



THE CFO GROUP INC.
PROGRESSIVE ACCOUNTING SOLUTIONS

**Financial Statements and
Independent Auditor's Report**

NORTHERN NEVADA LITERACY COUNCIL

June 30, 2013 with Comparative Totals for 2012

TABLE OF CONTENTS

	Page	
INDEPENDENT AUDITOR'S REPORT.....	1	
FINANCIAL STATEMENTS		
Statements of Financial Position.....	4	
Statements of Activities.....	5	
Statements of Cash Flows.....	6	
Notes to Financial Statements.....	7	
SUPPLEMENTARY INFORMATION		
Schedule of Functional Expenses.....	14	
Federal Award Information		
Schedule of Expenditures of Federal Awards.....	15	
Note to the Schedule of Expenditures of Federal Awards.....	16	
REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS.....		17
REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133.....		19
SCHEDULE OF FINDINGS, QUESTIONED COSTS AND CORRECTIVE ACTION PLAN.....		21

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northern Nevada Literacy Council

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Nevada Literacy Council (a nonprofit organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 Northern Nevada Literacy Council as of June 30, 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.

Report on Summarized Comparative Information

We have previously audited the Northern Nevada Literacy Council 2012 financial statements, and our report dated January 31, 2013, 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 June 30, 2013, is consistent, in all material respects, with the audited financial

statements from which it has been derived.
4745 Caughlin Parkway, Suite 200
Reno, NV 89518

T 775.359.7600

F 775.359.7601

www.thecfgroup.com

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of functional expenses on page 12 are presented for purposes of additional analysis and are 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 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 20, 2014, on our consideration of Northern Nevada Literacy Council'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 Northern Nevada Literacy Council's internal control over financial reporting and compliance.

The CFO Group Inc.

Reno, NV
January 20, 2014

FINANCIAL STATEMENTS

Northern Nevada Literacy Council
STATEMENTS OF FINANCIAL POSITION
 June 30, 2013 with Comparative Totals for 2012

	<u>2013</u>	<u>2012</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 117,558	\$ 211,606
Grant funds receivable	85,544	2,520
Prepays	<u>626</u>	<u>975</u>
Total current assets	203,728	215,101
PROPERTY AND EQUIPMENT, NET	<u>14,747</u>	<u>1,582</u>
Total assets	<u><u>\$ 218,475</u></u>	<u><u>\$ 216,683</u></u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 45,906	\$ 8,453
Accrued expenses	18,504	22,600
Deferred revenue, unspent grant funds	<u>11,680</u>	<u>63,194</u>
Total current liabilities	76,090	94,247
NET ASSETS		
Unrestricted net assets	136,409	121,836
Temporarily restricted	<u>5,976</u>	<u>600</u>
Total net assets	<u>142,385</u>	<u>122,436</u>
Total liabilities and net assets	<u><u>\$ 218,475</u></u>	<u><u>\$ 216,683</u></u>

The accompanying notes are an integral part of this statement.

Northern Nevada Literacy Council
STATEMENTS OF ACTIVITIES
For the years ended June 30, 2013 with Comparative Totals for 2012

	Unrestricted	Temporarily Restricted	Total	2012
PUBLIC AND GOVERNMENTAL SUPPORT AND REVENUE				
Public and governmental support				
Federal and state contracts	\$ 531,493	\$ -	\$ 531,493	\$ 660,959
Department of Education	-	5,376	5,376	10,026
Restricted grants	7,769	-	7,769	3,224
Contributions, gifts and donations	538	-	538	4,649
Fundraising revenue	539,800	5,376	545,176	678,858
Total revenue, gains and other support				
EXPENSES	483,288		483,288	652,773
Educational program services				
Supporting services	51,991	-	51,991	26,298
General and administrative	30	-	30	2,466
Fundraising and grant procurement	535,309	-	535,309	681,537
Total expenses				
OTHER INCOME	59	-	59	13
Interest income				
Changes in net assets	4,550	5,376	9,926	(2,666)
Net assets, beginning of year	121,836	600	122,436	125,102
Prior period adjustments to net assets	10,023	-	10,023	-
Net assets, end of year	<u>\$ 136,409</u>	<u>\$ 5,976</u>	<u>\$ 142,385</u>	<u>\$ 122,436</u>

The accompanying notes are an integral part of this statement.

Northern Nevada Literacy Council
STATEMENTS OF CASH FLOWS
For the years ended June 30, 2013 with Comparative Totals for 2012

CASH FLOWS FROM OPERATING ACTIVITIES

	2013	2012
Change in net assets	\$ 19,949	\$ (2,666)
Adjustments to reconcile changes in net assets to cash flows (used in)/provided by operating activities:		
Depreciation	1,830	2,607
Changes in:		
Grant funds receivable	(83,024)	77,647
Prepays	349	2,319
Accounts payable	37,453	(33,257)
Accrued expenses	(4,096)	14,177
Deferred revenue, unspent grant funds	(51,514)	40,829
Net cash (used in)/provided by operating activities	<u>(79,053)</u>	<u>101,656</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of equipment	<u>(14,995)</u>	-
Net cash used in investing activities	<u>(14,995)</u>	-

Decrease/increase in cash and cash equivalents

	(94,048)	101,656
Cash and cash equivalents at the beginning of the year	<u>211,606</u>	<u>109,950</u>
Cash and cash equivalents at the end of the year	<u><u>\$ 117,558</u></u>	<u><u>\$ 211,606</u></u>

The accompanying notes are an integral part of this statement.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Northern Nevada Literacy Council have been prepared using the accrual basis of accounting with accounting principles generally accepted in the United States of America as applied to nonprofit organizations.

1. Reporting Entity

Northern Nevada Literacy Council (the "Organization") was incorporated in the State of Nevada on December 12, 1980. The Organization provides adult basic skills, GED preparatory instruction, and English as a Second Language for adults who lack a high school diploma or GED or essential skills to function successfully in the workplace. Revenues are provided by Federal grants and individual and business contributions. The Organization conducts its business activities in Nevada.

2. Basis of Presentation

Net assets and revenue, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restriction. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to any donor imposed stipulations

Temporarily Restricted Net Assets – Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that can either expire by passage of time or can be fulfilled and removed by actions of the organization pursuant to those stipulations, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassification to (or from) other classes of net assets as a consequence of donor and/or board-imposed stipulations, their expiration by passage of time, or their fulfillment and removal by actions of the organization pursuant to those stipulations.

Permanently Restricted Net Assets – Net assets resulting (a) from contributions and other inflows of assets whose use by the Organization is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the organization, (b) from other asset enhancements and diminishments subject to the same kinds of stipulations, and (c) from reclassification from (or to) other classes of net assets as a consequence of donor-imposed stipulations.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Organization reports the support as unrestricted.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

3. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates based on management's knowledge and experience. Due to their prospective nature, actual results could differ from those estimates.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

5. Property and Equipment

Property and equipment is stated at cost, or if donated, at fair market value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets varying from five to seven years.

Maintenance and repairs for property and equipment are charged to operations, and major improvements over \$5,000 are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation are eliminated from the accounts and the resulting gain or loss is recognized.

6. Compensated Absences

The Organization allows full time employees to receive compensation for vacation and sick leave. Sick leave is provided on a use it or lose it basis. Up to 120 hours of vacation leave can be carried forward to the subsequent year.

7. Deferred Income

Deferred income represents unexpended grant revenue that is considered earned as funds are expended, or as services are provided in accordance with the grant terms.

8. Revenue Recognition and Concentration

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

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

9. Contributed Services

Contributed professional services are recognized if 1) the services received create or enhance nonfinancial assets, or 2) require specialized skills, are provided by individuals possessing those skills and would typically need to be purchased if not provided by donation.

The Organization receives a significant amount of donated services from unpaid volunteers who assist in tutoring, fundraising and special projects. The amounts recognized as donated for EL Civics programs and other programs total \$3,886 for the current year.

10. 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. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

11. Impairment of Long-Lived Assets

The Organization reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeded the fair value of the assets.

12. Advertising

The Organization follows the policy of charging the costs of advertising expense as incurred. For the year ending June 30, 2013 and 2012 advertising expense was \$9,318 and \$13,872, respectively.

13. Income Taxes

The Organization is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the Organization qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and is classified as an organization that is not a private foundation under Section 509(a)(2).

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE A – ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Income Taxes- Continued

The Organization adopted FASB ASC guidance that clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. This guidance prescribes a minimum probability threshold that a tax position must meet before a financial statement benefit is recognized. The minimum threshold is defined as a tax position that is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The tax benefit to be recognized is measured as the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. This guidance must be applied to all existing tax positions upon initial adoption. The Organization has one open penalty case regarding a non-filing issue in a previous year in the accompanying financial statements. Tax years that remain open for examination include the years ended June 30, 2009 through June 30, 2013. The Organization had no uncertain tax positions as of June 30, 2013.

14. Reclassification

Certain prior year amounts have been reclassified to conform with the current year report.

NOTE B- FAIR VALUE MEASUREMENTS

The Organization adopted ASC 820-10 Fair Value Measurements for non-recurring fair value measurements of its non-financial assets and liabilities. This standard defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This standard establishes a three-level hierarchy for fair value measurements based upon the significant inputs used to determine fair value. Observable inputs are those which are obtained from market participants external to the association while unobservable inputs are generally developed internally, utilizing management's estimates, assumptions, and specific knowledge of the nature of the assets or liabilities and related markets. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Organization has the ability to access at the measurement date. An active market is defined as a market in which transactions for the assets or liabilities occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active (markets with few transactions), inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data correlation or other means (market corroborated inputs).

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE B- FAIR VALUE MEASUREMENTS, continued

Level 3 – Unobservable inputs only are used to the extent that observable inputs are not available and reflect the Organization's assumptions about the pricing of an asset or liability.

In accordance with the fair value hierarchy described above, the following table shows the fair value of the Organization's financial assets and liabilities that are required to be measured at fair value as of June 30, 2013 and 2012.

As of June 30, 2013

Assets	Balance	Level 1	Level 2	Level 3
Money market savings accounts	\$ 64,994	\$ 64,994		

As of June 30, 2012

Assets	Balance	Level 1	Level 2	Level 3
Money market savings accounts	\$ 18	\$ 18		

NOTE C – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at June 30, 2013 and 2012:

	2013	2012
Furniture and equipment	\$ 28,017	\$ 28,017
Computer equipment	37,924	22,929
Total property and equipment	65,941	50,946
Less accumulated depreciation	(51,194)	(49,364)
Total property and equipment, net	\$ 14,747	\$ 1,582

Depreciation expense for the years ended June 30, 2013, and 2012 was \$1,830 and \$2,607, respectively.

NOTE D – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are designated for future program services for the GED test scholarship fund, the Neighborhood Advisory Board, and the Redfield Fund.

NOTE E – CONCENTRATION OF CREDIT RISK

The Organization maintains cash accounts in commercial banks located in Nevada. The Federal Deposit Insurance Corporation (FDIC) insures up to \$250,000 per depositor per bank. As of June 30, 2013, deposits did not exceed the FDIC limits.

The Organization's programs are concentrated in northern Nevada. The amount of contributions and program services may be affected by changes in economic or other conditions of the area.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2013 with Comparative Totals for 2012

NOTE F- OPERATING LEASES

The Organization leases office and education facilities in Reno, Nevada under an operating lease expiring February 2016. The monthly payment is \$5,000. Lease expenses were \$60,000 and \$60,000 for the years ended June 30, 2013 and 2012.

Future minimum lease payments under the operating lease as of June 30, 2013 for each of the remaining years and in the aggregate are as follows:

2013	\$	30,000
2014		60,000
2015		60,000
2016		<u>10,000</u>
Total lease commitments	\$	<u>160,000</u>

NOTE G - SUBSEQUENT EVENT

The Organization has evaluated subsequent events through January 20, 2014 the date which the financial statements were available to be issued.

NOTE H - ADJUSTMENT TO PRIOR PERIOD

An adjustment was made to a prior period in the amount of \$10,023 to correct the balance of a deferred revenue account.

SUPPLEMENTARY INFORMATION

Northern Nevada Literacy Council
SCHEDULE OF FUNCTIONAL EXPENSES
For the years ended June 30, 2013 with Comparative Totals for 2012

	Program Services	General and Administrative	Fundraising Activities	Total 2013	Total 2012
	\$ -	\$ 15,500	\$ -	\$ 15,500	\$ 18,500
Accounting	-	-	-	9,318	13,872
Advertising and marketing	9,318	-	-	676	24
Bank charges	-	676	-	1,197	7,685
Computer maintenance	1,197	-	-	1,830	2,607
Depreciation	-	1,830	-	30	2,466
Fundraising activities	-	-	30	44,018	122,741
Instructional materials	44,018	-	-	2,026	1,994
Insurance	-	2,026	-	135	260
Licenses and permits	-	135	-	681	520
Membership and subscriptions	-	681	-	43,551	8,803
Office supplies	43,551	-	-	281,135	325,062
Payroll and related taxes and benefits	263,935	17,200	-	4,772	3,181
Printing and duplication	4,772	-	-	11,791	47,175
Professional services	11,791	-	-	154	382
Promotional	154	-	-	60,000	60,000
Rent	60,000	-	-	10,592	-
Repairs and maintenance	-	10,592	-	12,523	6,000
State leadership initiatives	12,523	-	-	4,029	15,283
Travel, meals, and lodging	4,029	-	-	31,351	44,982
Utilities and building maintenance	28,000	3,351	-		
Total functional expenses	<u>\$ 483,288</u>	<u>\$ 51,991</u>	<u>\$ 30</u>	<u>\$ 535,309</u>	<u>\$ 681,537</u>

The accompanying notes are an integral part of this statement.

Northern Nevada Literacy Council
Schedule of Expenditures of Federal Awards
For the year ended June 30, 2013

<u>Grant/Contract Name</u>	<u>Grant Identification Number</u>	<u>CFDA#</u>	<u>Expenditures</u>
Department of Education			
Pass through from the State of Nevada, Department of Education			
AEFLA -State Leadership	12-607-33000	84.002	\$ 86,488
AEFLA - PI / Basic Instruction	12-609-33000	84.002	341,658
AEFLA-EL Civics	12-608-33001	84.002	109,049
Total Department of Education			<u>537,195</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 537,195</u>

Northern Nevada Literacy Council
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS

June 30, 2013

NOTE A – BASIS OF PRESENTATION.

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northern Nevada Literacy Council 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 amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements or other reports submitted directly to the grantor agencies.

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

To the Board of Directors
Northern Nevada Literacy Council

We have audited the financial statements of Northern Nevada Literacy Council (a nonprofit organization) as of and for the year ended June 30, 2013, and have issued our report thereon dated January 20, 2014. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Northern Nevada Literacy Council's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Northern Nevada Literacy Council's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

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

Report on Summarized Comparative Information

We have previously audited the Northern Nevada Literacy Council 2012 financial statements, and our report dated January 31, 2013, 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 June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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.

THE CFO GROUP, INC.

The CFO Group Inc.

Reno, Nevada

January 20, 2014

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

To the Board of Directors of
Northern Nevada Literacy Council

Report on Compliance for Each Major Federal Program

We have audited Northern Nevada Literacy Council's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern Nevada Literacy Council's major federal programs for the year ended June 30, 2013. Northern Nevada Literacy Council'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 Northern Nevada Literacy Council's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Nevada Literacy Council'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 Northern Nevada Literacy Council's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Nevada Literacy Council 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 years ended June 30, 2013.

Report on Summarized Comparative Information

We have previously audited the Northern Nevada Literacy Council 2012 financial statements, and our report dated January 31, 2013, 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 June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

4745 Caughlin Parkway, Suite 200

Reno, NV 89519

T 775.359.7600

F 775.359.7601

www.thecfogroup.com

Report on Internal Control Over Compliance

Management of Northern Nevada Literacy Council 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 Northern Nevada Literacy Council's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern Nevada Literacy Council'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

THE CFO GROUP, INC.

The CFO Group Inc.

Reno, Nevada
January 20, 2014

Northern Nevada Literacy Council
Schedule of Findings, Questioned Costs and Corrective Action Plan
June 30, 2013

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? No
- Non-Compliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

- Material weaknesses identified? No
- Significant deficiencies identified that are not considered to be material weaknesses? 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? No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
84.002	U.S. Department of Education, Adult Education- State Grant Program

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

Auditee qualified as low-risk auditee? No