

**NEVADA VOLUNTEERS
REPORTING PACKAGE
DECEMBER 31, 2013**

NEVADA VOLUNTEERS
DECEMBER 31, 2013

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Nevada Volunteers

Report on the Financial Statements

We have audited the accompanying financial statements of Nevada Volunteers (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 risk 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 principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation.

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 Nevada Volunteers as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding Contingent Liability

As described in Note 4 to the financial statements, one of the Organization's subrecipients did not comply with federal grant requirements relating to verification that several members were not on the National Sex Offender Public Registry (NSOPR). The lack of verification was discovered subsequent to a whistle-blowing incident which caused the Office of Inspector General to launch a criminal investigation on the staff of the sub-recipient for a different matter. The OIG has handled the criminal investigation through its channels and the disposition of the investigation remains unknown. However, due to the lack of verification of NSOPR status, the Organization's primary funding agency, the Corporation for National and Community Service (CNCS), is claiming that certain expenses were ineligible. \$24,695 of unallowable costs were already absorbed by the Organization in the form of payments in lieu of AmeriCorps Education Awards directly to the members who served in good faith and whose time was considered ineligible by CNCS due to the lateness of their

NSOPR verification, even though their later NSOPR verifications were free of any findings. The subrecipient received a total of \$691,462 in grant funds over a period of three years.

In addition, the OIG recently completed an audit of the Organization and the report includes certain findings and questioned costs for subrecipients totaling \$207,226, including federal costs, match costs and education awards. The primary issues involve the timing or lack of documentation regarding verification of the NSOPR searches for staff and members. The ultimate outcome of potential questioned costs and the impact on the Organization cannot be determined at this time. Accordingly, no provision for any liability has been made in the financial statements for possible claims for refunds of those grant monies.

Report on Summarized Comparative Information

The December 31, 2012 financial statements of Nevada Volunteers were audited by other auditors and they expressed an unmodified opinion on those financial statements in their report dated May 2, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, 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 also 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 June 3, 2014, on our consideration of Nevada Volunteers' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Nevada Volunteers' internal control over financial reporting and compliance.

Reno, Nevada
June 3, 2014

How & Company



NEVADA VOLUNTEERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2012)

	2013	2012 (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash	\$ 122,335	\$ 132,901
Due from grantors	338,175	190,636
Prepaid expenses	7,278	26,884
Total current assets	467,788	350,421
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$32,368 and \$29,414 for 2013 and 2012, respectively		
	7,499	10,453
Total assets	\$ 475,287	\$ 360,874
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 20,034	\$ 51,971
Accrued wages and payroll taxes	8,810	9,704
Accrued compensated absences	5,148	9,683
Deferred income	76,500	82,166
Due to grantor	-	7,012
Due to subrecipients	335,623	178,029
Total current liabilities/total liabilities	446,115	338,565
UNRESTRICTED NET ASSETS		
Designated for investment in property and equipment, net	7,499	10,453
Undesignated net assets	21,673	11,856
Total unrestricted net assets	29,172	22,309
Total liabilities and net assets	\$ 475,287	\$ 360,874

See accompanying notes

NEVADA VOLUNTEERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013	2012 (Memorandum Only)
UNRESTRICTED PUBLIC AND GOVERNMENTAL SUPPORT, REVENUE AND GAINS		
Public and governmental support		
Federal grants -		
Corporation for National and Community Service	\$ 2,190,763	\$ 2,390,777
State of Nevada	112,500	75,000
Contributions	-	10,641
In-kind contributions	26,510	32,047
Total public and governmental support	2,329,773	2,508,465
Revenue and gains		
Points of Light fundraising	86,782	1,313
Miscellaneous	16,350	19,007
Interest income	16	48
Total revenue and gains	103,148	20,368
Total unrestricted public and governmental support, revenue and gains	2,432,921	2,528,833
EXPENSES		
Program services	2,219,984	2,208,382
General and administrative	162,235	426,993
Fundraising	43,839	3,053
Total expenses	2,426,058	2,638,428
CHANGE IN UNRESTRICTED NET ASSETS	6,863	(109,595)
UNRESTRICTED NET ASSETS, beginning of year	22,309	131,904
UNRESTRICTED NET ASSETS, end of year	\$ 29,172	\$ 22,309

See accompanying notes

NEVADA VOLUNTEERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013	2012 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 6,863	\$ (109,595)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	2,954	2,987
Changes in certain components of working capital		
(Increase) decrease in:		
Due from grantors	(147,539)	106,282
Prepaid expenses	19,606	(23,747)
Increase (decrease) in:		
Accounts payable	(31,937)	20,181
Accrued wages and payroll taxes	(894)	(1,155)
Accrued compensated absences	(4,535)	3,414
Deferred income	(5,666)	82,166
Due to grantor	(7,012)	7,012
Due to subrecipients	157,594	(72,541)
Net cash provided (used) by operating activities	(10,566)	15,004
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction in progress (website)	-	(7,850)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(10,566)	7,154
CASH AND CASH EQUIVALENTS, beginning of year	132,901	125,747
CASH AND CASH EQUIVALENTS, end of year	\$ 122,335	\$ 132,901
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Disposal of fully depreciated equipment	\$ -	\$ 9,791

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

NEVADA VOLUNTEERS
NOTES TO FINACIAL STATEMENTS
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Governor of Nevada created Nevada Volunteers (the Organization), formerly known as the Nevada Commission for National and Community Service, Inc., from which qualified service programs in the state receive funding from the Corporation for National and Community Service to support AmeriCorps programs. The Organization was a governmental entity from its inception in 1994 until May of 1998 when it became a 501(c)(3) nonprofit corporation. On September 8, 2007, the Organization voted to change its name from Nevada Commission for National and Community Service, Inc. to Nevada Volunteers in order to broaden the focus and bring more awareness to volunteerism in Nevada. Along with continuing to administer the AmeriCorps programs for the state, the Organization seeks to develop a statewide movement to improve and increase volunteerism and volunteer retention in Nevada. Through an Executive Order of the Governor, the nonprofit corporation was designed to administer programs authorized by the National and Community Service Trust Act of 1993. The members of the Board of Directors are also commissioners appointed by the Governor. The Organization, through its Board of Directors, helps promote an ethic of civic responsibility, solicits applications for funding, selects qualified programs to receive support, and oversees grantees.

The Organization envisions a Nevada where citizens of all ages and backgrounds are given an opportunity to appreciate the value of voluntary and community service; where citizens encourage each other to adopt an ethic of civic responsibility; and where citizens address local concerns and enhance communities through direct action. In Nevada, the Organization seeks to cultivate communities that embrace commitment to the quality of life for others. The Organization does this to ensure that Nevada nurtures and educates all children, protects and enhances neighborhoods, and assists and encourages the disadvantaged to reach out and achieve their highest expectations.

Basis of Accounting

The Organization prepares its financial statements using the accrual method of accounting, which recognizes revenue when earned and expenses as incurred.

Basis of Presentation

The Organization reports information regarding its financial position and activities according to the 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.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. The Organization reports restricted contributions whose restrictions are met in the same reporting period in which the contributions are received as unrestricted support. The Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Cash and Cash Equivalents

For purposes of financial reporting, the Organization considers money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

Property and Equipment

The Organization's policy is to capitalize property and equipment with an estimated useful life of more than one year and a value of more than \$1,000. Property and equipment are recorded at cost or at the estimated fair value at the date of gift if donated. Such gifts of property and equipment are reported as unrestricted unless specific donor stipulations specify how the donated assets must be used.

Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, currently five years, on a straight-line basis.

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Asset Designation

The Organization had \$7,499 invested in property and equipment, net of accumulated depreciation, at December 31, 2013.

Revenue Recognition and Deferred Income

The Organization receives a substantial portion of its revenue from grants administered by the federal government. Revenue from grants is considered earned as services are provided in accordance with the grant terms. The Organization's operations are significantly dependent upon this revenue.

Deferred income represents funds collected for the Points of Lights event that was held subsequent to year end.

Donated Services

Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Additionally, the Organization receives a significant amount of skilled, contributed time, which does not meet the two recognition criteria above. Accordingly, the value of the contributed time has not been determined and is not reflected in the accompanying financial statements.

Advertising

Advertising costs consist primarily of costs for the public information campaign and are expensed when the advertising first takes place. Advertising costs totaled \$8,760 for the year ended December 31, 2013.

Income Taxes

The Organization is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3), qualifies for the charitable contribution deduction and has been classified as an organization that normally receives a substantial part of its support from a governmental unit or from the general public as provided in Internal Revenue Code 170(b)(1)(A)(vi). Accordingly, no provision for income taxes has been made. Tax positions to consider include but are not limited to:

- Classification of program services, administrative and fund raising
- Characterization of its activities as related or unrelated to its tax exempt purpose

It is the Organization's tax position that it has not engaged in activities that would jeopardize its exempt status nor has it engaged in activities that would result in unrelated business income tax.

Although the Organization has not been notified of any pending Internal Revenue Service (IRS) examinations, its returns are subject to examination within a three year statute of limitations. At December 31, 2013, the 2010 through the current period returns are subject to examination by the IRS.

Subsequent Events

Subsequent events have been evaluated through the report date, which represents the date the financial statements were available to be issued. Subsequent events after that date have not been evaluated.

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. Accordingly, actual results could differ from those estimates.

Memorandum Only – Total Columns

Total columns in the financial statements are captioned 'memorandum only' to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net assets or cash flows in conformity with generally accepted accounting principles.

NOTE 2 - OPERATING LEASES

The Organization entered into an agreement to lease office space in Reno, Nevada through December 31, 2015, with monthly lease payments of \$1,558 during 2014, and \$1,605 during 2015. Additionally, the Organization entered into agreements for copier, telecommunications services and alarm services expiring at various times through March 2017 with monthly payments totaling \$575.

Future minimum rental payments on the above items are as follows:

2014	\$ 24,270
2015	22,566
2016	3,306
2017	826

The expense associated with the above leases totals \$29,881 for the year ended December 31, 2013.

NOTE 3 - RETIREMENT PLAN

The Organization sponsors a Simplified Employee Pension Plan (SEP). Annual employer contributions of 5% to 15% of employee compensation are determined by the Board of Directors annually. The Organization contributed \$14,593 for the year ended December 31, 2013.

NOTE 4 - GRANT COMPLIANCE ISSUES

During 2012, a subrecipient of the Organization became involved in an Office of Inspector General (OIG) investigation. The outcome of the investigation is not known. However despite assurances from the subrecipient that all program files were in compliance, the file review by the OIG indicated that the subrecipient did not properly obtain verification that a portion of the members were not on the National Sex Offender Public Registry (NSOPR). There are 17 members in question due to the timing of the verification. The subrecipient has not filed all of the monthly reports that would have included additional costs expended by the subrecipient. The 17 members were paid approximately \$74,715 during this grant period. Management believes that the subrecipient was eligible to receive \$97,390 based on compliant NSOPR verification. As such, even if the costs relating to the 17 members are questioned by the grantor, there are additional costs that have been incurred but have not been reimbursed and no amounts would be due back to the grantor agency. Nevada Volunteers disputed any questioned costs based upon its legal interpretation of the law and regulations. The subrecipient received \$691,462 which is under investigation for the NSOPR verification.

During 2012, the Organization believes it complied with the grantor agency's requirement to pay the education awards that were disallowed by the CNCS federal funding agency through "other, non-congressional funds resources held by Nevada Volunteers". The Organization paid a reimbursement equivalent to the value of the education awards for the period of time in dispute, totaling \$24,695 using nonfederal sources with the expense included in the accompanying financial statements for the year ended December 31, 2012.

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2013

NOTE 4 - GRANT COMPLIANCE ISSUES (Continued)

In addition, during the current year under audit, the OIG performed an audit for the period January 1, 2011 through June 30, 2013. The Organization did not incur any specific findings relating to its direct expenditures for federal awards. However, there were findings and \$207,226 of questioned costs (federal, match and education awards) for its subrecipients. The issues primarily related to the timing and documentation of National Service Criminal History Check verifications required under federal law.

The ultimate outcome of potential questioned costs and the impact on the Organization cannot be determined at this time. Accordingly, no provision for any liability has been made in the financial statements for possible claims for refund of those grant monies.

SUPPLEMENTARY INFORMATION

NEVADA VOLUNTEERS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2013
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2012)

	2013				2012
	Program Services	General and Administrative	Fundraising	Total	Total (Memorandum Only)
Depreciation	\$ -	\$ 2,954	\$ -	\$ 2,954	\$ 2,987
Dues and subscriptions	-	2,636	250	2,886	3,196
Education awards	-	-	-	-	24,695
Information technology	-	7,506	-	7,506	11,219
Insurance	-	5,270	-	5,270	2,600
Meals	-	-	386	386	173
Office supplies	6,440	2,760	43	9,243	10,484
Other operating expenses	14,981	6,420	352	21,753	5,707
Payroll taxes and employee benefits	27,765	8,576	1,025	37,366	49,503
Points of Light fundraising	-	-	36,094	36,094	-
Postage	-	830	-	830	1,656
Professional fees, including in-kind	-	56,570	-	56,570	72,431
Public information campaign	1,260	7,500	-	8,760	37,723
Rent	20,917	8,964	-	29,881	34,545
Retirement plan	10,843	3,349	400	14,592	25,816
Salaries	142,454	43,999	5,260	191,713	265,443
Subrecipients					
City of Reno	50,000	-	-	50,000	-
The Children's Cabinet	212,560	-	-	212,560	250,646
Great Basin Institute	677,883	-	-	677,883	835,859
Luz Community	-	-	-	-	136,898
Nevada Outdoor School	146,215	-	-	146,215	125,262
TEACH	33,360	-	-	33,360	6,212
The Parasol Tahoe Community Foundation	216,004	-	-	216,004	195,035
Reno Bike Project	27,124	-	-	27,124	6,817
United Way of Southern Nevada	497,016	-	-	497,016	468,128
Urban Roots	54,557	-	-	54,557	2,506
WestCare	64,841	-	-	64,841	19,203
Telephone	3,562	1,526	-	5,088	7,484
Training	4,327	-	-	4,327	12,884
Travel	7,875	3,375	29	11,279	23,316
	<u>\$ 2,219,984</u>	<u>\$ 162,235</u>	<u>\$ 43,839</u>	<u>\$ 2,426,058</u>	<u>\$ 2,638,428</u>

See accompanying notes

NEVADA VOLUNTEERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2013

Federal Grantor Pass-Through Grantor/ Program Title	Award Period	Pass-Through Grantor Identifying Number	Federal CFDA Number	Federal Expenditures
Corporation for National and Community Service				
AmeriCorps	8/21/06-8/20/13	06AFHNV001	94.006	\$ 752,194
	9/1/13-9/1/16	13AFHNV001	94.006	268,638
	8/21/09-11/18/12	09ACHNV001	94.006	122
	8/21/12-8/20/15	12ACHNV001	94.006	523,694
	8/21/13-8/21/15	12ACHNV001	94.006	154,068
	9/1/12-8/31/15	12FXHNV001	94.006	280,844
Subtotal - CFDA 94.006				<u>1,979,560</u>
State Commissions	1/1/13-12/31/15	13CAHNV001	94.003	192,988
Program Development and Innovation Grants	1/1/10-3/31/13	10CDHNV001	94.007	<u>18,215</u>
Total expenditures of federal awards				<u>\$ 2,190,763</u>

See accompanying notes to this schedule

NEVADA VOLUNTEERS
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 DECEMBER 31, 2013

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported in the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

NOTE 3 - SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the Organization provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
AmeriCorps	94.006	\$ 1,979,560

During 2012, a subrecipient of the Organization became involved in an Office of Inspector General (OIG) investigation. The outcome of the investigation is not known. However despite assurances from the subrecipient that all program files were in compliance, the file review by the OIG indicated that the subrecipient did not properly obtain verification that a portion of the members were not on the National Sex Offender Public Registry (NSOPR). There are 17 members in question due to the timing of the verification. The subrecipient has not filed all of the monthly reports that would have included additional costs expended by the subrecipient. The 17 members were paid approximately \$74,715 during this grant period. Management believes that the subrecipient was eligible to receive \$97,390 based on compliant NSOPRs. As such, even if the costs relating to the 17 members are questioned by the grantor, there are additional costs that have been incurred but have not been reimbursed and no amounts would be due back to the grantor agency. Nevada Volunteers disputed any questioned costs based upon its legal interpretation of the law and regulations. The subrecipient received \$691,462 which is under investigation for the NSOPR verification.

The 2011 audit included this issue as an audit finding. During 2012, the Organization believes it complied with the grantor agency's requirement to pay the education awards that were disallowed by the CNCS federal funding agency through "other, non-congressional funds resources held by Nevada Volunteers". The Organization paid a reimbursement equivalent to the value of the education awards for the period of time in dispute, totaling \$24,695 using nonfederal sources with the expense included in the accompanying financial statements for the year ended December 31, 2012.

In addition, during the current year under audit, the OIG performed an audit for the period January 1, 2011 through June 30, 2013. The Organization did not incur any specific findings relating to its direct expenditures for federal awards. However, there were findings and \$207,226 of questioned costs (federal, match and education awards) for its subrecipients. The issues stemmed primarily related to the timing and documentation of NSOPR verifications under federal law. This issue was not noted as a finding in the current audit report as the Organization had designed their monitoring procedures to detect direct and material noncompliance. All subgrant awards included the requirements to perform the NSOPR verification for staff and members. In addition, the Organization provided training/education specifically related to the verification process. The Organization performed on site monitoring of its subrecipients and reviewed a sample of such transactions at that time and material noncompliance was not noted.

NEVADA VOLUNTEERS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
DECEMBER 31, 2013

NOTE 3 - SUBRECIPIENTS (Continued)

The Organization has strengthened the internal control processes over monitoring of subrecipients as a result of these audit processes. The ultimate outcome of potential questioned costs and the impact on the Organization cannot be determined at this time. Accordingly, no provision for any liability has been made in the financial statements for possible claims for refund of those grant monies.

REPORTS ON COMPLIANCE AND INTERNAL CONTROL



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

To the Board of Directors
Nevada Volunteers

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 Nevada Volunteers (a nonprofit organization), which comprise the statement of financial position as of December 31, 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 June 3, 2014.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Nevada Volunteers' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose on expressing an opinion on the effectiveness of the Organization's internal controls. 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 and 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 Nevada Volunteers' 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kohn & Company

Reno, Nevada
June 3, 2014

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

To the Board of Directors
Nevada Volunteers

Report on Compliance for Each Major Federal Program

We have audited Nevada Volunteers' (a nonprofit organization) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Nevada Volunteers' major federal programs for the year ended December 31, 2013. Nevada Volunteers' 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 Nevada Volunteers' 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 Nevada Volunteers' 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 Nevada Volunteers' compliance.

Opinion on Each Major Federal Program

In our opinion, Nevada Volunteers 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 December 31, 2013.

Report on Internal Control over Compliance

Management of Nevada Volunteers 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 Nevada Volunteers' 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 Nevada Volunteers' internal control over compliance.

A deficiency in internal control over compliance exists when the design of 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Reno, Nevada
June 3, 2014

How & Company



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEVADA VOLUNTEERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

• Material weakness(es) identified? yes X no

• Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X no

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified? yes X no

• Significant deficiency(ies) identified that are not considered to be material weaknesses? yes X no

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
94.006	AmeriCorps

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee Qualified As Low-Risk Auditee? yes X no

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

No findings reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN

NEVADA VOLUNTEERS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2013

Prior Audit Findings

There were no prior year findings.

Corrective Action Plan

There were no audit findings in the current year.