

Rocky Mountain SER/Jobs For Progress, Inc.
Financial Statements
For the Year Ended June 30, 2013

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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, 2013 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. Those standards require that we plan and perform the audits 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, 2013, and the results of its operations and its cash flows for the years then ended in conformity 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 21, 2014, 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 21, 2014


PROFESSIONAL CORPORATION

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2013 AND 2012

	2013	(Memo Only) 2012
ASSETS:		
Cash	\$ 96,028	\$ 226,276
Grants receivable	1,239,250	1,398,146
Other receivables	-	34,555
Prepaid Expenses	-	77,065
Total Current Assets	1,335,278	1,736,042
PROPERTY AND EQUIPMENT, at cost:		
Non-depreciable assets:		
Land	2,192,173	2,192,173
Depreciable Assets:		
Buildings	5,514,199	5,514,199
Leasehold improvements	3,306,256	3,044,335
Furniture, fixtures and equipment	2,121,677	2,118,538
Vehicles	1,199,575	1,183,303
Total depreciable Assets	12,141,707	11,860,375
Less accumulated Depreciation	(7,849,042)	(7,308,947)
Net Property and Equipment	6,484,838	6,743,601
OTHER ASSETS:		
Due from RMCDC	89,077	101,577
Loan costs, net of accumulated amortization	-	3,111
Deposits	4,181	2,411
Total other assets	93,258	107,099
Total Assets	\$ 7,913,374	\$ 8,586,742
LIABILITIES AND NET ASSETS:		
Accounts payable	\$ 1,048,480	\$ 284,264
Accrued expenses:		
Employee benefits	506,825	887,730
Wages	202,878	9,569
Deferred revenue	-	184,334
Notes payable - financial institutions	125,511	136,847
Total Current Liabilities	1,883,694	1,502,744
Notes payable - financial institutions, net of current	2,786,844	2,898,160
Total Liabilities	4,670,538	4,400,904
NET ASSETS:		
Unrestricted	2,346,586	3,339,617
Temporarily restricted	896,250	846,221
Total Net Assets	3,242,836	4,185,838
Total Liabilities and Net Assets	\$ 7,913,374	\$ 8,586,742

See accompanying Notes to Financial Statements

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

STATEMENTS OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013			(Memo only) 2012
	Unrestricted	Temporarily Restricted	Total	Total
REVENUES AND OTHER SUPPORT:				
Grant revenues	\$ 18,552,473	\$ 255,252	\$ 18,807,725	\$ 18,796,932
In-kind contributions	1,993,939	-	1,993,939	1,792,760
Contributions	28,775	3,100	31,875	87,842
Program service fees and income	629,903	-	629,903	685,249
Other income	60,283	-	60,283	112,425
Gain on disposal of fixed assets	3,258	-	3,258	7,340
Interest income	40	-	40	-
Special event revenue	27,387	-	27,387	34,944
Net assets released from restrictions	<u>208,323</u>	<u>(208,323)</u>	<u>-</u>	<u>-</u>
Total revenues and other support	21,504,381	50,029	21,554,410	21,517,492
PROGRAM SERVICES:				
Vocational education and training	802,051	-	802,051	1,300,718
Children's education and family support	<u>18,826,054</u>	<u>-</u>	<u>18,826,054</u>	<u>18,137,088</u>
Total program services	19,628,105	-	19,628,105	19,437,806
SUPPORTING SERVICES:				
Management and general	<u>2,869,307</u>	<u>-</u>	<u>2,869,307</u>	<u>1,970,070</u>
Total Supporting Services	<u>2,869,307</u>	<u>-</u>	<u>2,869,307</u>	<u>1,970,070</u>
Total Expenses	<u>22,497,412</u>	<u>-</u>	<u>22,497,412</u>	<u>21,407,876</u>
CHANGE IN NET ASSETS	(993,031)	50,029	(943,002)	109,616
NET ASSETS, BEGINNING OF YEAR	<u>3,339,617</u>	<u>846,221</u>	<u>4,185,838</u>	<u>4,076,222</u>
NET ASSETS, END OF YEAR	<u>\$ 2,346,586</u>	<u>\$ 896,250</u>	<u>\$ 3,242,836</u>	<u>\$ 4,185,838</u>

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

STATEMENTS OF ACTIVITIES FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013					(Memo Only)
	Vocational Education and Training	Children's Education and Family Support	Total Program Services	Management and General	Total Expenses	Total Expenses 2012
Personnel Costs:						
Salaries and wages	\$ 369,521	9,191,273	\$ 9,560,794	\$ 1,102,010	\$ 10,662,804	\$ 10,498,639
Contract employees	2,500	21,978	24,478	33,170	57,648	63,820
Payroll taxes	30,491	902,684	933,175	79,376	1,012,551	3,284,117
Employee Benefits	(54,537)	1,460,560	1,406,023	(43,577)	1,362,446	-
Payroll services	2,396	41,773	44,169	21,063	65,232	67,375
Education and retention	2,113	148,954	151,067	52,723	203,790	146,916
Employee Settlements	-	-	-	371,000	371,000	-
Total Personnel Costs	<u>352,484</u>	<u>11,767,222</u>	<u>12,119,706</u>	<u>1,615,765</u>	<u>13,735,471</u>	<u>14,060,867</u>
Direct Participant Costs:						
Program supplies	34,419	1,489,302	1,523,721	33,154	1,556,875	1,156,845
Job training and tuition costs	135,971	94	136,065	-	136,065	235,367
Participant support	122,636	142,625	265,261	2,440	267,701	324,829
Total Direct Participant Costs	<u>293,026</u>	<u>1,632,021</u>	<u>1,925,047</u>	<u>35,594</u>	<u>1,960,641</u>	<u>1,717,041</u>
Other Operating Expenses:						
Rent and utilities	37,685	955,622	993,307	18,123	1,011,430	869,865
Professional contract services	-	155,473	155,473	77,465	232,938	219,321
Depreciation and amortization	-	293,444	293,444	315,355	608,799	582,138
Audit, insurance and other services	18,989	381,451	400,440	378,631	779,071	540,557
Travel	49,315	160,062	209,377	170,588	379,965	317,323
Equipment rental and maintenance	10,791	193,728	204,519	45,581	250,100	163,106
Communications	9,179	172,995	182,174	61,012	243,186	199,772
Office supplies	12,652	125,305	137,957	40,530	178,487	125,158
Building repairs and maintenance	200	881,285	881,485	28,341	909,826	314,926
Fundraising	390	85,441	85,831	9,147	94,978	107,535
Other expenses	16,932	40,282	57,214	77,791	135,005	103,095
Vehicle costs	408	105,314	105,722	31,231	136,953	76,128
Total Other Operating Expenses	<u>156,541</u>	<u>3,550,402</u>	<u>3,706,943</u>	<u>1,253,795</u>	<u>4,960,738</u>	<u>3,618,924</u>
Other Expenses:						
In-kind contribution	-	1,993,939	1,993,939	-	1,993,939	1,792,760
Interest, taxes and penalties	-	21,710	21,710	159,385	181,095	168,367
Board expenses	-	-	-	38,027	38,027	48,026
Restrict Equip Purch & LHI	-	-	-	(236,009)	(236,009)	-
Capitlization of equipment purchases	-	(137,690)	(137,690)	-	(137,690)	(32,122)
Contributions	-	(1,550)	(1,550)	2,750	1,200	34,013
Total Other Expenses	<u>-</u>	<u>1,876,409</u>	<u>1,876,409</u>	<u>(35,847)</u>	<u>1,840,562</u>	<u>2,011,044</u>
Total Expenses	<u>\$ 802,051</u>	<u>\$ 18,826,054</u>	<u>\$ 19,628,105</u>	<u>\$ 2,869,307</u>	<u>\$ 22,497,412</u>	<u>\$ 21,407,876</u>

See accompanying Notes to Financial Statements

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

STATEMENTS OF ACTIVITIES

FOR THE FISCAL YEARS ENDED JUNE 30, 2013 AND 2012

	2013	(Memo Only) 2012
CASH FLOWS PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Change in net assets	\$ (943,002)	\$ 109,616
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and amortization	608,799	582,138
Gain on disposal of fixed assets	(3,258)	(7,340)
Net (increase) decrease in assets:		
Grants receivable	158,896	(793,262)
Work in process	-	51,967
Other receivables	34,555	22,743
Prepaid expenses	77,065	(77,065)
Deposits	(1,770)	(499)
Net increase(decrease) in liabilities:		
Accounts payable	764,216	78,147
Accrued expenses	(187,596)	268,624
Unearned revenue	(184,334)	148,684
Net cash provided by operating activities	<u>323,571</u>	<u>383,753</u>
CASH FLOWS PROVIDED BY (USED FOR) INVESTING ACTIVITIES:		
Purchase of property and equipment	(372,899)	(324,831)
Due from RMCDC	<u>12,500</u>	<u>(1,577)</u>
Net cash (used for) investing activities	(360,399)	(326,408)
CASH FLOWS PROVIDED BY (USED FOR) FINANCING ACTIVITIES:		
Principal payments on notes payable	<u>(93,420)</u>	<u>(189,671)</u>
Net cash (used for) financing activities	<u>(93,420)</u>	<u>(189,671)</u>
NET INCREASE (DECREASE) IN CASH	(130,248)	(132,326)
CASH, BEGINNING OF YEAR	<u>226,276</u>	<u>358,602</u>
CASH, END OF YEAR	<u>\$ 96,028</u>	<u>\$ 226,276</u>
SUPPLEMENTAL CASH FLOW INFORMATION:		
Cash paid for interest	<u>\$ 143,718</u>	<u>\$ 157,126</u>
NON-CASH TRANSACTIONS:		
Purchase of vehicles with loan proceeds	<u>\$ 58,323</u>	<u>\$ -</u>

See accompanying Notes to Financial Statements

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013.

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/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

In-Kind Donations

Presentation: Until July 1, 2012, RMSER reported all In-Kind donations on a calendar year basis due to grant reporting requirements. In-Kind donations on the accompanying financial statements are now reported for the year ended June 30, 2013. RMSER believes this appropriate and although not consistent with prior years, the net effect on the financial statements is immaterial.

Facilities: Donated facilities are recorded as contribution at their estimated fair values at the date of donation. Donated facilities recorded at June 30, 2013 were \$482,205.

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, 2013. In-Kind Services totaling \$671,258 were recorded in the fiscal year ended June 30, 2013. These services include \$361,302 in Special Education, \$158,625 in Professional Services and \$151,322 in Community Partnerships. Parent Volunteers and Community Volunteers contributed approximately 225,000 hours during the year. RMSER additionally received \$429,404 from various school districts and foundations.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013 was \$372,336.

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 2012 was \$3,947,270. 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, 2013

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

RMSEER 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. RMSEER estimates that the fair value of all financial instruments at June 30, 2013 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, RMSEER 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 RMSEER's indirect rate of 10.00%.

Income Taxes

RMSEER 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). RMSEER did not report any unrelated business income tax as of June 30, 2013. Information returns for fiscal years prior to 2010 are no longer subject to audit by taxing authorities.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 2 **ACCOUNTS RECEIVABLE**

Accounts receivable represents monies due to RMSER at June 30, 2013 and are recorded using the accrual basis of accounting. As of June 30, 2013 grants receivable totaled \$1,239,250.

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, 2013.

NOTE 3 **PREPAID EXPENSES**

Prepaid expenses consist of advance payments made by RMSER as of June 30, 2013. With the passage of time, the advance payments will gradually expire and the expired portion will be expensed accordingly. As of June 30, 2013, there were no material amounts prepaid.

NOTE 4 **FUNDRAISING**

RMSER participates in fundraising activities. During the year ended June 30, 2013, total cost of all fund-raising activities was \$85,441.

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/JOB'S FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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>2,129,774</u>	\$ <u>62,399</u>	\$ <u>2,192,173</u>
Total Nondepreciable:	2,129,774	62,399	2,192,173
Depreciable:			
Buildings	5,260,051	254,148	5,514,199
Leasehold Improvements	673,048	2,633,209	3,306,257
Furniture, fixtures and equipment	160,910	1,960,766	2,121,676
Vehicles	<u>517,650</u>	<u>681,924</u>	<u>1,199,575</u>
Total Depreciable:	6,611,659	5,530,048	12,141,707
Less accumulated depreciation	<u>(3,152,847)</u>	<u>(4,696,196)</u>	<u>(7,849,043)</u>
Total Net Depreciable	<u>3,458,812</u>	<u>833,851</u>	<u>4,292,663</u>
Total Property and Equipment	<u>\$ 5,588,586</u>	<u>\$ 896,250</u>	<u>\$ 6,484,836</u>

Depreciation expense for the fiscal year ended June 30, 2013 was \$608,799.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 **LINE OF CREDIT, BANK**

RMSER had a line of credit from JPMorgan Chase Bank NA of \$250,000 due April 2014. The interest rate is equal to the LIBOR Rate plus 4.098%. There was no outstanding balance on the line of credit at June 30, 2013. The line of credit is collateralized by all RMSER's business assets.

Total interest incurred and charged to expense for the fiscal year ended June 30, 2013 on the line of credit, bank was \$0.

NOTE 7 **NOTES PAYABLE, FINANCIAL INSTITUTIONS**

**Outstanding Balance
as of June 30, 2012**

Note payable to JPMorgan Chase Bank, NA due March 12, 2023, interest rate of 4.67% at June 30, 2013 Principal and interest of \$18,394 due monthly. The note is collateralized by commercial real estate. \$ 2,826,971

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, 2013. 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 \$13,871. 13,175

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, 2013. 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 \$13,939. 13,315

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, 2013. 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 \$8,118. 10,888

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 7	<u>NOTES PAYABLE, FINANCIAL INSTITUTIONS</u>	<u>Outstanding Balance as of June 30, 2012</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, 2013. 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 \$19,972.	21,103
	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, 2013. 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 \$25,714.	<u>27,170</u>
	Total	<u>\$ 2,912,622</u>

Total interest incurred and charged to expense for the fiscal year ended June 30, 2013 on the notes payable to financial institutions was \$143,718.

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, 2013	\$125,511
June 30, 2014	120,128
June 30, 2015	111,970
June 30, 2016	117,558
June 30, 2017	109,209
Thereafter	<u>2,328,246</u>
Total	<u>\$ 2,912,622</u>

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 \$896,250 consists solely of the net book value of temporarily restricted fixed assets of \$896,250 (NOTE 5).

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, 2013 totalled \$678,586.

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

June 30, 2014	\$ 535,884
June 30, 2014	277,170
June 30, 2015	208,798
June 30, 2016	184,324
June 30, 2017	66,178
Thereafter:	<u>835,657</u>
Total	<u>\$2,154,771</u>

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 11 **EMPLOYEE BENEFIT PLAN**

RMSEER 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. RMSEER'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%.

RMSEER contributed \$146,217 to the plan during the fiscal year ended June 30, 2013.

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, 2013.

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/JOBS FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013 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

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, 2013, the estimated liability is \$117,304 and is included in Employee benefits payable on the Statements of Financial Position.

NOTE 14 **REIMBURSABLE EMPLOYER LIABILITY/STATE UNEMPLOYMENT TAX ACCRUAL**

Previous to 2010, RMSER paid state unemployment tax directly to the State of Colorado based on employee's gross wages and an unemployment rate established by the State. As a result, all unemployment claims by RMSER's former employees were paid by the State on behalf of RMSER. However, beginning in 2010, RMSER elected an alternative method (eligible only for non-profits and political subdivisions) referred to as the reimbursable employer method. This method allows for RMSER to reimburse the Department of Labor (DOL) for unemployment claims awarded to former employees after the claims have been awarded. For employers not using the reimbursable employer method, unemployment taxes are paid on the first \$10,000 in total Colorado gross taxable wages paid to each employee during each calendar year. Wages earned in a calendar year beyond the first \$10,000 are excess wages and are not taxed.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 14 **REIMBURSABLE EMPLOYER LIABILITY/STATE UNEMPLOYMENT TAX ACCRUAL**

(Continued)

As a reimbursable employer, RMSER accrues a liability for unemployment benefits in the period in which the payroll giving rise to the benefits is earned. The amount accrued is based on management's estimate of the benefits RMSER will be required to pay, taking into consideration the effect of workforce seasonality on the expected duration of claimants' unemployment, up to a maximum amount of \$11,000 per employee. Actual claim reimbursements are billed to RMSER quarterly, and include detail of benefits paid by the State of Colorado to RMSER's former employees. RMSER's estimated liability for unpaid unemployment claims relating to services rendered through June 30, 2013 is \$410,080 and is included in Employee benefits payable on the Statements of Financial Position.

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 79% 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.

NOTE 16 **CONCENTRATIONS OF CREDIT RISK**

As of June 30, 2013, 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. 74% of receivables are due from U.S. Department of Health and Human Services and 17% 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, 2013 there were 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.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 17 **RELATED PARTY TRANSACTIONS**

RMSEER has advanced funds to the non-profit entity Rocky Mountain Community Development Corporation (RMCDC) for assistance in starting up the new entity which was formed to manage property and pursue community development projects. Certain directors of RMSEER sit on the Board of the RMCDC. As of June 30, 2013 the receivable balance from RMCDC is \$89,077. This balance includes an original \$100,000 non-interest bearing advance to RMCDC, \$1,577 in credit card purchases made in a prior year by RMSEER on behalf of RMCDC, less six monthly payments of \$2,083, which will continue until the advance is repaid.

On August 13, 2012, RMCDC purchased real estate, including a 33,000 square foot building in Alamosa Colorado to be used by Rocky Mountain SER in conducting its Head Start activities in the area. On September 1, 2012, RMSEER entered into a fifteen year lease of the property with payments ranging from \$6,187 per month to \$8,167 per month over the term of the lease. RMSEER may renew, at its option, for two additional consecutive periods of five years each. Rental payments made pursuant to the lease during the year ended June 30, 2013 totaled \$61,875.

NOTE 18 **CONTINGENT LIABILITY - LEGAL SETTLEMENT**

RMSEER is presently participating in settlement negotiations with six former employees, each of whom has filed charges against RMSEER with the U.S. Equal Employment Opportunity Commission ("EEOC"). The charges collectively allege discrimination in age and gender as well as retaliation in connection with the termination of the employees during the period October 2012 to June 2013. RMSEER's position is that the five of the six terminations were part of a larger Reduction In Force which came about as a result of funding restrictions, and because of performance issues. The sixth employee was terminated for misconduct. The former employees have each engaged the same private counsel to pursue the claims, and this counsel has threatened to file a class action lawsuit on behalf of all of these former employees. Although RMSEER denies each of the employees' allegations, it is in the process of negotiating a reasonable settlement. The potential loss to Rocky Mountain SER currently ranges from zero to \$3,000,000. Based on the status of current negotiations, RMSEER has accrued an estimated loss of \$360,000 in the accompanying financial statements.

ROCKY MOUNTAIN SER/JOB FOR PROGRESS, INC.

NOTES TO FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 19 **SUBSEQUENT EVENTS**

RMSER has been notified that approximately \$800,000 in Head Start sequestration funds, constituting 5.27% of the total grant, will be restored.

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.

Management has evaluated the subsequent events for the period from June 30, 2012 through the issuance date of March 21, 2014 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, 2013

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	\$ 989,801
Total Direct Funding		989,801
Passed through CDHDC		
Migrant and Seasonal Farmworkers Grant	17.264	36,815
Total Pass-through Funding		36,815
TOTAL U. S. DEPARTMENT OF LABOR		1,026,616
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
<u>Direct:</u>		
Total Head Start	93.600	17,213,544
Total Direct Funding		17,213,544
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		17,213,544
<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	1,203,744
TOTAL U.S. DEPARTMENT OF AGRICULTURE		1,203,744
TOTAL FEDERAL EXPENDITURES		\$ 19,443,904

ROCKY MOUNTAIN SER/JOBS FOR PROGRESS, INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, 2013. 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, 2013, 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 21, 2014.

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 the Organization's internal control.

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

Our consideration of 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency: 2013-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rocky Mountain SER/ Jobs for Progress, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an object for 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.

Certified Public Accountants & Consultants

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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 21, 2014


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, 2013. 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, 2013.

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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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.

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 21, 2014

PROFESSIONAL CORPORATION

Rocky Mountain SER/ Jobs for Progress, Inc.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2013

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness identified? yes X no

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

Noncompliance material to financial
statements noted?

 yes X no

Federal Awards

Internal control over major programs:

Material weaknesses identified? yes X no

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

Identification of major programs:

93.600 Head Start

17.264 Migrant and Seasonal Farmworkers Formula

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

\$583,000

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, 2013

FINDINGS - FINANCIAL STATEMENT AUDIT

2013-1 Account Reconciliations

Condition: Effective January 1, 2013, RMSER hired a new payroll service provider to process the Company's payroll. Concurrently, RMSER changed from a semi-monthly pay schedule to a bi-weekly pay schedule. We found that RMSER accounting staff failed to identify critical differences in the reports generated by the new service provider affecting the recording of payroll, and also did not compute and record the necessary accruals resulting from the change in regular pay periods. As a result, internal accounting reports for several months after January 1, 2013 were inaccurate in that payroll expense and the related liabilities were misclassified and frequently understated.

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. 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.

Context: A deficiency in the operation of an internal control exists when employees lack the qualifications or training to fulfill their assigned functions. In this case, RMSER staff failed to identify differences between old and new payroll service provider reports due to an inadequate understanding of the relevant accounting principles related to payroll. In addition, the accounting supervisor assigned to monitor financial reporting during the payroll service provider transition also failed to identify critical errors in the recording of payroll transactions that affected periodic financial reporting. As part of RMSER's internal control, accounting personnel were assigned to identify and correct payroll errors several months after the fiscal year end in connection with the preparation for the annual audit.

Effect: Because RMSER staff did not adjust payroll and related liabilities 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 and reports. Accounts such as payroll and liabilities should be reconciled monthly and any differences should be researched timely and 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.
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2013

There were no prior year audit findings