

**ECONOMIC COUNCIL HELPING
OTHERS (ECHO), INC.
FINANCIAL STATEMENTS
Years Ended
September 30, 2018 and 2017**

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OFFICIAL ROSTER

Chairman	Tamara Vialpando
Vice-Chairman	Linda Schilz
Secretary	Bea Saavedra
Treasurer	Larry Bomberger
Member	Margie Cardon
Member	Julie Baird
Member	Joshua Bollacker
Member	Karen Gossens
Member	Jessica Anderson
Member	Marita Robinson
Member	Victor Snover
Member	Lonnie Valencia
Member	Ashleigh Olguin
Member	Jennifer Valora
Member	Walt Taylor
Executive Director	Alicia Borrego Pierce
Finance Director	Maria Luisa Disch
Food Programs Director	Kirk Denetclaw
Preschool Director	Amanda Wilson

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Economic Council Helping Others (ECHO), Inc.
Farmington, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of Economic Council Helping Others (ECHO), Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018 and 2017, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

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 Economic Council Helping Others (ECHO), Inc. as of September 30, 2018 and 2017, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Costs Principles, and Audit Requirements for Federal Awards, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2019, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

David Berry, CPA, PC

Farmington, New Mexico
March 15, 2019

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
STATEMENTS OF FINANCIAL POSITION**

	<u>September 30,</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 497,994	\$ 768,397
Accounts receivable	1,619	1,383
Due from governmental entities	156,278	46,575
Unconditional promise to give:		
United Way funding for following year	30,660	41,844
Inventory (donated and in-kind food)	739,889	683,779
Total Current Assets	1,426,440	1,541,978
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$897,905 and \$867,739	151,915	182,081
	<u>\$ 1,578,355</u>	<u>\$ 1,724,059</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Line of credit	\$ -	\$ 202,258
Accounts payable and other liabilities	8,247	14,231
Deferred revenue	-	4,481
Total Current Liabilities	8,247	220,970
NET ASSETS:		
Temporarily restricted net assets	30,660	41,844
Unrestricted net assets	1,539,448	1,461,245
Total Net Assets	1,570,108	1,503,089
	<u>\$ 1,578,355</u>	<u>\$ 1,724,059</u>

SEE ACCOMPANYING NOTES

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
STATEMENTS OF ACTIVITIES**

	Years Ended September,	
	<u>2018</u>	<u>2017</u>
UNRESTRICTED NET ASSETS:		
Government grants and contracts	\$ 1,023,995	\$ 1,108,930
Donated food - non-federal	1,277,530	1,877,333
In-kind food - federal	2,384,696	2,192,105
Community support	80,585	58,796
Contributions	202,823	147,528
Program fees	199,479	206,447
In-kind support (rent)	18,000	18,000
Contract revenues	-	420,938
Miscellaneous income	12,613	20,393
Total Unrestricted Support	5,199,721	6,050,470
Net assets released from restrictions:		
United Way funding for the year	41,844	38,472
Total Unrestricted Support and Reclassifications	5,241,565	6,088,942
OPERATING EXPENSES:		
Home Ownership Problems Eliminated - contracts	-	426,283
Program expenses	4,998,644	5,979,836
Administration	164,718	152,184
Total Operating Expenses	5,163,362	6,558,303
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	78,203	(469,361)
TEMPORARILY RESTRICTED NET ASSETS:		
United Way funding for next year	30,660	41,844
Net assets released from restrictions:		
United Way funding for the year	(41,844)	(38,472)
INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS	(11,184)	3,372
INCREASE (DECREASE) IN NET ASSETS	67,019	(465,989)
NET ASSETS, beginning	1,503,089	1,969,078
NET ASSETS, ending	\$ 1,570,108	\$ 1,503,089

SEE ACCOMPANYING NOTES

ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2018

	Program Expenses						2018 Total
	Community Services Block Grant	Commodity Supplemental Food Program	Home Ownership Problems Eliminated	Food Bank	Preschool	Adm.	
Salaries	\$ 71,455	\$ 320,631	\$ -	\$ 143,702	\$ 169,591	\$ 87,333	\$ 792,712
Payroll taxes	5,381	25,167	-	11,596	12,782	6,576	61,502
Employee benefits	11,055	44,188	-	23,180	10,045	6,873	95,341
Travel	503	1,067	-	3,883	587	4,195	10,235
Donated food - non-federal	-	-	-	1,302,874	-	-	1,302,874
In-kind food - federal	-	2,025,751	-	277,491	-	-	2,303,242
Supplies and purchased food	230	960	-	83,971	26,803	292	112,256
Maintenance	741	40,319	-	19,875	11,699	985	73,619
Insurance	3,182	20,875	-	11,731	5,981	3,890	45,659
Miscellaneous expense	30	937	1,787	1,168	512	5,657	10,091
Office expense	1,233	5,410	-	8,927	3,022	2,987	21,579
Dues and subscriptions	702	1,545	-	11,631	1,608	860	16,346
Contract services	1,575	3,455	12,518	8,288	1,500	4,924	32,260
Education and training	5,497	810	-	1,530	426	6,719	14,982
Telephone	2,703	5,291	-	3,198	2,591	3,324	17,107
Utilities	2,673	10,234	-	11,130	9,120	3,266	36,423
Rent	8,140	119,455	-	7,200	-	9,948	144,743
Care and support	11,929	6,028	-	4,606	866	16,889	40,318
Depreciation	-	7,049	-	11,035	12,082	-	30,166
Interest	-	-	1,907	-	-	-	1,907
Totals	\$ 127,029	\$ 2,639,172	\$ 16,212	\$ 1,947,016	\$ 269,215	\$ 164,718	\$ 5,163,362

SEE ACCOMPANYING NOTES

ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2017

	Program Expenses						2017 Total
	Community Services Block Grant	Commodity Supplemental Food Program	Home Ownership Problems Eliminated	Food Bank	Preschool	Adm.	
Salaries	\$ 68,533	\$ 351,510	\$ 55,970	\$ 139,995	\$ 164,902	\$ 83,763	\$ 864,673
Payroll taxes	4,284	29,759	4,235	10,931	13,349	5,237	67,795
Employee benefits	10,957	51,341	5,849	19,329	11,145	16,828	115,449
Travel	297	1,201	-	2,552	669	3,926	8,645
Donated food - non-federal	-	-	-	1,878,065	-	-	1,878,065
In-kind food - federal	-	2,230,548	-	349,980	-	-	2,580,528
Supplies and purchased food	886	-	-	93,468	21,283	1,084	116,721
Maintenance	1,021	26,691	64	13,177	13,657	1,247	55,857
Insurance	3,150	18,573	-	8,367	5,548	3,850	39,488
Miscellaneous expense	248	2,519	1,110	779	1,889	2,564	9,109
Office expense	840	5,302	945	12,886	1,523	1,338	22,834
Dues and subscriptions	353	1,297	367	9,730	1,166	432	13,345
Contract services	1,350	5,318	56,649	13,037	1,319	1,650	79,323
Education and training	-	-	-	185	822	745	1,752
Telephone	2,573	5,679	-	2,628	2,267	3,144	16,291
Utilities	3,196	12,127	-	8,742	7,347	3,907	35,319
Rent	11,025	121,638	165	12,950	-	13,475	159,253
Care and support	7,358	5,170	-	8,508	983	8,994	31,013
Depreciation	-	7,440	-	12,227	12,636	-	32,303
Interest	-	-	4,257	-	-	-	4,257
Totals	\$ 116,071	\$ 2,876,113	\$ 129,611	\$ 2,597,536	\$ 260,505	\$ 152,184	\$ 6,132,020

SEE ACCOMPANYING NOTES

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
STATEMENTS OF CASH FLOWS**

	<u>Years Ended September,</u>	
	<u>2018</u>	<u>2017</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	\$ 67,019	\$ (465,989)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	30,166	32,303
Net noncash adjustment for donated food	(56,110)	389,155
Changes in:		
Accounts receivable	(236)	(1,241)
Due from governmental entities	(109,703)	5,333
Unconditional promise to give	11,184	(3,372)
Costs in excess of billings	-	136,755
Prepaid expenses	-	15,750
Accounts payable and other liabilities	(5,984)	(59,452)
Deferred revenue	(4,481)	(1,222)
Net Cash Provided By Operating Activities	<u>(68,145)</u>	<u>48,020</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sale of land	-	-
Purchase of property and equipment	-	-
Net Cash Used By Investing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Line of credit draw downs	-	-
Principal debt payments	(202,258)	(86,338)
Net Cash Used By Financing Activities	<u>(202,258)</u>	<u>(86,338)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(270,403)	(38,318)
CASH AND CASH EQUIVALENTS, beginning	768,397	806,715
CASH AND CASH EQUIVALENTS, ending	<u>\$ 497,994</u>	<u>\$ 768,397</u>

SEE ACCOMPANYING NOTES

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
NOTES TO FINANCIAL STATEMENTS
Years Ended September 30, 2018 and 2017**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Organization

Economic Council Helping Others (ECHO), Inc. (the Organization) was incorporated as a nonprofit organization under the laws of the State of New Mexico to administer grants from various funding sources for the purpose of identifying, assisting and eliminating the causes of poverty in Northern New Mexico. The Organization is controlled by an elected Board of Directors as identified in the accompanying roster.

Funding is provided principally by federal grants from Community Services Block Grant (CSBG), and Commodity Supplemental Food Program Grant (CSFP) passed through the State of New Mexico.

Financial Statement Presentation

The Organization reports 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) based upon the existence or absence of donor-imposed restrictions.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Promises To Give Contributions

Promises to give contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible unconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and nature of any donor restrictions. The Organization has adopted the policy that if a restriction is fulfilled in the same year in which the contribution is received, the support is reported as unrestricted.

Donations of services requiring specialized skills that would normally be purchased if not provided by donation, are recorded at their fair values in the period received.

Program Services

The Organization conducts the following programs:

Community Services Block Grant (CSBG) – To support services and activities for individuals with low-incomes that alleviate the causes and conditions of poverty in communities, CSBG funds help pay in part some, but not all administrative costs for the Organization.

Commodity Supplemental Food Program (CSFP) – This funding is from the U.S. Department of Agriculture through the State of New Mexico. CSFP provides warehousing, certification of clients, inventory control and food distribution to low-income individuals and families to promote public health standards. The program is administered in Farmington and Albuquerque, New Mexico.

Home Ownership Problems Eliminated (HOPE) – HOPE program is pursuing numerous funding sources to provide home buyer education, financial literacy classes and individual counseling to qualify potential home owners for USDA Rural Development 502 Program mortgages. HOPE staff supervises the construction of homes for pre-qualified USDA Rural Development 502 Program participants. The program ended January 26, 2017.

Food Bank – The Food Bank is funded by grants from Emergency Food and Shelter Grant, State of New Mexico, food maintenance fees, and the United Way. The Food Bank also receives USDA commodities. The food bank is a collection and distribution activity primarily for the benefit of low-income and emergency individuals, families and other nonprofit organizations.

Preschool – The preschool is funded by food support and parent fee payments from the Department of Children Youth and Families, United Way and parent fees. The Preschool provides care for full day, half day and latch key children.

Revenue and Cost Recognition

The Organization uses the completed contract method to recognize construction revenue and costs. Under the completed-contract method, direct material and labor costs and indirect costs related to the contract performance are capitalized, and contract revenues and capitalized costs are recognized in earnings when the customer accepts the work.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

Receivables

Receivables consist of amounts due from parents for preschool fees. Management considers the receivables to be fully collectible and accordingly, no allowance for doubtful accounts is required. When amounts become uncollectible, they are charged to operations.

Inventories

Inventories consist of donated food and food received from government entities. Inventories are valued at lower of cost or market, with cost for purchased food determined using the first-in first-out method, and the carrying value for donated food determined using the fair value on the date of donation. Donated inventories (except food received from the USDA) were valued at \$1.68 and \$1.73 per pound, as of September 30, 2018 and 2017, respectively. The value per pound was based on the fair value provided by Feeding America. Food received from the USDA was valued using dollar values provided by the State of New Mexico.

Property and Equipment

Property and purchased equipment are stated at cost. Donated equipment is stated at the estimated fair market value at the time of acquisition. The Organization follows the practice of capitalizing, at cost, all expenditures for fixed assets in excess of \$5,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their following estimated service lives using the straight-line method.

	<u>Years</u>
Building and improvements.....	30
Equipment, furniture and fixtures	5-10
Vehicles.....	5

Maintenance, repairs and renewals which neither materially add to the value of the property nor appreciably prolong its life are charged to expense as incurred.

Accumulated Compensated Absences

The Organization provides annual leave to its employees. Leave is awarded at the beginning of the calendar year and must be used by December 31 or it is lost. Payroll expense for leave is recorded as paid during the year and no accrued compensated absence is recorded.

Income Taxes

The Internal Revenue Service has determined that the Organization meets the requirements of the Internal Revenue Code and is exempt from federal income tax under section 501(c)(3) of the code. In addition, the Organization has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a) of the Internal Revenue Code.

Management of the Organization believes its activities allow it to continue to be classified as an organization exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and believes there are no activities subject to unrelated business income tax. The Organization files federal Form 990 with the Internal Revenue Service and copies of Form 990 with states in which the Organization is registered, as required. The statute of limitations for examination of the Organization's returns expires three years from the due date of the return or the date filed, whichever is later. The Organization's returns for the years ended September 30, 2015 through 2017, are still open for examination and management anticipates the statute of limitations for the return for the year ended September 30, 2018, will expire in April 2022.

Advertising Costs

Advertising costs are expensed as incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated to programs based on the allowable program's administrative purpose, not the allocable benefit of that cost to the program served. Accordingly, Community Services Block Grant incurs certain expenses which otherwise benefit other programs.

Estimates

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

Fair Value of Financial Instruments

The carrying amount of cash and cash equivalents, receivables and liabilities approximate fair value because of the short maturities of these instruments.

Reclassification of Financial Statements

Certain amounts in the 2017 financial statements have been reclassified to conform to the 2018 presentation.

NOTE 2 – CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

	<u>9/30/2018</u>	<u>9/30/2017</u>
Petty cash	\$ 144	\$ 144
Demand deposits	397,798	460,485
Certificates of deposit	100,052	307,768
Total	<u>\$ 497,994</u>	<u>\$ 768,397</u>

NOTE 3 – DUE FROM/TO GOVERNMENTAL ENTITIES

The amount receivable (deferred revenue) consists of the following:

<u>Receivables:</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
CSBG: State of New Mexico (NMHSD)	\$ 62,205	\$ -
CSFP - Albuquerque, State of New Mexico	73,149	35,946
CSFP - Farmington, State of New Mexico	20,924	10,629
FOOD - FEMA	-	-
Preschool - fees	-	-
Total	<u>\$ 156,278</u>	<u>\$ 46,575</u>

<u>Deferred revenue:</u>		
CSBG: State of New Mexico (NMHSD)	\$ -	\$ 4,481
Stimulus advance	-	-
Total	<u>\$ -</u>	<u>\$ 4,481</u>

Deferred revenue represents amounts received but expenses not incurred until the following year. Generally accepted accounting principles require that income and expenses be matched in the year that they are earned and incurred. Therefore, the income is deferred until the following year.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

	<u>9/30/2018</u>	<u>9/30/2017</u>
Land	\$ 17,000	\$ 17,000
Building	152,168	152,168
Improvements	203,073	203,073
Equipment, furniture and fixtures	265,661	265,661
Vehicles	411,918	411,918
Total	<u>1,049,820</u>	<u>1,049,820</u>
Less accumulated depreciation	(897,905)	(867,739)
Net	<u>\$ 151,915</u>	<u>\$ 182,081</u>

NOTE 5 – LINE OF CREDIT

The Organization paid off a bank line of credit in March 2018, with interest at 2.10%. As of September 30, 2018 and 2017 the amount drawn and due on the line of credit was \$0 and \$202,258, respectively:

NOTE 6 – RETIREMENT PLAN

The Organization contributes 5% of qualified payroll to a retirement plan authorized under Internal Revenue Code section 403(B). Such contributions become the property of the employee on the date of the contribution. The expense to the Organization for the years ending September 30, 2018 and 2017, were \$37,676 and \$40,687, respectively.

NOTE 7 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of financial institution deposits and receivables.

The Organization maintains various deposit accounts in one financial institution. As of September 30, 2018, the Organization had deposits of approximately \$615,261, covered by \$250,000 of deposit insurance. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

The ability to collect receivables resulting from services provided is affected by general economic conditions in the State of New Mexico. Concentrations of credit risk with respect to receivables results from funding agencies accepting or rejecting claims for services provided. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

NOTE 8 – LEASES

The Organization has entered into lease agreements for the use and occupancy of real property used as the Albuquerque food distribution center, administrative offices, and the Farmington food distribution center. The lease terms provide for renewal each year.

The annual rental expenses for the Albuquerque Center, the administrative offices, and the Farmington food distribution center are reported in the financial statements. The Organization recorded donated use of food distribution facilities (valued at \$18,000 each year) for the years ended September 30, 2018 and 2017.

NOTE 9 – DONATED FOOD AND IN-KIND RENT

Donated food (non-federal) and in-kind food (federal) is recognized as revenue when received and expensed as distributed. Inventory and related cost of goods donated and distributed has been recognized in the financial statements. The amount held at the year end is recorded as inventory. The following is a summary of donated and in-kind food.

<u>Donated and In-Kind Food</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Beginning inventory	683,779	1,072,934
Food donations received	3,662,226	4,069,438
Food inventory distributed	(3,606,116)	(4,458,593)
Ending inventory	<u>\$ 739,889</u>	<u>\$ 683,779</u>

A summary of non-federal and federal revenue and expenses is as follows:

<u>Non-federal Donated Food</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Beginning inventory	159,369	160,101
Food donations received	1,277,530	1,877,333
Food inventory distributed	(1,302,874)	(1,878,065)
Ending inventory	<u>\$ 134,025</u>	<u>\$ 159,369</u>

<u>Federal In-Kind Food</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
Beginning inventory	524,410	912,833
Food donations received	2,384,696	2,192,105
Food inventory distributed	(2,303,242)	(2,580,528)
Ending inventory	<u>\$ 605,864</u>	<u>\$ 524,410</u>

The Organization also received in-kind rents of \$18,000. The amount is recorded as in-kind rent revenue and rent expense. A summary of donated rents is as follows:

<u>In-kind Rents</u>	<u>9/30/2018</u>	<u>9/30/2017</u>
CSFP rent	10,800	10,800
Food rent	7,200	7,200
Total	\$ 18,000	\$ 18,000

NOTE 10 - MAJOR SOURCE OF FUNDING

The Organization received approximately 76 percent and 85 percent of its revenues from contracts and grants, and in-kind food from federal, state and local sources for the years ending September 30, 2018 and 2017, respectively.

NOTE 11 - CONTINGENCIES AND COMMITMENTS

Grants

The Organization receives financial assistance from state sources in the form of grants. The disbursements of the funds received are generally limited to specific compliance requirements as specified in the grant agreement. The state agencies reserve the right to review the scope of the audit and conduct a follow-up review if deemed necessary. Any disallowed claims resulting from such audits could become a liability of the Organization. The Organization, however, believes that liabilities resulting from disallowed claims, if any, will not have a material effect on the financial position.

NOTE 12 - LITIGATION

The Organization was a defendant in a lawsuit claiming breach of contract on a home built by the HOPE Housing Program. The lawsuit was dismissed. Management and legal counsel for the Organization are of the opinion that any additional claims are without merit, and will not have a material adverse effect on the Organization's financial position. The Organization incurred \$21,606 of legal expenses during the year ended September 30, 2018, which included a payable of \$7,562 as of September 30, 2018.

The Organization settled a lawsuit in 2017 for \$12,204. The amount of the settlement expense is included with legal fees of \$44,316 for a total of \$56,520 which are included in contract services under the Home Ownership Problems Eliminated program on the statement of functional expenses for the year ended September 20, 2017.

The HOPE Housing Program was discontinued as of January 26, 2017.

NOTE 13 – SUBSEQUENT EVENTS

As of March 15, 2019 (date the financial statements were available to be issued), the Organization has evaluated events and transactions occurring subsequent to September 30, 2018. Subsequent events occurring after March 15, 2019 have not been evaluated by management. No material events have occurred since September 30, 2018 that requires recognition or disclosure in the financial statements.

NOTE 14 – RECENTLY ISSUED ACCOUNTING STANDARDS

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity also should disclose sufficient quantitative and qualitative information to enable users of financial statements to understand the nature, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The new standard is effective for the Organization for annual periods in fiscal years beginning after December 15, 2018 (as amended in August 2015 by ASU 2015-14, *Deferral of the Effective Date*). The Organization has not yet determined the effect of the new standard on its current policies for revenue recognition.

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842), which supersedes FASB ASC Topic 840, *Leases*, and makes other conforming amendments to U.S. GAAP. ASU 2016-02 requires, among other changes to the lease accounting guidance, lessees to recognize most leases on-balance sheet via a right of use asset and lease liability, and additional qualitative and quantitative disclosures. ASU 2016-02 is effective for the Organization for annual periods in fiscal years beginning after December 15, 2019, permits early adoption, and mandates a modified retrospective transition method. While the Organization expects ASU 2016-02 to add significant right-of-use assets and lease liabilities to the balance sheets, it is evaluating other effects that the new standard will have on the financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. ASU 2016-14 simplifies and improves how not-for-profit entities classify net assets as well as the information presented in financial statements and notes about liquidity, financial performance, and cash flows. ASU 2016-14 is effective for the Organization for fiscal years beginning after December 15, 2017, and permits early adoption. While the Organization expects ASU 2016-14 to add significant disclosures to the financial statements, it is evaluating other effects that the new standard will have on the financial statements presentation.

SINGLE AUDIT SECTION

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended September 30, 2018

<u>Federal Grantor / Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Agency</u>	<u>Expenses</u>
<u>Food Distribution Cluster:</u>			
<u>U.S. Department of Agriculture:</u>			
Passed through State or Local governments:			
Commodity Supplemental Food Program - Alb	10.565	NMDOH / NMHHS	\$ 432,275
Commodity Supplemental Food Program - Farm	10.565	NMDOH / NMHHS	134,543
Emergency Food Assistance Program (TEFAP)	10.568	NMHHS	123,546
Emergency Food Assistance Program (TEFAP Commodities)	10.569	NMHHS	277,491
Emergency Food Assistance Program (Food Commodities) - Alb	10.569	NMDOH / NMHHS	1,565,984
Emergency Food Assistance Program (Food Commodities) - Farm	10.569	NMDOH / NMHHS	459,767
Total U.S. Department of Agriculture			<u>2,993,606</u>
Total Food Distribution Cluster			<u>2,993,606</u>
<u>Other Programs:</u>			
<u>U.S. Department of Agriculture:</u>			
Passed through State or Local governments:			
Child & Adult Care Food Program (CACFP)	10.558	CYFD	<u>29,577</u>
<u>Department of Health and Human Services:</u>			
Passed through State or Local governments:			
Community Services Block Grant	93.569	NMHSD	<u>265,472</u>
<u>Federal Emergency Management Agency:</u>			
Passed through Local agencies:			
Emergency Food and Shelter Program (Rent)	97.024	United Way	<u>15,315</u>
Total Federal Emergency Management Agency			<u>15,315</u>
Total Other Programs			<u>310,364</u>
Total Expenditures of Federal Awards			<u><u>\$ 3,303,970</u></u>

**SEE NOTES TO THE SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended September 30, 2018**

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Economic Council Helping Others (ECHO), Inc. under programs of the federal government for the year ended September 30, 2018. 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 the Organization, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- (A) 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.
- (B) The Organization has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.
- (C) The Organization did not provide any federal awards to subrecipients during the year.
- (D) There were no loans or loan guarantees outstanding at year-end.

NOTE 3 – RECONCILIATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS TO FINANCIAL STATEMENTS

	<u>9/30/2018</u>
Total federal awards expensed per Schedule of Expenditures of Federal Awards	\$ 3,303,970
Total expenditures funded by other sources	<u>1,859,392</u>
Total expenditures	<u>\$ 5,163,362</u>

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
Economic Council Helping Others (ECHO), Inc.
Farmington, New Mexico

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 Economic Council Helping Others (ECHO), Inc. (a nonprofit organization), which comprise the statements of financial position as of September 30, 2018, 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 15, 2019.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

Compliance and Other Matters

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

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.

David Berry, CPA, PC

**Farmington, New Mexico
March 15, 2019**

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

To the Board
Economic Council Helping Others (ECHO), Inc.
Farmington, New Mexico

Report on Compliance for Each Major Federal Program

We have audited Economic Council Helping Others (ECHO), Inc. compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2018. The Organization'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 the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization 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 September 30, 2018.

Report on Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

David Berry, CPA, PC

**Farmington, New Mexico
March 15, 2019**

**ECONOMIC COUNCIL HELPING OTHERS (ECHO), INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended September 30, 2018**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- 1. Type of auditors' report issuedUnmodified

- 2. Internal control over financial reporting:
 - a. Material weakness identified? None noted
 - b. Significant deficiencies identified not considered to be material weaknesses? None noted
 - c. Noncompliance material to financial statements noted? None noted

Federal Awards:

- 1. Internal control over major programs:
 - a. Material weakness identified? None noted
 - b. Significant deficiencies identified not considered to be material weaknesses? None noted

- 2. Type of auditors' report issued on compliance for major programsUnmodified

- 3. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance No

- 4. The programs tested as major programs included:
 - Food Distribution Cluster - CFDA#10.565, 10.568 and 10.569 \$2,993,606

- 5. The threshold for distinguishing Types A and B programs was\$750,000

- 6. Auditee qualified as low-risk auditee? Yes

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

Prior Year Findings.

None

Current Year Findings

None

C. FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

No Prior Year Findings.

No Current Year Findings.