

Native American Professional Parent Resources, Inc.

FINANCIAL STATEMENTS

June 30, 2012 and 2011

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Financial Statements:	
Statements of Financial Position	2
Statements of Activities and Changes in Net Assets	3
Statements of Cash Flows	4
Statements of Functional Expenses	5
Notes to Financial Statements	6-11
Schedule of Expenditures of Federal Awards.....	12
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>	13-14
Independent Auditors' 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	15-16
Schedule of Findings and Questioned Costs.....	17-19

INDEPENDENT AUDITORS' REPORT

Board of Directors
Native American Professional Parent Resources, Inc.

We have audited the accompanying statements of financial position of Native American Professional Parent Resources, Inc. (the Organization) as of June 30, 2012 and 2011, and the related statements of activities and changes in net assets, cash flows and functional expenses for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental 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 misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 2012 and 2011, and the changes in net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Organization taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic 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 basic 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 basic financial statements taken as a whole.

October 17, 2012


Pulakos CPAs, PC

Native American Professional Parent Resources, Inc.

STATEMENTS OF FINANCIAL POSITION

June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
<u>Assets</u>		
Current assets		
Cash	\$ 85,711	\$ 10,638
Grant and other program receivables	309,950	217,559
Pledges receivable	47,000	45,000
Prepaid expenses and deposits	<u>65,236</u>	<u>36,759</u>
Total current assets	507,897	309,956
Property and equipment, net	<u>158,360</u>	<u>15,964</u>
	<u>\$ 666,257</u>	<u>\$ 325,920</u>
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	\$ 139,908	\$ 108,102
Line-of-credit	-	10,000
Accrued liabilities	<u>107,052</u>	<u>83,315</u>
Total current liabilities	<u>246,960</u>	<u>201,417</u>
Net assets		
Unrestricted	372,297	79,503
Temporarily restricted	<u>47,000</u>	<u>45,000</u>
Total net assets	<u>419,297</u>	<u>124,503</u>
	<u>\$ 666,257</u>	<u>\$ 325,920</u>

Native American Professional Parent Resources, Inc.

STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2012
(With Comparative Totals for 2011)

	2012			2011
	Unrestricted	Temporarily Restricted	Total	Total
Revenues, support and gains				
Grants	\$ 1,662,742	\$ 47,000	\$ 1,709,742	\$ 657,178
Contracts	411,557	-	411,557	362,979
Provider agreements	1,187,247	-	1,187,247	1,045,499
Contributions	7,218	-	7,218	6,491
Donated products and services	154,402	-	154,402	38,125
Net assets released from restrictions	45,000	(45,000)	-	-
Total revenues, support and gains	3,468,166	2,000	3,470,166	2,110,272
Expenses				
Program	2,674,392	-	2,674,392	1,908,506
Management and general	490,746	-	490,746	266,493
Fundraising	10,234	-	10,234	6,023
Total expenses	3,175,372	-	3,175,372	2,181,022
Change in net assets	292,794	2,000	294,794	(70,750)
Net assets, beginning of year	79,503	45,000	124,503	195,253
Net assets, end of year	<u>\$ 372,297</u>	<u>\$ 47,000</u>	<u>\$ 419,297</u>	<u>\$ 124,503</u>

See Notes to Financial Statements and Independent Auditors' Report

Native American Professional Parent Resources, Inc.

STATEMENTS OF CASH FLOWS

Years Ended June 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating activities		
Change in net assets	\$ 294,794	\$ (70,750)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	13,132	4,469
Net changes to operating assets and liabilities		
Receivables	(94,391)	(83,966)
Prepaid expenses and deposits	(28,477)	(1,592)
Accounts payable and accrued liabilities	55,543	73,260
	<u>240,601</u>	<u>(78,579)</u>
Investing activities - purchase of property and equipment	<u>(155,528)</u>	<u>(19,955)</u>
Net cash used by investing activities	<u>(155,528)</u>	<u>(19,955)</u>
Financing activities - net (payments) borrowing on line-of-credit	<u>(10,000)</u>	<u>10,000</u>
Net cash (used) provided by financing activities	<u>(10,000)</u>	<u>10,000</u>
Change in cash and equivalents	75,073	(88,534)
Cash and equivalents, beginning of year	<u>10,638</u>	<u>99,172</u>
Cash and equivalents, end of year	<u>\$ 85,711</u>	<u>\$ 10,638</u>
Supplemental information - cash paid for interest	<u>\$ 1,632</u>	<u>\$ 886</u>

Native American Professional Parent Resources, Inc.

STATEMENTS OF FUNCTIONAL EXPENSES

Year Ended June 30, 2012
(With Comparative Totals for 2011)

	2012			Total	2011
	Total Program	Management and General	Fundraising		
Salaries	\$ 1,044,930	\$ 247,037	\$ 1,815	\$ 1,293,782	\$ 1,003,299
Employee benefits	123,722	31,691	127	155,540	117,264
Payroll taxes and employee benefits	100,135	17,833	148	118,116	87,087
Total personnel	1,268,787	296,561	2,090	1,567,438	1,207,650
Professional fees	316,531	60,374	-	376,905	194,189
Therapy services	256,028	-	-	256,028	214,747
In kind expense	150,917	3,485	-	154,402	35,591
Mileage, travel, and per diem	138,252	11,563	32	149,847	121,082
Program supplies	142,603	4,711	-	147,314	70,845
Advertising and marketing	121,056	2,962	8,035	132,053	36,608
Rent and utilities	105,035	20,003	-	125,038	86,275
Office supplies and expense	49,157	16,836	27	66,020	54,691
Conferences	51,922	861	50	52,833	24,401
Repairs and maintenance	14,230	28,334	-	42,564	28,670
Telephone	30,103	1,556	-	31,659	24,016
Other expenses	6,941	12,495	-	19,436	12,922
Insurance expense	1,463	15,227	-	16,690	19,299
Bad debt expense	14,597	-	-	14,597	30,627
Depreciation	3,991	9,141	-	13,132	4,469
Subscriptions, dues, and resources	2,719	4,605	-	7,324	10,330
Lease expense	60	2,032	-	2,092	2,110
Software expense	-	-	-	-	2,500
	\$ 2,674,392	\$ 490,746	\$ 10,234	\$ 3,175,372	\$ 2,181,022

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Operations

Native American Professional Parent Resources, Inc. (the Organization) provides education and direct services to Native American children and families and support services to Indian Health Service dental clinics. The Organization receives their financial support from Medicaid, Federal, state, and local grants and contracts, United Way, public contributions, and fund-raising events. The programs operated by the Organization include:

Dental Support Center: Offers support, educational opportunities, and training to Indian Health Service dental programs in order to improve oral health of Native Americans.

Early Head Start: Provides quality child and family development services to income eligible pregnant Native American women and families with infants and toddlers in home and center based settings.

Early Intervention Services: Program gives direct educational and developmental support to children with special needs up to three years old and their families.

Home Visiting: Home-based program that provides parenting education and health promotion to families and expectant parents.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Financial statement presentation

The financial statements have been prepared and are presented on the accrual basis of accounting.

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the financial statements for the year ended June 30, 2011, from which the summarized information was derived.

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Grant and Contract Receivables

Contract revenues are recorded when services are rendered. Grant revenues are substantially recorded as related costs are incurred, as the terms of grants are primarily cost-reimbursement in nature. Management reviews the collectability of its receivables and records a reserve for its estimate of uncollectible accounts. Historical bad debts and current facts and circumstances are the primary bases for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Management estimates that the allowance for doubtful accounts is zero as of June 30, 2012 and 2011, respectively.

Pledges Receivable

Pledges receivable represent unconditional promises to give and are recognized as revenues in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Pledges receivable are all substantially due within one year and are considered fully collectible at June 30, 2012 and 2011, respectively.

Property and Equipment

Property and equipment consists primarily of computer and office equipment and are stated at cost. Depreciation is recorded on the straight-line basis over the asset's estimated useful lives, which range from two to five years. The Organization capitalizes acquisitions in excess of \$1,000. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support. Depreciation expense for the years ended June 30, 2012 and 2011 was \$13,132 and \$4,469, respectively.

Donated Services and Materials

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America under Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization. Donated materials are reflected as contributions at their estimated values at the date of receipt.

Income Taxes

NAPPR has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. NAPPR has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions and has evaluated its tax positions taken for all open tax years. Currently, the 2009, 2010 and 2011 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, the Organization is not currently under audit nor has the Organization been contacted by any of these jurisdictions. Management believes that the activities of the Organization are within their tax-exempt purpose, and that there are no uncertain tax positions.

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Restricted and Unrestricted Support and Revenue

Donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending upon the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Net Assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions and expirations of existing restrictions. Temporarily restricted contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period.

Temporarily restricted net assets represent resources whose use is limited by donors to specified purposes. Temporarily restricted net assets are reclassified as unrestricted when the related purpose requirements are satisfied.

Permanently restricted net assets represent resources that are maintained permanently, according to donor-imposed restrictions. The Organization has no permanently restricted net assets as of June 30, 2012 and 2011, respectively.

Functional Classification of Expenses

Expenses are presented on a functional basis allocated among its various programs, including management and general. Expenses and support services related to a specific program are allocated directly according to their natural expenditure classification. Other expenditures that are common to several programs are allocated based on various relationships, such as square footage or direct labor or periodic time and expense studies.

Fundraising Activity

The Organization accounts for the allocation of joint costs between program activities and fund raising as provided for by accounting principles generally accepted in the United States of America surrounding the accounting for costs of activities of not-for-profit organizations that include fundraising.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

Advertising

Advertising costs are expensed as incurred, and were \$132,054 and \$36,608 in 2012 and 2011, respectively.

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Subsequent Events

The Organization has evaluated all events occurring subsequent to June 30, 2012 and through October 17, 2012, which is the date that the financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying financial statements.

NOTE 2 – PROPERTY AND EQUIPMENT

	<u>2012</u>	<u>2011</u>
Leasehold improvements	\$ 115,785	\$ -
Equipment	100,251	62,223
Software	<u>1,715</u>	<u>-</u>
	217,751	62,223
Accumulated depreciation	<u>(59,391)</u>	<u>(46,259)</u>
	<u>\$ 158,360</u>	<u>\$ 15,964</u>

NOTE 3 – TEMPORARILY RESTRICTED NET ASSETS

Various contributions have been temporarily restricted by the donor for either time or purpose:

	<u>2012</u>	<u>2011</u>
United Way – Child & Family Services	\$ <u>47,000</u>	\$ <u>45,000</u>
	\$ <u>47,000</u>	\$ <u>45,000</u>

Net assets released from restrictions are as follows:

	<u>2012</u>	<u>2011</u>
Paul Archer Foundation	\$ -	\$ 40,907
United Way – Child & Family Services	<u>45,000</u>	<u>30,000</u>
	<u>\$ 45,000</u>	<u>\$ 70,907</u>

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 4 – LINE-OF-CREDIT

In 2011, the Organization entered into an unsecured line-of-credit agreement with a financial institution that allows for up to \$30,000 to be drawn upon as needed. The line bears variable interest at prime rate (3.25% as of June 30, 2012 and 2011) plus 1.00%, with a minimum interest rate of 7.00%. Interest-only payments are due monthly, with all unpaid principal and interest due at the line's maturity date in November 2012. The balance on the line was zero and \$10,000 as of June 30, 2012 and 2011, respectively.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization rents its operating facilities, a learning center facility, and an office copier, under operating lease agreements. The operating facility lease expired June 30, 2012, at which time the lease term converted to a month-to-month arrangement. The learning center facility lease calls for monthly payments of \$3,000, and expires in November 2012. The office copier lease calls for monthly payments of \$159, and expires in August 2013. Total rent expense under these leases was \$114,351 and \$82,375, in 2012 and 2011, respectively.

In June 2012, the Organization entered into a lease agreement for a new operating facility, which becomes effective in October 2012. The lease calls for monthly payments of \$13,337, which escalate slightly on an annual basis, and expires in November 2019.

Future minimum fiscal year lease payments for all leases are as follows:

2013	\$	110,260
2014		164,357
2015		168,961
2016		174,029
2017		179,250
Thereafter		<u>455,850</u>
	\$	<u>1,252,707</u>

Concentration of Revenues

The Organization receives a considerable amount of support from contracts with the State of New Mexico Medicaid Program. Operations would be adversely affected if this funding were no longer available. This funding totaled 33% and 47% of total revenues for the years ended June 30, 2012 and 2011, respectively. The receivable from the New Mexico Medicaid program was \$158,153 and \$113,106 as of June 30, 2012 and 2011, respectively.

Native American Professional Parent Resources, Inc.

NOTES TO FINANCIAL STATEMENTS

June 30, 2012 and 2011

NOTE 5 - COMMITMENTS AND CONTINGENCIES - CONTINUED

Questioned Costs

The Organization receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement by the grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The Organization has not experienced questioned costs in the past. In the opinion of the Organization's management, such disallowances, if any, would not be significant.

Employee Benefit Plan

NAPPR sponsors a 403(b) retirement plan (the Plan) for all eligible employees. To be eligible, employees must be 21 years of age or older and may elect to participate beginning with the first payroll period after employment. Contributions to the plan come from elective salary deferrals made by participants. The Organization does not make matching or discretionary contributions to the Plan.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Native American Professional Parent Resources, Inc.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2012

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
ARRA - Early Head Start	93.709	06SA2003/02	\$ 1,088,988
The Affordable Care Act Tribal, Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.508	90TH0006/01	568,729
Urban Indian Health Services - Albuquerque Area Dental Program	93.193	HHSI242200810018C/0004	292,699
ARRA - Pass-through from the NM Department of Health, Disabilities Supports Division - FIT Program	None	11.PA.DDSD.ARRA.0027	<u>33,790</u>
Total federal expenditures			<u>\$ 1,984,206</u>

NOTE - The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

**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**

Board of Directors
Native American Professional Parent Resources, Inc.

We have audited the financial statements of Native American Professional Parent Resources, Inc. (the Organization) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 17, 2012. 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

Management of the Organization is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Organization'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 the Organization'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 Organization's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization'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 noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 17, 2012


Pulakos CPAs, PC

**INDEPENDENT AUDITORS' 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**

Board of Directors
Native American Professional Parent Resources, Inc.

Compliance

We have audited the compliance of Native American Professional Parent Resources, Inc. (the Organization) 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 the Organization's major federal programs for the year ended June 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Organization's management. Our responsibility is to express an opinion on the Organization's compliance based on our audit.

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 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. Our audit does not provide a legal determination of the Organization's compliance with those requirements.

In our opinion, the Organization complied, in all material respects, with the 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, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-01.

Internal Control Over Compliance

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Organization's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 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 a 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 12-01. *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.

The Organization's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Organization's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Directors, others within the Organization, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

October 17, 2012


Pulakos CPAs, PC

Native American Professional Parent Resources, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

SUMMARY OF AUDITORS' RESULTS

1. The independent auditors' report expresses an unqualified opinion on the basic financial statements of Native American Professional Parent Resources, Inc. (the Organization.)
1. No material weaknesses are reported in the report on internal control over financial reporting.
2. No significant deficiencies related to the audit for the financial statements of the Organization were discovered during the audit.
3. No instances of noncompliance material to the financial statements of the Organization were disclosed during the audit.
4. The independent auditors' report on compliance for the major federal award program for the Organization expresses an unqualified opinion.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
6. The programs tested as major programs are:

U.S. Department of Health and Human Services:

ARRA - Early Head Start - CFDA No. 93.709
The Affordable Care Act Tribal, Maternal,
Infant, and Early Childhood Home
Visiting Grant Program – CFDA No. 93.508

7. The threshold for distinguishing Type A and B programs was \$300,000.
8. The Organization was determined to be a high-risk auditee.

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAM AUDIT

U.S. Department of Health and Human Services:

ARRA – Early Head Start – CFDA No. 93.709

Finding 12-01 Payroll Processing

Condition: Only charges reimbursable under the grant are to be charged to the grant.

Native American Professional Parent Resources, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS -
CONTINUED**

**U.S. Department of Health and Human Services:
ARRA – Early Head Start – CFDA No. 93.709**

- Criteria:** Two expenditures were billed to the grant for work not performed under the grant.
- Cause:** Codification of employee time into the accounting system is a manual procedure. The errors were the result of coding employee time to the incorrect grant as payroll was processed.
- Effect:** Unallowable costs were billed and subsequently reimbursed under federal grants.
- Context:** A sample of 40 expenditures totaling \$69,370 was selected from a population of 8,337 items totaling \$1,657,717. The audit procedures performed identified one cost relating to an employee's salary that was coded to the grant, and subsequently billed for. The timesheet indicated no work was performed by this employee under this grant. This employee did not work under this federal grant during 2012 and review of general ledger detail of expenditures for the grant indicated another incident, with the same employee, where the same error occurred. As a result, an additional sample of 53 payroll-related expenditures totaling \$47,187 was selected for testing. No additional control deficiencies or issues of non-compliance were identified in this additional sample.
- Questioned Costs:** Audit procedures identified \$4,567 of questioned costs consisting of all payroll related charges for the employee for the two errors noted.
- Recommendation:** Management should develop internal controls designed to ensure that labor costs are recorded to the correct grant.

Native American Professional Parent Resources, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2012

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS -
CONTINUED**

Management response: NAPPB has notified the Department of Health and Human Services about the unallowable costs that were billed to the Early Head Start Program and made arrangements to return the unallowable costs to Early Head Start.

In an effort to increase the efficiency of the payroll process and to minimize the chances of such an error occurring again in the future, NAPPB has outsourced the payroll function to a third party. We are also making the transition to electronic timekeeping to minimize the errors that occur through the manual entry of payroll data.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

NONE