

Northern Nevada Literacy Council

RENO, NEVADA



Financial Statements

(With Independent Auditor's Report)

June 30, 2023



Knott
Certified Public Accountant

235 West Pueblo Street
Reno, Nevada

Northern Nevada Literacy Council
Table of Contents
June 30, 2023

INDEPENDENT AUDITOR’S REPORT.....	1
FINANCIAL STATEMENTS	
STATEMENT OF FINANCIAL POSITION.....	4
STATEMENT OF ACTIVITIES.....	5
STATEMENT OF FUNCTIONAL EXPENSES.....	6
STATEMENT OF CASH FLOWS.....	7
NOTES TO FINANCIAL STATEMENTS.....	8
SUPPLEMENTARY INFORMATION	
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	16
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	17
OTHER REPORTS	
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.....	18
INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE.....	20
AUDITOR’S RESULTS	
SCHEDULE OF FINDINGS AND QUESTIONED COSTS.....	22
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS.....	23

Knott
Certified Public Accountant
235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Northern Nevada Literacy Council
Reno, Nevada

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Northern Nevada Literacy Council, which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of Northern Nevada Literacy Council as of June 30, 2023, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Northern Nevada Literacy Council and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Nevada Literacy Council's ability to continue as a going concern for one year after the date that the financial statements were available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the standards applicable to financial

Knott
Certified Public Accountant

235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users made on the basis of these financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Northern Nevada Literacy Council's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northern Nevada Literacy Council's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the

Knott
Certified Public Accountant

235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

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 September 26, 2023 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.

Knott CPA

Reno, Nevada
September 26, 2023

Northern Nevada Literacy Council
Statement of Financial Position
As of June 30, 2023

Assets

Cash and cash equivalents	\$ 74,431
Accounts receivable	106,569
Grants receivable	319,392
Contributions receivable	4,784
Prepaid expenses	15,424
Property and equipment, net	126,012
Operating lease right of use asset	142,022
Restricted investment	<u>101,921</u>

Total assets	<u><u>\$ 890,555</u></u>
--------------	--------------------------

Liabilities and Net Assets**Liabilities**

Accrued expenses	\$ 19,185
Accounts payable	39,239
Operating lease liability	<u>146,538</u>

Total liabilities	<u>204,962</u>
-------------------	----------------

Net Assets

Without donor restrictions	480,731
With donor restrictions	<u>204,862</u>

Total net assets	<u>685,593</u>
------------------	----------------

Total liabilities and net assets	<u><u>\$ 890,555</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of these financial statements.

Northern Nevada Literacy Council
Statement of Activities
For the Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
	<u> </u>	<u> </u>	<u> </u>
Revenue and Support			
Grants and contracts			
Federal and state grants and contracts			
Federal	\$ 1,579,177	\$ 6,973	1,586,150
State of Nevada	38,707	-	38,707
Private	-	186,565	186,565
Total grants and contracts	<u>1,617,884</u>	<u>193,538</u>	<u>1,811,422</u>
Contributions	11,227	-	11,227
In-kind contributions	163,226	-	163,226
Program service fees	5,692	-	5,692
Investment income and interest	121	4,004	4,125
Net assets released from restrictions	<u>167,732</u>	<u>(167,732)</u>	<u>-</u>
 Total revenue and support	 <u>1,965,882</u>	 <u>29,810</u>	 <u>1,995,692</u>
 Expenses			
Program services:			
Educational program service	<u>1,536,223</u>	<u>-</u>	<u>1,536,223</u>
Total program services	<u>1,536,223</u>	<u>-</u>	<u>1,536,223</u>
Supporting services:			
Administration	<u>231,732</u>	<u>-</u>	<u>231,732</u>
Total supporting services	<u>231,732</u>	<u>-</u>	<u>231,732</u>
 Total expenses	 <u>1,767,955</u>	 <u>-</u>	 <u>1,767,955</u>
 Change in Net Assets	 197,927	 29,810	 227,737
 Net Assets, beginning of year	 <u>282,804</u>	 <u>175,052</u>	 <u>457,856</u>
 Net Assets, end of year	 <u>\$ 480,731</u>	 <u>\$ 204,862</u>	 <u>\$ 685,593</u>

The accompanying notes are an integral part of these financial statements.

Northern Nevada Literacy Council
Statement of Functional Expenses
For the Year Ended June 30, 2023

	<u>Program Services</u>		<u>Supporting Services</u>		<u>Total</u>
	Program and Event	Total Program Services	General and Administrative	Total Supporting Services	
Accounting	\$ -	\$ -	\$ 13,500	\$ 13,500	\$ 13,500
Advertising	15,183	15,183	-	-	15,183
Depreciation and amortization	-	-	67,288	67,288	67,288
In-kind services	157,726	157,726	-	-	157,726
Interest	-	-	11,258	11,258	11,258
Instructional materials	49,858	49,858	-	-	49,858
Insurance	-	-	6,630	6,630	6,630
General supplies and office expenses	-	-	31,952	31,952	31,952
Memberships and subscriptions	-	-	3,513	3,513	3,513
Payroll and related taxes and benefits	956,388	956,388	-	-	956,388
Professional services	-	-	11,188	11,188	11,188
Property services	-	-	62,038	62,038	62,038
Rent	-	-	6,791	6,791	6,791
Student services	348,983	348,983	-	-	348,983
Technology services	-	-	12,982	12,982	12,982
Training and tuition	8,085	8,085	-	-	8,085
Travel	-	-	4,592	4,592	4,592
Total Expenses	\$ 1,536,223	\$ 1,536,223	\$ 231,732	\$ 231,732	\$ 1,767,955

The accompanying notes are an integral part of these financial statements.

Northern Nevada Literacy Council
Statement of Cash Flows
For the Year ended June 30, 2023

Cash Flows from Operating Activities	
Change in net assets	\$ 227,737
Adjustments to reconcile change in net assets to net cash from operating activities:	
Depreciation and amortization	67,288
Unrealized Gain	(1,921)
Changes in operating assets and liabilities:	
Accounts receivable	(106,569)
Grants receivable	(108,959)
Contributions receivable	35,579
Prepaid expenses	(12,952)
Accounts payable	2,969
Accrued expenses	(27,485)
Operating lease right of use asset	(123,174)
Operating lease liability	74,431
Net Cash from Operating Activities	<u>26,944</u>
Cash Flows from Investing Activities	
Acquisition of assets	<u>(132,549)</u>
Net Cash from Investing Activities	<u>(132,549)</u>
Net Change in Cash and Cash Equivalents	(105,605)
Cash and Cash Equivalents, beginning of year	<u>180,036</u>
Cash and Cash Equivalents, end of year	<u><u>\$ 74,431</u></u>

The accompanying notes are an integral part of these financial statements.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 1 – Nature of Operations

Northern Nevada Literacy Council (the “Organization”) is a nonprofit organization established to provide adult basic skills, General Educational Development (GED) preparatory instruction, and English as a Second Language for adults who lack a high school diploma, GED, or essential skills to function successfully in the workplace. Revenues are provided by federal and state grants, and private grants and contributions.

NOTE 2 – Summary of Significant Accounting PoliciesBasis of Accounting and Presentation

The financial statements are prepared on the accrual basis of accounting. Net assets are reported based on the presence or absence of donor-imposed restrictions, as follows:

- *Net assets without donor restrictions* represent funds that are not subject to donor-imposed stipulations and are available for support of the Organization’s operations.
- *Net assets with donor restrictions* represent funds subject to donor (or certain grantor) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates, and those differences could be material.

Cash and Cash Equivalents

The Organization maintains cash at a financial institution. The account balances presented in the accompanying financial statements are insured by the FDIC up to \$250,000. The Organization considers all cash and highly liquid debt instruments, including money market funds not held for long-term investment purposes and certificates of deposits with maturities of three months or less when purchased, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

Property and Equipment

The Organization records property and equipment additions over \$5,000 at cost, or if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years, or in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statements of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Organization reviews the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. No long-lived assets were determined to be impaired during the year ended June 30, 2023.

Compensated Absences

All full time employees, except the executive director, earn paid time off (PTO) at rates dependent on years of service and can be accumulated up to specific hour limits. Upon termination of employment, the employees shall receive payment for all accrued PTO. An accrual for this estimated liability is recorded in the accompanying Statement of Financial Position.

Grants, Contributions, and Accounts Receivable

Grants, contributions, and accounts receivable include amounts due from local governments and other receivables and are stated at their net realizable value. No allowance for doubtful accounts is recorded on June 30, 2023, as management believes that all grants and accounts receivable are fully collectible.

Investments

Investments are recorded at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statements of financial position. Net investment return/(loss) is reported in the statements of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

Revenue and Revenue Recognition

The Organization recognizes contributions when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)

In-Kind Contributions and Services

The Organization receives significant in-kind contributions of time and pro bono services from members of the community and volunteers related to program operations, special events, and fund-raising campaigns. Donated services are recognized as contributions, if the services: (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation.

The Organization also receives the use of donated facilities for its program operations and supporting services. The Organization recognizes in-kind contribution revenue and a corresponding expense in an amount approximating the estimated fair value at the time of the donation. Fair value is estimated using the average price per square foot of rental listings in the Organization's service area (Note 7).

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and wages, benefits, and payroll taxes, which are allocated on the basis of estimates of time and effort.

Financial Instruments and Credit Risk

The Organization manages deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, the Organization has not experienced losses in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies and foundations supportive of its mission. Investments are made by diversified investment managers whose performance is monitored by it and the investment committee of the Board of Directors. Although the fair values of investments are subject to fluctuation on a year-to-year basis, it and the investment committee believe that the investment policies and guidelines are prudent for the long-term welfare of the organizations.

Advertising Costs

Advertising costs relate primarily to public awareness campaigns and the promotion of the Organization's services. The Organization's policy is to expense advertising costs as they are incurred.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 2 – Summary of Significant Accounting Policies (continued)Reclassifications

Certain reclassifications have been made to prior year financial statements in order to conform to current year presentation. The previously reported change in net position and total net position were unaffected by the reclassifications.

Subsequent Events

In preparing these financial statements, the Organization has evaluated events and transactions for potential recognition or disclosure through September 26, 2023, the date the financial statements were available to be issued.

NOTE 3 – Income Taxes

The Organization is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC) and is exempt from income taxes except for taxes on unrelated business activities. Northern Nevada Literacy Council is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, it is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. No tax expense is recorded in the accompanying financial statements for the year ended June 30, 2023, as the Organization did not engage in any unrelated business activities and have not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. Contributions to the Organization are deductible as provided in IRC Section 170(b)(1)(A)(vi).

Management has evaluated the Organization's tax positions and concluded that there are no significant uncertain tax positions that qualify for either recognition or disclosure in the accompanying financial statements.

NOTE 4 – Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the date of the statement of financial position, comprise the following:

Cash and cash equivalents	\$ 74,431
Accounts receivable	106,569
Grants receivable	319,392
Contributions receivable	4,784
Restricted investment	101,921
Total financial assets	<u>607,097</u>
Less: amounts not available to be used within one year	
Perpetual endowment for scholarships	<u>100,000</u>
Financial assets available to meet general expenses over the next twelve months	<u><u>507,097</u></u>

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 4 – Liquidity and Availability (continued)

As part of the Organization's liquidity management plan, they invest cash in excess of daily requirements in short-term investments, CDs, and money market funds.

NOTE 5 – Fair Value Measurements and Disclosures

The Organization reports certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable.

Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available.

A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that it can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, they develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset or a liability might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset or liability. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to its assessment of the quality, risk, or liquidity profile of the asset or liability.

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 5 – Fair Value Measurements and Disclosures (continued)

The Organization invests in money market funds, mutual funds, and exchange traded funds. Those investments are valued by the custodians of the securities using active markets for identical assets and are classified within Level 1.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost or by using NAV per share as a practical expedient as identified in the following, on June 30, 2023:

Assets	Fair Value Measurements at Quoted Prices in Active Markets (Level 1)
Money market funds	\$ 2,513
Mutual funds	32,580
Exchange traded funds	66,828
	\$ 101,921

NOTE 6 – Property and Equipment

Property and equipment activity for the year ended June 30, 2023, were as follows:

	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023
Furniture & equipment	\$ 57,495	\$ 65,001	\$ -	\$ 122,496
Computer equipment	75,423	67,548	-	142,971
Right-of-use asset	72,107	123,174	-	195,281
	205,025	255,723	-	460,748
Less accumulated depreciation				
Furniture & equipment	(52,364)	(6,038)	-	(58,402)
Computer equipment	(73,062)	(7,991)	-	(81,053)
Right-of-use asset	-	(53,259)	-	(53,259)
	(125,426)	(67,288)	-	(192,714)
Property and equipment, net	\$ 79,599	\$ 188,435	\$ -	\$ 268,034

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 7 – Donated Professional Services, Rent, and Supplies

The Organization received donated professional services, rent, and supplies as follows during the year ended June 30, 2023:

	<u>Program and Event</u>
Professional services	\$ 3,636
Repairs	15,111
Rent	44,000
Supplies	380
Volunteer hours	94,599
	\$ 157,726

NOTE 8 – Operating Lease

The Organization leases offices and education facilities in Reno, Nevada under an operating lease expiring February 2026 without renewal options. The monthly payment is \$5,000. The Organization includes in the determination of the right-of-use assets and lease liabilities any renewal options when the options are reasonably certain to be exercised.

The weighted-average discount rate is based on the discount rate implicit in the lease. If the implicit rate is not readily determinable from the lease, we estimate an applicable incremental borrowing rate. The incremental borrowing rate is estimated using applicable borrowing rates and the contractual lease term.

The Organization has elected the short-term lease exemption for all leases with a term of 12 months or less for both existing and ongoing operating leases to not recognize the asset and liability for these leases. Lease payments for short-term leases are recognized on straight-line basis.

As of June 30, 2023, the future minimum lease payments under the operating lease are \$60,000 for each fiscal year ending June 30, 2024 through June 30, 2025, and \$40,000 for the fiscal year ending June 30, 2026. The weighted-average discount rate is 6.50%.

	<u>June 30,</u>	<u>Operating</u>
	2024	\$ 60,000
	2025	60,000
	2026	40,000
		160,000
Total lease payments		160,000
Less interest		(13,462)
Present value of lease liabilities		\$ 146,538

Northern Nevada Literacy Council
Notes to Financial Statements
June 30, 2023

NOTE 9 – Net Assets

The following represents the Organization’s net assets as of June 30, 2023:

	2023
Net Assets Without Donor Restrictions	
Undesignated	\$ 354,719
Net investment in property and equipment	126,012
	480,731
Net Assets With Donor Restrictions	
Restricted to specific program purposes	102,941
Perpetual endowment for scholarships	101,921
	204,862
Total Net Assets	\$ 685,593

Net assets of \$167,732 were released from donor restrictions by incurring expenses satisfying the restricted purpose for the year ended June 30, 2023.

The endowment consists of one fund established by a donor to provide annual funding for scholarships. The Board of Directors has interpreted the Nevada Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the date of the donor-restricted endowment funds, unless there are explicit donor stipulations to the contrary. At June 30, 2023, there were no such donor stipulations. As a result of this interpretation, the Organization retains in perpetuity (a) the original value of initial and subsequent gift amounts (including promises to give net of discount and allowance for doubtful accounts) donated to the endowment and (b) any accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added. Donor-restricted amounts not retained in perpetuity are subject to appropriation for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA.

Northern Nevada Literacy Council
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Contract Number/Pass-through Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
US DEPARTMENT OF EDUCATION				
<i>Pass-through from the State of Nevada, Department of Education</i>				
AEFLA - EL Civics	84.002	21-607-33000		\$ 258,614
AEFLA - Basic Instruction	84.002	21-608-33000		698,436
Subtotal	84.002			<u>957,050</u>
Special Education - Grants to States (IDEA, Part B)	84.027	23-714-33000		72,767
Total US DEPARTMENT OF EDUCATION				<u>1,029,817</u>
US DEPARTMENT OF LABOR				
<i>Pass-through from Nevadaworks</i>				
WIOA - Youth Out of School Program	17.259	YTH-20-NNLC		321,843
Total US DEPARTMENT OF LABOR	17.259			<u>321,843</u>
US DEPARTMENT OF THE TREASURY				
<i>Pass-through from Washoe County, Nevada</i>				
Coronavirus State and Local Fiscal Recovery Funds - ABE Program	21.027	MZ3XU8QEFL9		227,517
Total US DEPARTMENT OF THE TREASURY	21.027			<u>227,517</u>
NATIONAL ENDOWMENT FOR THE HUMANITIES				
<i>Pass-through from Nevada Humanities</i>				
Promotion of the Humanities Federal-State Partnership	45.129	956780985		6,973
Total NATIONAL ENDOWMENT FOR THE HUMANITIES	45.129			<u>6,973</u>
Total Expenditures of Federal Awards				<u>\$ 1,586,150</u>

The accompanying notes are an integral part of the
schedule of expenditures of federal awards.

Northern Nevada Literacy Council
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

NOTE 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Organization and is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Organization, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows of the Organization.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Organization has elected not to use an indirect cost rate.

Knott
Certified Public Accountant

235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

**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**

The Board of Directors
Northern Nevada Literacy Council
Reno, Nevada

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 Northern Nevada Literacy Council ("Organization"), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 26, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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

Knott
Certified Public Accountant
235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

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.

Knott CPA

Reno, Nevada
September 26, 2023

Knott
Certified Public Accountant
235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

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

The Board of Directors
Northern Nevada Literacy Council
Reno, Nevada

Report on Compliance for Each Major Federal Program

We have audited Northern Nevada Literacy Council's ("Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended June 30, 2023. The Organization's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

Opinion on Each Major Federal Program

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Knott
Certified Public Accountant
235 West Pueblo Street
Reno, NV 89509
775-746-2900 FAX 775-825-8829
mknott@knottcpa.com

Report on Internal Control Over Compliance

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

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

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

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

Knott CPA

Reno, Nevada
September 26, 2023

Northern Nevada Literacy Council
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2023

Section I – Summary of Auditors’ Results

Financial Statements

- | | |
|---|------------|
| 1. Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | No |
| 3. Noncompliance material to financial statements noted? | No |

Federal Awards

- | | |
|---|----------------|
| 4. Internal control over major programs: | |
| a. Material weakness(es) identified? | No |
| b. Significant deficiency(ies) identified? | No |
| 5. Type of auditors’ report issued on compliance for major programs: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | No |
| 7. Identification of major programs: | 84.002 - AEFLA |
| 8. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 9. Auditee qualified as low-risk auditee? | Yes |

Section II – Financial Statement Findings

There were no financial statement audit findings which were required to be reported on for the year ended June 30, 2023.

Section III – Federal Award Findings and Questioned Costs

There were no federal award audit findings which were required to be reported on for the year ended June 30, 2023.

Northern Nevada Literacy Council
Summary Schedule of Prior Year Audit Findings
From the Year Ended June 30, 2022

There were no audit findings which were required to be reported on for the year ended June 30, 2022.