

**Native American Professional Parent Resources, Inc.**

**FINANCIAL STATEMENTS**

**June 30, 2013**

**(With Comparative Totals for 2012)**

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## **INDEPENDENT AUDITORS' REPORT**

Board of Directors  
Native American Professional Parent Resources, Inc.

We have audited the accompanying financial statements of Native American Professional Parent Resources, Inc. (the Organization) which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses 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.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Organization'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 Organization'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 the Organization as June 30, 2013, and the changes in its net assets and its cash flows for the years 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 Organization's 2012 financial statements, and our report dated October 17, 2012, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

***Other Matters***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The 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 November 26, 2013, on our consideration of the Organization'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 the Organization's internal control over financial reporting and compliance.

November 26, 2013

  
Pulakos CPAs, PC

# Native American Professional Parent Resources, Inc.

## STATEMENTS OF FINANCIAL POSITION

June 30, 2013

(With Comparative Totals for 2012)

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets		
Cash	\$ 99,561	\$ 85,711
Grant and other program receivables	430,415	309,950
Pledges receivable	61,030	47,000
Prepaid expenses and deposits	44,137	65,236
	<hr/>	<hr/>
Total current assets	635,143	507,897
Property and equipment, net	174,791	158,360
	<hr/>	<hr/>
	\$ 809,934	\$ 666,257
	<hr/> <hr/>	<hr/> <hr/>
 <b><u>Liabilities and Net Assets</u></b>  		
Current liabilities		
Accounts payable	\$ 132,861	\$ 139,908
Accrued liabilities	95,792	107,052
	<hr/>	<hr/>
Total current liabilities	228,653	246,960
	<hr/>	<hr/>
Net assets		
Unrestricted	520,251	372,297
Temporarily restricted	61,030	47,000
	<hr/>	<hr/>
Total net assets	581,281	419,297
	<hr/>	<hr/>
	\$ 809,934	\$ 666,257
	<hr/> <hr/>	<hr/> <hr/>

**Native American Professional Parent Resources, Inc.**

**STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS**

**Year Ended June 30, 2013  
(With Comparative Totals for 2012)**

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Total	
Revenues, support and gains				
Grants	\$ 2,005,869	\$ 61,030	\$ 2,066,899	\$ 1,709,742
Contracts	376,949	-	376,949	411,557
Provider agreements	1,452,567	-	1,452,567	1,187,247
Contributions	4,376	-	4,376	7,218
Donated products and services	166,740	-	166,740	154,402
Net assets released from restrictions	47,000	(47,000)	-	-
	4,053,501	14,030	4,067,531	3,470,166
Total revenues, support and gains				
Expenses				
Program	3,392,057	-	3,392,057	2,674,392
Management and general	513,068	-	513,068	490,746
Fundraising	422	-	422	10,234
	3,905,547	-	3,905,547	3,175,372
Total expenses				
Change in net assets	147,954	14,030	161,984	294,794
Net assets, beginning of year	372,297	47,000	419,297	124,503
	\$ 520,251	\$ 61,030	\$ 581,281	\$ 419,297
Net assets, end of year				

**Native American Professional Parent Resources, Inc.**

**STATEMENTS OF CASH FLOWS**

**Year Ended June 30, 2013  
(With Comparative Totals for 2012)**

	<u>2013</u>	<u>2012</u>
Operating activities		
Change in net assets	\$ 161,984	\$ 294,794
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	33,758	13,132
Net changes to operating assets and liabilities		
Receivables	(134,495)	(94,391)
Prepaid expenses and deposits	21,099	(28,477)
Accounts payable and accrued liabilities	<u>(18,307)</u>	<u>55,543</u>
Net cash provided by operating activities	<u>64,039</u>	<u>240,601</u>
Investing activities - purchase of property and equipment	<u>(50,189)</u>	<u>(155,528)</u>
Financing activities - net payments on line-of-credit	<u>-</u>	<u>(10,000)</u>
Change in cash and equivalents	13,850	75,073
Cash and equivalents, beginning of year	<u>85,711</u>	<u>10,638</u>
Cash and equivalents, end of year	<u>\$ 99,561</u>	<u>\$ 85,711</u>
Supplemental information - cash paid for interest	<u>\$ -</u>	<u>\$ 1,632</u>

**Native American Professional Parent Resources, Inc.**

**STATEMENTS OF FUNCTIONAL EXPENSES**

**Year Ended June 30, 2013  
(With Comparative Totals for 2012)**

	2013			2012 Total	
	Total Program	Management and General	Fundraising		Total
Salaries	\$ 1,171,523	\$ 255,870	\$ -	\$ 1,427,393	\$ 1,293,782
Payroll taxes and employee benefits	241,364	68,813	-	310,177	273,656
<b>Total personnel</b>	<b>1,412,887</b>	<b>324,683</b>	<b>-</b>	<b>1,737,570</b>	<b>1,567,438</b>
Professional fees	1,015,899	70,935	-	1,086,834	632,933
Rent and utilities	140,774	37,762	-	178,536	125,038
In-kind expense	164,641	2,166	-	166,807	154,402
Program supplies	139,711	6,306	239	146,256	147,314
Mileage, travel, and per diem	135,410	10,428	-	145,838	149,847
Repairs and maintenance	77,866	22,981	-	100,847	42,564
Advertising and marketing	83,064	3,018	-	86,082	132,053
Office supplies and expense	49,022	15,490	-	64,512	66,020
Bad debt	50,266	-	-	50,266	14,597
Conferences	37,794	1,520	-	39,314	52,833
Telephone	36,495	2,268	-	38,763	31,659
Depreciation	32,978	780	-	33,758	13,132
Other expenses	5,884	5,367	183	11,434	19,436
Lease expense	6,989	3,362	-	10,351	2,092
Insurance expense	1,493	3,918	-	5,411	16,690
Subscriptions, dues, and resources	884	2,084	-	2,968	7,324
	<u>\$ 3,392,057</u>	<u>\$ 513,068</u>	<u>\$ 422</u>	<u>\$ 3,905,547</u>	<u>\$ 3,175,372</u>

See Notes to Financial Statements and Independent Auditors' Report.

# Native American Professional Parent Resources, Inc.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

### 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, 2012, from which the summarized information was derived.

# **Native American Professional Parent Resources, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

### **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, 2013 and 2012, 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, 2013 and 2012, 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, 2013 and 2012 was \$33,758 and \$13,132, 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

The Organization has received tax-exempt status under Code Section 501(c)(3) of the Internal Revenue Code. The Organization 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 2010, 2011 and 2012 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, 2013 and 2012**

### **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, 2013 and 2012, 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 \$86,082 and \$132,053 in 2013 and 2012, respectively.

**Native American Professional Parent Resources, Inc.**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Subsequent Events

The Organization has evaluated all events occurring subsequent to June 30, 2013 and through November 26, 2013, 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>2013</u>	<u>2012</u>
Equipment	\$ 150,440	\$ 100,251
Leasehold improvements	115,785	115,785
Software	<u>1,715</u>	<u>1,715</u>
	267,940	217,751
Accumulated depreciation	<u>(93,149)</u>	<u>(59,391)</u>
	<u>\$ 174,791</u>	<u>\$ 158,360</u>

**NOTE 3 - TEMPORARILY RESTRICTED NET ASSETS**

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

	<u>2013</u>	<u>2012</u>
United Way – Child & Family Services	<u>\$ 61,030</u>	<u>\$ 47,000</u>

Net assets released from restrictions are as follows:

	<u>2013</u>	<u>2012</u>
United Way – Child & Family Services	<u>\$ 47,000</u>	<u>\$ 45,000</u>

# Native American Professional Parent Resources, Inc.

## NOTES TO FINANCIAL STATEMENTS

June 30, 2013 and 2012

### NOTE 4 - LINE-OF-CREDIT

The Organization is party to a line-of-credit agreement with a financial institution that allows for up to \$50,000 to be drawn upon as needed, secured by assets. The line bears variable interest at prime rate (3.25% as of June 30, 2013 and 2012) plus 1.00%, with a minimum interest rate of 6.00%. Interest-only payments are due monthly, with all unpaid principal and interest due at the line's maturity date in December 2013. The balance on the line was zero as of June 30, 2013 and 2012, respectively.

### NOTE 5 - COMMITMENTS AND CONTINGENCIES

#### Operating Leases

The Organization leases its operating facility under an operating lease agreement that calls for monthly payments of \$13,337 and expires in November 2019. The Organization leases its learning center facility under an operating lease agreement that calls for monthly payments of \$3,200, and expires in November 2015. The Organization leases various pieces of office equipment under operating lease agreements that call for monthly payments from \$159 to \$601, and expire in August 2013 and August 2017, respectively.

Total rent expense under these leases was \$158,596 and \$114,351, in 2013 and 2012, respectively.

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

2014	\$	209,969
2015		214,573
2016		197,241
2017		186,462
2018		185,830
Thereafter		<u>271,222</u>
	\$	<u>1,265,297</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 36% and 33% of total revenues for the years ended June 30, 2013 and 2012, respectively. The receivable from the New Mexico Medicaid program was \$164,845 and \$158,153 as of June 30, 2013 and 2012, respectively.

# **Native American Professional Parent Resources, Inc.**

## **NOTES TO FINANCIAL STATEMENTS**

**June 30, 2013 and 2012**

### **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

The Organization 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, 2013**

<b><u>Federal Grantor/ Pass-Through Grantor/ Program Title</u></b>	<b><u>Federal CFDA Number</u></b>	<b><u>Pass-Through Grantors Number</u></b>	<b><u>Expenditures</u></b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
The Affordable Care Act Tribal, Maternal, Infant, and Early Childhood Home Visiting Grant Program	93.508	90TH0006-03-00	\$ 814,075
ARRA - Early Head Start	93.709	06SA2003/02	672,540
Early Head Start	93.600	06CH2003/01	489,652
Urban Indian Health Services - Albuquerque Area Dental Program	93.193	HHSI242200810018C/0004	<u>275,712</u>
Total federal expenditures			<u>\$ 2,251,979</u>

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

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

Board of Directors  
Native American Professional Parent Resources, Inc.

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 Native American Professional Parent Resources, Inc. (the Organization), which comprise the statement of financial position as of June 30, 2013, and the related statements of activities and changes in net assets, cash flows and functional expenses for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated November 26, 2013.

**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) to determine the audit procedures that are appropriate in the circumstances 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. 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 Organization'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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report, is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

November 26, 2013

  
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.

**Report on Compliance for Each Major Federal Program**

We have audited Native American Professional Parent Resources, Inc.'s (the Organization) 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 the Organization's major federal programs for the year ended June 30, 2013. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' 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 *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 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, 2013.

## 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 *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 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.

November 26, 2013

  
Pulakos CPAs, PC

**Native American Professional Parent Resources, Inc.**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2013**

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

Significant deficiency(ies) identified? \_\_\_\_\_ Yes  X  No

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

Any audit findings disclosed that are required to be reported in accordance with *Circular A-133, Section .510(a)*? \_\_\_\_\_ Yes  X  No

Identification of major programs:

<b><u>CFDA Numbers(s)</u></b>	<b><u>Name of Federal Program or Cluster</u></b>
93.709	ARRA – Early Head Start
93.600	Early Head Start
93.508	The Affordable Care Act Tribal, Maternal, Infant, and Early Childhood Home Visiting Grant Program

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

# **Native American Professional Parent Resources, Inc.**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2013**

### **SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS**

NONE

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

NONE

### **SECTION IV - SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**

#### **FINDING 2012-1 – PAYROLL CHARGED TO INCORRECT GRANT**

<b>Criteria:</b>	Two expenditures were billed to the grant for work not performed under the grant.
<b>Cause:</b>	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.
<b>Effect:</b>	Unallowable costs were billed and subsequently reimbursed under federal grants.
<b>Context:</b>	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.
<b>Questioned Costs:</b>	Audit procedures identified \$4,567 of questioned costs consisting of all payroll related charges for the employee for the two errors noted.
<b>Recommendation:</b>	Management should develop internal controls designed to ensure that labor costs are recorded to the correct grant.
<b>Current Status:</b>	The internal control structure over labor costs has been strengthened, and no similar findings were noted in the 2013 audit.