

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

**REPORTS ON THE AUDITS OF FINANCIAL
STATEMENTS IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Year Ended September 30, 2010

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Years Ended September 30, 2010 and 2009

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**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

**INDEPENDENT AUDITOR'S REPORT
AND
FINANCIAL STATEMENTS**

**Years Ended
September 30, 2010 and 2009**

J. Scott Magliari
& COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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Independent Auditor's Report

Board of Directors
Northern Marianas Protection
and Advocacy Systems, Inc.

I have audited the accompanying statements of financial position of the Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI), a nonprofit corporation, as of September 30, 2010 and 2009, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of NMPASI's management. My responsibility is to express an opinion on these financial statements based on my audits.

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. These standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NMPASI's internal control over financial reporting. Accordingly, I express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audits provide a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NMPASI as of September 30, 2010 and 2009 and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated February 28, 2011 on my consideration of NMPASI's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of functional expenditures on page 6 and the schedule of expenditures of federal awards and notes to schedule of federal awards on pages 18 through 20 are presented for purposes of additional analysis and as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.


Saipan, Commonwealth of the Northern Mariana Islands
February 28, 2011

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Statements of Financial Position
September 30, 2010 and 2009

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		
<u>Assets</u>					
Current assets:					
Cash	\$ 23,221	\$ 2,000	\$ -	\$ 25,221	\$ 9,007
Receivables:					
Federal grantors	-	75,730	-	75,730	61,706
CNMI appropriation	6,279	-	-	6,279	1,557
Interfund receivable (payable)	16,225	(16,225)	-	-	-
General receivables, net of allowance for bad debts of \$2,415	5,069	-	-	5,069	6,500
Total current assets	50,794	61,505	-	112,299	78,770
Property and equipment, net	-	-	10,586	10,586	10,164
Deposits	6,000	-	-	6,000	6,000
Total assets	\$ 56,794	\$ 61,505	\$ 10,586	\$ 128,885	\$ 94,934
<u>Liabilities and Net Assets</u>					
Current liabilities:					
Accounts payable and accrued expenses	\$ 27,997	\$ -	\$ -	\$ 27,997	\$ 22,288
Deferred revenue	6,279	-	-	6,279	15,933
Payable to grantor	-	-	-	-	5,200
Total current liabilities	34,276	-	-	34,276	43,421
Net assets (deficit):					
Unrestricted	22,518	-	-	22,518	(8,803)
Temporarily restricted	-	61,505	-	61,505	50,152
Permanently restricted	-	-	10,586	10,586	10,164
Total net assets (deficit)	22,518	61,505	10,586	94,609	51,513
Commitment and contingency					
Total liabilities and net assets	\$ 56,794	\$ 61,505	\$ 10,586	\$ 128,885	\$ 94,934

See accompanying notes to financial statements.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Statements of Activities
For the Years Ended September 30, 2010 and 2009

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues and other support:					
Contributions	\$ -	\$ 712,457	\$ -	\$ 712,457	\$ 695,159
Unrestricted donations	27,000	-	-	27,000	-
Other income	763	-	-	763	75
Net assets released from restrictions:					
Satisfaction of program restrictions	701,655	(701,655)	-	-	-
 Total revenues and other support	729,418	10,802	-	740,220	695,234
 Expenses:					
Program services:					
Protection and advocacy:					
Mental illness (PAIMI)	138,842	-	-	138,842	157,362
Developmental disabilities (PADD)	116,563	-	-	116,563	139,472
Individual rights (PAIR)	54,651	-	-	54,651	54,541
Client assistance program (CAP)	38,328	-	-	38,328	35,269
Social security (PABSS)	33,336	-	-	33,336	25,991
Homelessness Prevention and Rapid Re-Housing Program (HPRP)	89,775	-	-	89,775	-
Assistive technology (PAAT)	18,673	-	-	18,673	25,853
Traumatic brain injury (PATBI)	13,442	-	-	13,442	12,804
Developmental Disabilities Projects of National Significance (Family 360)	13,316	-	-	13,316	59,415
Prevention of Elderly Abuse (PAPEA)	3,488	-	-	3,488	667
Supporting services:					
General and administrative	177,683	-	-	177,683	173,065
Depreciation	-	-	4,267	4,267	4,381
 Total expenses	698,097	-	4,267	702,364	688,820
 Other changes in net assets:					
Acquisition of equipment			5,240	5,240	
Disposal of equipment	-	551	(551)	-	-
 Total other changes in net assets	-	551	4,689	5,240	-
 Changes in net assets	31,321	11,353	422	43,096	6,414
Net assets (deficit) at beginning of year	(8,803)	50,152	10,164	51,513	45,099
Net assets at end of year	\$ 22,518	\$ 61,505	\$ 10,586	\$ 94,609	\$ 51,513

See accompanying notes to financial statements.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Statements of Cash Flows
For the Years Ended September 30, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Operations:		
Contributions received	\$ 716,297	\$ 692,901
Cash received from fundraising	763	75
Expenses paid	<u>(696,157)</u>	<u>(692,622)</u>
Net cash provided by operating activities	<u>20,903</u>	<u>354</u>
Cash flows from investing activities:		
Proceeds from disposal of property and equipment	551	-
Acquisition of property and equipment	<u>(5,240)</u>	<u>(5,525)</u>
Net cash used in investing activities	<u>(4,689)</u>	<u>(5,525)</u>
Net increase (decrease) in cash	16,214	(5,171)
Cash, beginning of year	<u>9,007</u>	<u>14,178</u>
Cash, end of year	<u>\$ 25,221</u>	<u>\$ 9,007</u>
Reconciliation of changes in net assets to net cash provided by operating activities:		
Changes in net assets	\$ 43,096	\$ 6,414
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	4,267	4,381
Decrease (increase) in assets:		
Receivables	(18,746)	(18,191)
General receivables	1,431	1,528
Prepaid expenses	-	680
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	5,709	(10,391)
Deferred revenue	(9,654)	15,933
Payable to grantor	<u>(5,200)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 20,903</u>	<u>\$ 354</u>

See accompanying notes to financial statements.

NORTHERN MARIANAS PROTECTION AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)

Schedule of Functional Expenditures
For the Year Ended September 30, 2010

	PAIMI	PADD	PAIR	CAP	PABSS	HPRP	PAAT	PAATBI	FAMILY 360	PAPEA	Depreciation	General and Administration	2010
Salaries and wages	\$ 82,014	\$ 73,469	\$ 35,900	\$ 26,605	\$ 16,078	\$ 71,847	\$ 13,709	\$ 6,313	\$ 8,766	\$ 1,208	\$ -	\$ 93,612	\$ 429,521
Training and education	8,628	6,124	3,199	513	5,508	-	25	3,604	-	-	-	21,306	48,907
Medical insurance	7,813	10,433	3,328	3,283	2,223	6,338	1,467	883	1,597	215	-	9,242	46,822
Payroll taxes	7,831	6,697	3,109	1,876	1,200	2,688	1,080	517	623	114	-	8,236	33,971
Rental expense	6,580	6,021	2,587	1,826	1,171	2,236	938	500	427	105	-	7,609	30,000
Travel expense	4,468	1,560	791	524	1,393	2,008	235	717	664	1,434	-	-	13,794
Utilities	2,705	2,290	994	735	450	974	394	195	180	42	-	2,936	11,895
Advertisements and public relations	6,088	1,281	494	530	724	-	-	16	-	-	-	2,000	11,133
Meetings and conferences	434	205	567	106	1,934	-	57	152	-	255	-	5,963	9,673
Communications	2,057	1,714	765	543	320	777	171	147	282	29	-	2,409	9,214
Materials and supplies	1,547	707	576	336	1,117	1,988	51	105	56	61	-	1,650	8,194
Repairs and maintenance	1,870	1,434	563	389	332	145	112	100	516	6	-	2,569	8,036
Vehicle leasing	1,203	1,984	519	227	408	-	128	-	-	-	-	2,681	7,150
Professional fees	-	-	-	-	-	-	-	-	-	8	-	6,000	6,008
Board meetings	1,473	-	-	-	-	-	-	-	-	-	-	4,040	5,513
Copy and reproductions	-	-	-	-	-	-	-	-	-	-	-	4,110	4,110
Gas, oil and lubricants	441	750	297	127	59	564	59	-	106	-	-	1,279	3,682
Subscription and membership dues	1,291	857	344	231	217	-	136	122	-	-	-	145	3,343
Miscellaneous benefits	673	443	305	133	108	210	56	34	99	11	-	814	2,886
Insurance	692	363	118	96	94	-	44	37	-	-	-	252	1,696
Legal fees	899	-	94	-	-	-	-	-	-	-	-	-	993
Software	135	231	101	248	-	-	11	-	-	-	-	-	726
Security	-	-	-	-	-	-	-	-	-	-	-	720	720
Books and reference materials	-	-	-	-	-	-	-	-	-	-	-	100	100
Taxes	-	-	-	-	-	-	-	-	-	-	-	10	10
Depreciation	-	-	-	-	-	-	-	-	-	-	4,267	-	4,267
Total expenses	138,842	116,563	54,651	38,328	33,336	89,775	18,673	13,442	13,316	3,488	4,267	177,683	702,364
Acquisition of equipment	2,539	1,443	578	19	404	-	89	168	-	-	-	-	5,240
Indirect costs allocation	47,030	39,399	18,472	12,954	11,268	30,344	6,312	4,543	4,501	1,178	-	(176,001)	-
Total functional expenditures	\$ 188,411	\$ 157,405	\$ 73,701	\$ 51,301	\$ 45,008	\$ 120,119	\$ 25,074	\$ 18,153	\$ 17,817	\$ 4,666	\$ 4,267	\$ 1,682	\$ 707,604

See accompanying notes to financial statements.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(1) Nature of Organization

The Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI) was incorporated in the Commonwealth of Northern Mariana Islands (CNMI) as a nonprofit corporation on April 26, 1993. NMPASI was created for the specific purpose of providing protection and advocacy services to further the human, civil and legal rights of persons with disabilities in the CNMI. NMPASI is supported primarily through federal award programs, CNMI government appropriations and private donations.

(2) Summary of Significant Accounting Policies

A summary of NMPASI's significant accounting policies in the preparation of the accompanying financial statements follows:

Method of Accounting

The financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles in the United States of America (GAAP). Under the accrual basis of accounting, revenues are recorded as earned and expenses are recorded at the time liabilities are incurred.

The financial statement presentation follows the recommendation of the Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205, "Presentation of Financial Statements of Not-for-Profit Organizations". Under FASB ASC 958-205, NMPASI is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, NMPASI is required to present a statement of cash flows.

NMPASI has determined that all assets, revenues, expenses, gains and losses resulting from local government contributions and federal awards are unrestricted and temporarily restricted, respectively. NMPASI has determined that equipment and related transfers and depreciation expense, are permanently restricted.

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 organization's financial statements for the year ended September 30, 2009, from which the summarized information was derived.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(2) Summary of Significant Accounting Policies, Continued

Cash

For purposes of reporting cash flows, NMPASI considers cash in checking account to be cash. NMPASI's checking account is with a federally insured bank and is within insurable limits at September 30, 2010 and 2009.

Property and Equipment

Property and equipment consists of office furniture, fixtures and equipment, and is stated at cost, less accumulated depreciation. NMPASI capitalizes all expenditures in excess of \$500 for property and equipment. Expenditures for major additions and improvements are capitalized. Minor replacements, maintenance and repairs are charged to expense as incurred. Donated assets are capitalized at the estimated fair market value at the time of receipt.

Depreciation is computed using straight-line method based on estimated useful lives of the respective assets. All property and equipment accounted for in the permanently restricted fund of NMPASI has an estimated life of 5 to 7 years.

NMPASI reviews the carrying value of property and equipment for impairment whenever events and 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. In cases where undiscounted expected future cash flows are less than the carrying value, an impairment loss is recognized equal to an amount by which the carrying value exceeds the fair value of assets. The factors considered by management in performing this assessment include current operating results, trends, and prospects, as well as the effects of obsolescence, demand, competition, and other economic factors.

NMPASI did not recognize impairment loss on property and equipment for the years ended September 30, 2010 and 2009.

Inter-fund balances

NMPASI uses its general fund for all of its disbursements. Cash is transferred from the special fund as obligations are incurred and draw downs are received.

Contributions

NMPASI adopted FASB ASC Section 958-605-25, "Not-for-Profit Entities - Revenue Recognition", whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions.

All contributions are recognized as public support when received and are considered unrestricted, unless specifically restricted by the donor.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(2) Summary of Significant Accounting Policies, Continued

Revenues

Revenues are derived from federal awards and CNMI government appropriations.

Fair Value of Financial Instruments

The carrying amounts reflected in the statement of financial position for cash, receivables, accounts payable and accrued expenses, deferred revenues, and payable to grantor approximate their respective fair values due to the short-term maturities of those instruments.

Fair Value Option for Financial Assets and Financial Liabilities

NMPASI did not elect to record at fair value any of its financial instruments under the provision of FASB ASC Section 820, "The Fair Value Option for Financial Assets and Financial Liabilities", which permits but does not require to measure financial instruments and certain other items at fair value.

Advertising Costs

Advertising costs are expensed as incurred. For the years ended September 30, 2010 and 2009, NMPASI incurred advertising expense of \$11,133 and \$7,354, respectively.

Income Taxes

NMPASI is a nonprofit corporation that is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, and is considered an affiliate of a governmental unit pursuant to Revenue Procedure 95-48, 1995-47 I.R.B. 13, thus, is exempt from CNMI Territorial Income Tax and Gross Revenue Tax. Therefore, no provision has been made for income and gross revenue taxes in the accompanying financial statements.

Use of Estimates

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 certain reported amounts and disclosures. Actual results could differ from those estimates.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(2) Summary of Significant Accounting Policies, Continued

Recent Pronouncements

In May 2009, the FASB issued guidance now codified as FASB ASC 855, "Subsequent Events", which establishes general standards of accounting for, and disclosures of, events that occur after the balance sheet date but before financial statements are issued or are available to be issued. FASB ASC 855 was effective for interim or fiscal periods ending after June 15, 2009. The adoption of FASB ASC 855 did not have a material impact on the NMAPSI's financial position or results of operations; however, the provision of FASB ASC 855 resulted in additional disclosures with respect to subsequent events.

(3) Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on the functional basis in the accompanying Statements of Activities and Statement of Functional Expenditures. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

(4) Grantor Contributions Receivable

Changes in NMPASI's receivables from Federal grantors under cost reimbursement, as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Balance at beginning of year	\$ 61,706	\$ 38,208
Federal expenditures during the year	<u>679,172</u>	<u>609,998</u>
	740,878	648,206
Cash received during the year	<u>(665,148)</u>	<u>(586,500)</u>
Balance at end of year	<u>\$ 75,730</u>	<u>\$ 61,706</u>

**NORTHERN MARIANAS PROTECTION
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Notes to Financial Statements
September 30, 2010 and 2009

(5) Property and Equipment

Property and equipment consists of the following:

	<u>Estimated Useful lives</u>	<u>2010</u>	<u>2009</u>
Equipment	5 years	\$ 60,171	\$ 56,160
Furniture and fixtures	7 years	<u>11,117</u>	<u>10,658</u>
		71,288	66,818
Accumulated depreciation		<u>(60,702)</u>	<u>(56,654)</u>
Property and equipment, net		<u>\$ 10,586</u>	<u>\$ 10,164</u>

Depreciation expense for the year ended September 30, 2010 and 2009 was \$4,267 and \$4,381, respectively.

(6) Deferred Revenue

NMPASI received funding from the Family 360 Grant from the United States Department of Health and Human Services passed-through from the CNMI Government. This program is operated on a cash-advance basis. Grant activities are as follows:

	<u>2010</u>	<u>2009</u>
Deferred revenue for refundable advances at beginning of year	\$ 15,933	\$ -
Grant receipts	1,884	94,815
Grant expenditures	<u>(17,817)</u>	<u>(78,882)</u>
Deferred revenue for refundable advances at end of year	<u>\$ -</u>	<u>\$ 15,933</u>

Revenue for the appropriations receivable from the CNMI Government for the fiscal year ended September 30, 2010 amounting to \$6,279 were deferred until collections are remitted from the CNMI Government. In the event that the CNMI Government fails to remit such appropriations the receivable and deferred revenue would be written off.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(7) Restrictions on Net Assets

Changes in NMPASI's temporarily restricted net assets, as of September 30, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Protection and advocacy grants:		
Prevention of Elderly Abuse (PAPEA)	\$ 13,136	\$ 2,334
Contracts:		
Assistive technology (PAAT)	36,955	36,955
Traumatic brain injury (PATBI)	10,863	10,863
Restricted for replacement of equipment	<u>551</u>	<u>-</u>
	<u>\$ 61,505</u>	<u>\$ 50,152</u>

(8) Commitments and Contingencies

NMPASI rents its office space on the island of Saipan, CNMI. The term of the lease is two years, which expired in October 2009, with option to renew for 10 successive periods of one year with a zero percent increase.

Federal awards and their related expenditures can be subject to financial and compliance audits to ascertain if federal laws and guidelines have been followed. There were no questioned costs for fiscal years ending September 30, 2010 and 2009.

(9) Concentrations

Financial instruments which potentially expose NMPASI to concentrations of credit risk consist primarily of cash and receivable from grantors.

At September 30, 2010 and 2009, NMPASI's cash are within the federal depository insurance limits. NMPASI has not experienced any losses on such accounts.

As of September 30, 2010 and 2009, federal grantors comprised 100% of contributions receivable. Of the total revenues for the years ended September 30, 2010 and 2009, 63% and 68%, respectively were from three major grantors.

(10) Risk Management

NMPASI is subject to various risks in the normal course of business. NMPASI protects itself against property and liability risks by purchasing insurance from private companies.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.**
(A NONPROFIT CORPORATION)

Notes to Financial Statements
September 30, 2010 and 2009

(11) Economic Dependency

Federal awards amounting to \$712,457 and \$695,159 constitute 96% and 99% of NMPASI's total revenues and support for the fiscal years ending September 30, 2010 and 2009, respectively. A significant reduction in the level of this support, if this were to occur, may have an adverse effect on NMPASI's programs and activities.

(12) Subsequent Events

NMPASI evaluated subsequent events from September 30, 2010 through February 28, 2011, the date the financial statements were available to be issued. The Company did not note any subsequent events requiring disclosure or adjustment to the statement of financial condition.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

SINGLE AUDIT REPORT

Year Ended September 30, 2010

J. Scott Magliari
& COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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**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
Northern Marianas Protection
and Advocacy Systems, Inc.

I have audited the financial statements of Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI), a nonprofit corporation, as of and for the year ended September 30, 2010, and have issued my report thereon dated February 28, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered NMPASI's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NMPASI's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of NMPASI's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be *significant deficiencies* or *material weaknesses*.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects NMPASI's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of NMPASI's financial statements that is more than inconsequential will not be prevented or detected by NMPASI's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by NMPASI's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NMPASI's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

I noted certain matters that I reported to management of NMPASI in a separate letter dated February 28, 2011.

This report is intended for the information and use of management of NMPASI, the Board of Directors, federal awarding agencies, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.


Saipan, Commonwealth of the Northern Mariana Islands
February 28, 2011

J. Scott Magliari
& COMPANY

CERTIFIED PUBLIC ACCOUNTANT

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Board of Directors
Northern Marianas Protection
and Advocacy Systems, Inc.

Compliance

I have audited the compliance of Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI), a nonprofit corporation, with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2010. NMPASI'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 NMPASI's management. My responsibility is to express an opinion on NMPASI's compliance based on my audit.

I conducted my 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 I 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 NMPASI's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of NMPASI's compliance with those requirements.

In my opinion, NMPASI complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of NMPASI 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 my audit, I considered NMPASI's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of NMPASI's internal control over compliance.

A *control deficiency* in an NMPASI's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects NMPASI's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by NMPASI's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by NMPASI's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended for the information and use of management of NMPASI, the Board of Directors, federal awarding agencies, the cognizant audit and other federal agencies and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record.


Saipan, Commonwealth of the Northern Mariana Islands
February 28, 2011

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor's Program Title	CFDA Number	Receivable from Federal Grantors (Deferred Revenue) September 30, 2009	Cash Receipts FY 2010	Expenditures FY 2010	Receivable from Federal Grantors (Deferred Revenue) September 30, 2010
<u>U.S. Department of Education</u>					
Direct Programs:					
Rehabilitation Services - Client Assistance Program	84.161	\$ 7,302	\$ (51,500)	\$ 51,301	\$ 7,103
Program of Protection and Advocacy of Individual Rights	84.240	8,424	(72,500)	73,701	9,625
Assistive Technology - State Grants for Protection and Advocacy	84.343	9,165	(31,558)	25,074	2,681
Sub-total		24,891	(155,558)	150,076	19,409
<u>U.S. Department of Health and Human Services</u>					
Direct Programs:					
Protection and Advocacy for Individuals with Mental Illness	93.138	4,222	(180,500)	188,411	12,133
Developmental Disabilities Basic Support and Advocacy Grants	93.630	9,776	(163,000)	157,405	4,181
Traumatic Brain Injury - State Demonstration Grant Program	93.234	1,105	(19,000)	18,153	258
Sub-total		15,103	(362,500)	363,969	16,572
<u>U.S. Housing and Urban Development</u>					
Passed through the Northern Marianas Housing Corporation:					
Homelessness Prevention and Rapid Re-housing Program	14.257 ARRA	-	(86,090)	120,119	34,029
<u>Social Security Administration</u>					
Direct Program:					
Protection and Advocacy for Beneficiaries of Social Security	96.009	21,712	(61,000)	45,008	5,720
Sub-total grant award (cost reimbursement)		61,706	(665,148)	679,172	75,730

See accompanying notes to the schedule of expenditures of federal awards.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal Grantor's Program Title	CFDA Number	Receivable from Federal Grantors (Deferred Revenue) September 30, 2009	Cash Receipts FY 2010	Expenditures FY 2010	Receivable from Federal Grantors (Deferred Revenue) September 30, 2010
<u>U.S. Department of Health and Human Services</u>					
Passed through the CNMI Government:					
Prevention of Elderly Abuse Developmental Disabilities Projects of National Significance (Family 360)	93.052 93.631	(2,334) <u>(15,933)</u>	(15,469) <u>(1,884)</u>	4,666 <u>17,817</u>	(13,137) <u>-</u>
Sub-total grant award (advance)		<u>(18,267)</u>	<u>(17,353)</u>	<u>22,483</u>	<u>(13,137)</u>
Total		<u>\$ 43,439</u>	<u>\$ (682,501)</u>	<u>\$ 701,655</u>	<u>\$ 62,593</u>

See accompanying notes to the schedule of expenditures of federal awards.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Notes to Schedule of Expenditures of Federal Awards
Year Ended September 30, 2010

(1) Scope of Review

Northern Marianas Protection and Advocacy Systems, Inc. (NMPASI) was established as a nonprofit corporation by the Commonwealth of the Northern Mariana Islands (CNMI) on April 26, 1993. NMPASI has been designated by the Office of the Governor of the CNMI as the administering agency for federal grants that further the purpose of NMPASI to promote the welfare of the people of CNMI especially those with disabilities.

(2) Summary of Significant Accounting Policies

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of NMPASI and is presented on the accrual basis of accounting. For purposes of this report, certain accounting procedures were followed which help illustrate the authorizations and expenditures of the individual programs. All authorizations represent the total allotment or grant awards received. All expenses and capital outlays are reported as expenditures and transfers. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Nonprofit Organizations".

B. Indirect Cost Allocation

For fiscal year 2010, NMPASI has an approved provisional indirect cost allocation rate of 33.80% of non-capital grant expenditures.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

SECTION I – SUMMARY OF AUDITOR’S RESULTS, CONTINUED

Identification of major programs:

<u>CFDA Number</u>	<u>Description</u>	<u>Federal Expenditures</u>
93.138	U.S. Department of Health and Human Services – Protection and Advocacy for Individuals with Mental Illness	\$ 188,411
93.630	U.S. Department of Health and Human Services – Developmental Disabilities Basic Support and Advocacy Grants	157,405
14.257 ARRA	U.S. Housing and Urban Development – Homelessness Prevention and Rapid Re-housing Program	<u>120,119</u>
	Total major programs expenditures	<u>\$ 465,935</u>
	Total Federal expenditures	<u>\$ 701,655</u>
	% of Federal expenditures tested as major	<u>66%</u>

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

Auditee qualified as low-risk auditee _____yes X no

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

SECTION II – FINANCIAL STATEMENTS FINDINGS

There were no financial statement audit findings for fiscal year ending September 30, 2010.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no federal awards audit findings and questioned costs for fiscal year ending September 30, 2010.

**NORTHERN MARIANAS PROTECTION
AND ADVOCACY SYSTEMS, INC.
(A NONPROFIT CORPORATION)**

Schedule of Findings and Questioned Costs
Year Ended September 30, 2010

SECTION IV – SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND QUESTIONED COSTS

There were no prior years unresolved findings and questioned costs.