

**NEVADA VOLUNTEERS
REPORTING PACKAGE
DECEMBER 31, 2012**

NEVADA VOLUNTEERS
DECEMBER 31, 2012

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1-2
FINANCIAL STATEMENTS	
Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6-10
SUPPLEMENTARY INFORMATION	11
Schedule of Functional Expenses	12
Schedule of Expenditures of Federal Awards	13
Notes to the Schedule of Expenditures of Federal Awards	14
REPORTS ON COMPLIANCE AND INTERNAL CONTROL	15
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	16
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance in Required by OMB Circular A-133	17-18
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	19
Section I - Summary of Auditors' Results	20
Section II - Financial Statement Findings	20
Section III - Federal Awards Findings and Questioned Costs	20
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN	21
Prior Audit Findings	22



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, 2012, 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, 2012, 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 statement, one of the Organization's sub-recipients 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's, the Organization's primary funding agency, the Corporation for National and Community Service, is claiming that certain expenses were ineligible, of which \$24,695 was 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, even though their NSOPRs later verified that each was free of any findings regarding NSOPR. The

sub-recipient received \$691,462 in grant funds over a period of three years. 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


We have previously audited the Nevada Volunteers' 2011 financial statements, and our report dated July 12, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2011, 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 May 22, 2013, 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
May 22, 2013



NEVADA VOLUNTEERS
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2011)

	2012	2011 (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash	\$ 132,901	\$ 125,747
Due from grantors	190,636	296,918
Prepaid expenses	26,884	3,137
Total current assets	350,421	425,802
PROPERTY AND EQUIPMENT, net of accumulated depreciation of \$29,414 and \$36,218 for 2012 and 2011, respectively		
	10,453	5,590
Total assets	\$ 360,874	\$ 431,392
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 51,971	\$ 31,790
Accrued wages and payroll taxes	9,704	10,859
Accrued compensated absences	9,683	6,269
Deferred income	82,166	-
Due to grantor	7,012	-
Due to subrecipients	178,029	250,570
Total current liabilities/total liabilities	338,565	299,488
UNRESTRICTED NET ASSETS		
Designated for investment in property and equipment, net	10,453	5,590
Undesignated net assets	11,856	126,314
Total unrestricted net assets	22,309	131,904
Total liabilities and net assets	\$ 360,874	\$ 431,392

See accompanying notes

NEVADA VOLUNTEERS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

4

	2012	2011 (Memorandum Only)
UNRESTRICTED PUBLIC AND GOVERNMENTAL SUPPORT, REVENUE AND GAINS		
Public and governmental support		
Federal grants -		
Corporation for National and Community Service	\$ 2,390,777	\$ 2,405,259
United States Department of Education	-	51,347
State of Nevada	75,000	37,500
Contributions	10,641	3,500
In-kind contributions	32,047	37,252
Total public and governmental support	2,508,465	2,534,858
Revenue and gains		
Points of Light fundraising	1,313	46,782
Miscellaneous	19,007	27,401
Interest income	48	49
Total revenue and gains	20,368	74,232
Total unrestricted public and governmental support, revenue and gains	2,528,833	2,609,090
EXPENSES		
Program services	2,208,382	2,206,606
General and administrative	426,993	373,884
Fundraising	3,053	18,512
Total expenses	2,638,428	2,599,002
CHANGE IN UNRESTRICTED NET ASSETS	(109,595)	10,088
UNRESTRICTED NET ASSETS, beginning of year	131,904	121,816
UNRESTRICTED NET ASSETS, end of year	\$ 22,309	\$ 131,904

See accompanying notes

NEVADA VOLUNTEERS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	2012		2011 (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES			
Change in net assets	\$ (109,595)	\$	10,088
Adjustments to reconcile change in net assets to net cash provided by operating activities			
Depreciation	2,987		3,066
Changes in certain components of working capital (Increase) decrease in:			
Due from grantors	106,282		(126,313)
Prepaid expenses	(23,747)		2,707
Increase (decrease) in:			
Accounts payable	20,181		(9,128)
Accrued wages and payroll taxes	(1,155)		(710)
Accrued compensated absences	3,414		(4,762)
Deferred income	82,166		-
Due to grantor	7,012		
Due to subrecipients	(72,541)		131,647
Net cash provided by operating activities	15,004		6,595
CASH FLOWS FROM INVESTING ACTIVITIES			
Construction in progress (website)	(7,850)		-
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,154		6,595
CASH AND CASH EQUIVALENTS, beginning of year	125,747		119,152
CASH AND CASH EQUIVALENTS, end of year	\$ 132,901	\$	125,747
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 FINANCIAL STATEMENTS
DECEMBER 31, 2012

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. By way of 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.

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

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.

Net Asset Designation

The Organization had \$10,453 invested in property and equipment, net of accumulated depreciation, at December 31, 2012.

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 \$37,723 for the year ended December 31, 2012.

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:

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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

Income Taxes (Continued)

- 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, 2012, the 2009 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.

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 \$1,513 during 2013, \$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:

2013	\$ 24,174
2014	24,270
2015	22,566
2016	3,306
2017	826

The expense associated with the above leases and other service agreements was \$30,339 for the year ended December 31, 2012.

NEVADA VOLUNTEERS
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
DECEMBER 31, 2012

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 \$25,816 for the year ended December 31, 2012.

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 \$79,700 during this grant period. Approximately \$89,600 of additional costs has not been requested for reimbursement. 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 outcome of the investigation is unknown and the Organization is in the process of filing a claim for loss with the subrecipient's insurance agency for wrongful acts under its directors and officers liability policy. 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.

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.

SUPPLEMENTARY INFORMATION

NEVADA VOLUNTEERS
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2012
(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2011)

	2012				2011
	Program Services	General and Administrative	Fundraising	Total	Total (Memorandum Only)
Depreciation	\$ -	\$ 2,987	\$ -	\$ 2,987	\$ 3,066
Dues and subscriptions	-	3,196	-	3,196	9,422
Education awards	24,695	-	-	24,695	-
Information technology	-	11,219	-	11,219	11,173
Insurance	-	2,600	-	2,600	5,047
Meals	-	-	173	173	1,518
Office supplies	970	9,514	-	10,484	14,419
Other operating expenses	1,213	3,895	599	5,707	15,327
Payroll taxes and employee benefits	7,658	41,443	402	49,503	46,204
Points of Light fundraising	-	-	-	-	1,112
Postage	60	1,596	-	1,656	1,351
Professional fees, including inkind	4,415	68,016	-	72,431	82,667
Public information campaign	37,723	-	-	37,723	318
Rent	-	34,545	-	34,545	25,484
Retirement plan	4,773	21,043	-	25,816	28,109
Salaries	65,443	198,200	1,800	265,443	269,095
Subrecipients					
The Children's Cabinet	250,646	-	-	250,646	299,202
Great Basin Institute	835,859	-	-	835,859	676,456
Luz Community	136,898	-	-	136,898	341,012
Nevada Outdoor School	125,262	-	-	125,262	156,433
TEACH	6,212	-	-	6,212	-
The Parasol Tahoe Community Foundation	195,035	-	-	195,035	194,476
Reno Bike Project	6,817	-	-	6,817	-
United Way of Southern Nevada	468,128	-	-	468,128	321,571
Urban Roots	2,506	-	-	2,506	-
WestCare	19,203	-	-	19,203	-
Telephone	144	7,340	-	7,484	11,149
Training	10,631	2,174	79	12,884	49,798
Travel	4,091	19,225	-	23,316	32,908
Vista Program	-	-	-	-	1,685
	<u>\$ 2,208,382</u>	<u>\$ 426,993</u>	<u>\$ 3,053</u>	<u>\$ 2,638,428</u>	<u>\$ 2,599,002</u>

See accompanying notes

NEVADA VOLUNTEERS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

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	\$ 1,123,290
	8/1/09-8/20/12	09ACHNV001	94.006	688,564
	8/21/12-8/20/15	12ACHNV001	94.006	147,295
	9/1/12-8/31/15	12FXHNV001	94.006	87,417
Subtotal - CFDA 94.006*				<u>2,046,566</u> *
Training and Technical Assistance	1/11/11-12/31/13	11PTHNV001	94.009	27,208
State Commissions	1/1/10-6/30/13	10CAHNV001	94.003	235,488
Program Development and Innovation Grants	1/1/10-3/31/13	10CDHNV001	94.007	65,006
Volunteers in Service to America	6/5/11-6/16/12	07VSPNV002	94.013	<u>16,509</u>
Total expenditures of federal awards				<u>\$ 2,390,777</u>

* Denotes major program

See accompanying notes to this schedule

NEVADA VOLUNTEERS
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 DECEMBER 31, 2012

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards 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 - 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	\$ 2,046,566

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 \$79,700 during this grant period. Approximately \$89,600 of additional costs has not been requested for reimbursement. 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 outcome of the investigation is unknown and the Organization is in the process of filing a claim for loss with the subrecipient's insurance agency for wrongful acts under its directors and officers liability policy. 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.

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.

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, 2012 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 May 22, 2013.

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.

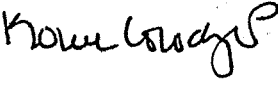
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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.


Reno, Nevada
May 22, 2013

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, 2012. 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, 2012.

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 the 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 deficiencies, 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.

Kam Coway

Reno, Nevada
May 22, 2013



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

NEVADA VOLUNTEERS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

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: Unqualified

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:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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, 2012

Prior Audit Findings

Finding 2011-1

Federal Program:

CFDA # 94.006

Condition:

The Organization performed monitoring activities that included reporting, site visits, regular contact and training with its subrecipients. However, subsequent to year end, a subrecipient of the Organization became involved in an Office of Inspector General (OIG) investigation. The investigation is not yet complete, but, there are indications that the subrecipient did not obtain verification prior to the start of terms of service on a portion of the AmeriCorps members that they were not required to be listed on the National Sex Offender Public Registry (NSOPR). During the investigation, the subrecipient verified that none of the members were on the NSOPR list. Part of the official dispute is up to this timing. Nevada Volunteers claims that the currently effective regulations do not make members ineligible if this documentation is provided retroactively. There are 17 members in question.

Recommendation:

We recommended that the Organization ensure that its subrecipients understand the requirements for performance and documentation required for NSOPR verifications. In addition, the Organization should require program officers to confirm their understanding and adherence to the Organization's policies and procedures relating to monitoring and independence.

Current Status:

The Organization has strengthened their processes to emphasize the timing and verification process of the subrecipients in regards to their NSOPR verifications. In addition, they have discussed in details and provided extensive training about this requirement with all subrecipients and increased their monitoring review of same. During 2012, the Organization believes it complied with the grant agency's requirement to pay the value of the education awards for the period of time that the funding agency, CNCS, claims they were ineligible due to disallowance of the hours worked prior to the verification.

Corrective Action Plan

There were no audit findings in the current year.