576	153,285	531,861
Travel	39,628	155,601	195,229	54,714	249,943
Equipment rental and maintenance	5,068	156,690	161,758	29,304	191,062
Communications	17,917	276,918	294,835	57,493	352,328
Office supplies	6,486	56,624	63,110	46,728	109,838
Building repairs and maintenance	260	342,637	342,897	34,484	377,381
Fundraising	-	16,345	16,345	11,079	27,424
Other expenses	15,611	14,715	30,326	91,731	122,057
Vehicle costs	2,279	118,457	120,736	65,852	186,588
Total Other Operating Expenses	<u>140,241</u>	<u>2,817,281</u>	<u>2,957,522</u>	<u>1,273,918</u>	<u>4,231,440</u>
<b>Other Expenses:</b>					
In-kind contribution	-	2,532,561	2,532,561	-	2,532,561
Interest, taxes and penalties	-	37,153	37,153	152,555	189,708
Board expenses	-	-	-	70,927	70,927
Contributions	-	-	-	-	-
Total Other Expenses	<u>-</u>	<u>2,569,714</u>	<u>2,569,714</u>	<u>223,482</u>	<u>2,793,196</u>
<b>Total Expenses</b>	<u>\$ 854,726</u>	<u>\$ 19,911,133</u>	<u>\$ 20,765,859</u>	<u>\$ 2,837,272</u>	<u>\$ 23,603,131</u>

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
STATEMENTS OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

	<b>2016</b>
<b>CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:</b>	
Change in net assets	\$ 323,394
Adjustments to reconcile change in net assets to net cash flows from operating activities:	
Depreciation and amortization	654,833
Net increase in assets:	
Grants receivable	(1,180,315)
Other receivables	(1,066)
Net decrease in liabilities:	
Accounts payable	(164,083)
Accrued expenses	(11,351)
Unearned revenue	-
Net cash provided by operating activities	(378,588)
<b>CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:</b>	
Purchase of property and equipment	(597,126)
Net cash (used for) investing activities	(597,126)
<b>CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:</b>	
Proceeds from issuance of note payable	401,250
Principal payments on notes payable	(137,210)
Net cash (used for) financing activities	264,040
<b>NET DECREASE IN CASH</b>	(711,674)
<b>CASH, BEGINNING OF YEAR</b>	841,568
<b>CASH, END OF YEAR</b>	\$ 129,894
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>	
Cash paid for interest	\$ 156,192

See accompanying Notes to Financial Statements



ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

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.

**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, 2016.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**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 \$5,000 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.

**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, 2016.

**Facilities:** Donated facilities are recorded as contributions at their estimated fair values at the date of donation. Donated facilities recorded at June 30, 2016 were \$571,982.

**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, 2016. In-Kind Services totaling \$1,061,709 were recorded in the fiscal year ended June 30, 2016. These services include \$48,480 in Special Education, \$161,400 in Professional Services and \$482,343 in Community Partnerships. Parent Volunteers and Community Volunteers contributed approximately 118,293

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

hours during the year. RMSER additionally received \$369,486 from various school districts and foundations.

**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, 2016 was \$898,871.

**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 includes local grants and contributions and the value of non-professional volunteer services in their local match calculation. Certain of these volunteer services do not qualify for recognition in the financial statements under ASC 905.

**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, 2016 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. RMSER's negotiated indirect cost rate is 13.2%. This rate is applied when expenses are not able to be directly charged.

**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, 2016. Information returns for fiscal years prior to 2013 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, 2016

**NOTE 2**      **GRANTS RECEIVABLE**

Accounts receivable represents amounts due to RMSEER at June 30, 2016 and are recorded using the accrual basis of accounting. As of June 30, 2016, grants receivable totaled \$1,738,703.

It is the policy of RMSEER 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, 2016.

**NOTE 3**      **PROPERTY AND EQUIPMENT**

Property and equipment acquired with various grant funds are recorded as temporarily restricted upon the purchase of the equipment. RMSEER 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 Fixed Assets	Temporarily Restricted Fixed Assets	Total Fixed Assets
Nondepreciable:			
Land	\$ 2,356,973	\$ 62,399	\$ 2,419,372
Total Nondepreciable:	2,356,973	62,399	2,419,372
Depreciable:			
Buildings	6,015,984	254,148	6,270,132
Leasehold Improvements	859,952	2,633,209	3,493,160
Furniture, fixtures and equipment	280,912	1,973,678	2,254,590
Vehicles	<u>517,650</u>	<u>658,337</u>	<u>1,175,987</u>
Total Depreciable:	7,674,498	5,519,371	13,193,869
Less accumulated depreciation	<u>(4,556,831)</u>	<u>(5,084,136)</u>	<u>(9,640,967)</u>
Total Net Depreciable	<u>3,117,667</u>	<u>435,235</u>	<u>3,552,902</u>
Total Property and Equipment	<u>\$ 5,474,640</u>	<u>\$ 497,634</u>	<u>\$ 5,972,274</u>

Depreciation expense for the fiscal year ended June 30, 2016 was \$654,833.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

NOTE 4	<u>NOTES PAYABLE, FINANCIAL INSTITUTIONS</u>	<u>Outstanding Balance as of June 30, 2016</u>
	Note payable to JPMorgan Chase Bank, NA due March 12, 2023, interest rate of 4.67% at June 30, 2016; Principal and interest of \$18,394 due monthly. The note is collateralized by commercial real estate.	\$ 2,538,986
	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, 2016. 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 \$4,674.	5,456
	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, 2016. 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 \$6,018.	7,046
	Original amount of Note Payable was \$401,250 issued on December 14, 2015 Notes payable to Citywide Banks due December 14, 2020, bearing interest at a rate of 4.5% at June 30, 2016. Principal and interest of \$2,553 due monthly. The note is collateralized by the building with a carrying value net of depreciation of \$381,972.	394,797
	Original amount of Note Payable was \$597,220 issued on August 16, 2012. This Note was refinanced on December 14, 2015 in the amount of \$560,884. Notes payable to Citywide Banks due December 2018, bearing interest at a rate of 4.5% at June 30, 2016. Principal and interest of \$3,372 due monthly. The note is collateralized by the building with a carrying value net of depreciation of \$537,991.	<u>553,577</u>
	Less: Current Portion:	\$ (143,739)
	Total Long-Term Notes Payable	<u>\$ 3,356,123</u>

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Total interest incurred and charged to expense for the fiscal year ended June 30, 2016 on the notes payable to financial institutions was \$156,192.

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, 2017	\$ 143,739
June 30, 2018	137,413
June 30, 2019	648,763
June 30, 2020	132,852
June 30, 2021	463,552
Thereafter	<u>1,973,543</u>
Total	<u>\$ 3,499,862</u>

**NOTE 5**                    **RESTRICTIONS ON NET ASSETS**

As of June 30, 2016, temporarily restricted net assets consist solely of the undepreciated net book value of fixed assets purchased with federal funds of \$497,634 (NOTE 3).

**NOTE 6**                    **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, 2016 totaled \$669,065.

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

June 30, 2017	\$ 484,663
June 30, 2018	263,943
June 30, 2019	198,264
June 30, 2020	119,164
And thereafter	29,077

**NOTE 7**                    **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%.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

RMSEER contributed \$190,768 to the plan during the fiscal year ended June 30, 2016. RMSEER 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. RMSEER made no Profit Sharing contributions in the fiscal year ended June 30, 2016.

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.

**NOTE 8**      **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, 2016, management believes there are no noncompliance issues.

**NOTE 9**      **SELF FUNDED HEALTH INSURANCE**

RMSEER 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 RMSEER. Claims paid reduce RMSEER'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 RMSEER's portion of health insurance provided to the employees

The third-party administrator determines RMSEER's terminal liability which is pre-set cost for claims that protects RMSEER from claims that are incurred after termination. The liability reflected within the financial statements, represents RMSEER's total terminal liability. As of June 30, 2016, the estimated liability is \$180,642 and is included in Employee benefits payable on the Statements of Financial Position.

**NOTE 10**      **ECONOMIC DEPENDENCY**

RMSEER 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 75% 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 effect on RMSEER's programs and activities.

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

**NOTE 11**      **CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2016, a majority of grant related receivables are from one direct federal agency; the U.S. Department of Health and Human Services. 91% of receivables are due from U.S. Department of Health and Human Services as of June 30, 2016

Significant concentrations of credit risk exist arising from cash deposits in excess of federally insured limits. As of June 30, 2016 there are no 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 12**      **AFFILIATED ENTITY**

Rocky Mountain Community Development Corporation's (RMCDC) is a not-for-profit organization formed for the purpose of pursuing economic development opportunities in low income areas. RMCDC and RMSER have operated as two separate legal entities, but share common governance structures. During fiscal year 2016, Management elected to transfer all assets and liabilities of RMCDC into RMSER at net book value, as these assets and liabilities were previously consolidated into RMSER's books. Intercompany transactions prior to the transfer of assets and liabilities have been eliminated.

**NOTE 13**      **SUBSEQUENT EVENTS**

Management has evaluated the subsequent events for the period from June 30, 2016 through the issuance date of March 31, 2017 which is the date that the financial statements are available for issuance.



ROCKY MOUNTAIN SER/ JOBS FOR PROGRESS, INC  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA NUMBER	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>		
<b><u>Direct:</u></b>		
Migrant and Seasonal Farmworkers Grant	17.264	\$ 969,723
<b>Total Direct Funding</b>		969,723
<b>Passed through CDHDC</b>		
Migrant and Seasonal Farmworkers Grant	17.264	31,031
<b>Total Pass-through Funding</b>		31,031
<b>TOTAL U.S. DEPARTMENT OF LABOR</b>		1,000,754
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<b><u>Direct:</u></b>		
Total Head Start	93.600	17,272,505
<b>Total Direct Funding</b>		17,272,505
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		17,272,505
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<b><u>Passed through Colorado Dept of Public Health &amp; Environment:</u></b>		
Child and Adult Care Food Program	10.558	1,028,332
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		1,028,332
<b>TOTAL FEDERAL EXPENDITURES</b>		\$ 19,301,591

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Rocky Mountain SER/Jobs for Progress, Inc. under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Rocky Mountain SER/Jobs for Progress, Inc., 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, Inc.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

3. INDIRECT COST RATE

Rocky Mountain SER/Jobs for Progress, Inc. has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.



*Independent Auditor's Report*

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 U.S. *Office of Management and Budget (OMB) 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, 2016. 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.

***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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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, 2016

## 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 as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rocky Mountain SER/ Jobs for Progress, Inc.'s internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Watson Coon & Associates P.C.*

WATSON COON & ASSOCIATES P.C.

March 31, 2016

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2016

SUMMARY OF AUDITORS RESULTS

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weaknesses identified?	___ Yes	_x_ None reported
Significant deficiencies identified?	___ Yes	_x_ None reported
Noncompliance material to financial statements noted?	___ Yes	_x_ None reported

*Federal Awards*

Internal control over major federal programs:

Material weaknesses identified?	___ Yes	_x_ None reported
Significant deficiencies identified?	___ Yes	_x_ None reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	___ Yes	_x_ No
Identification of major federal programs:	<b>17.264</b> National Farm Workers Job Program  <b>93.600</b> Head Start	
Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>	
Auditee qualified as a low-risk auditee?	___ Yes	_x_ No

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2016

**Section II: Financial Statement Findings**

There were no findings.

**Section III: Federal Award Findings**

There were no findings.

ROCKY MOUNTAIN SER/ JOBS FOR PROGRSS, INC.  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR END JUNE 30, 2016

Audit Finding Reference: 2015-001

Status of Prior Finding: This was corrected this fiscal year. As indicated in the Corrective Action Plan, accounts such as cash and vendor payables were reconciled as part of the monthly financial statement closing process. Employees assigned to perform account reconciliations and financial close adjustments were aware of their responsibilities and specific tasks necessary to accomplish their objectives. Furthermore, controls were established in the close process to review cash and vendor payables for completeness and accuracy.

Audit Finding Reference: 2015-002

Status of Prior Finding: This was corrected this fiscal year. As indicated in the Corrective Action Plan, during June 2015 there was a Companywide re-alignment. RMSER identified gaps in staffing and hired individuals to fill those gaps with an appropriate level of experience and skill necessary to perform required tasks. These efforts collectively resulted in a heightened level of monitoring, designed to help prevent further unidentified contingent liabilities, or other unrecorded transactions.

Audit Finding Reference 2015-003

Status of Prior Finding: This was corrected this fiscal year. As indicated in the Corrective Action Plan, during June 2015 there was a Companywide re-alignment. RMSER identified gaps in staffing and hired individuals to fill those gaps with an appropriate level of experience and skill necessary to perform required tasks. This resulted in a focus on timely completion of reconciliations and appropriate level of review.