

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**

AUDITED FINANCIAL STATEMENTS

June 30, 2014

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**

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Independent Auditor's Report

To the Board of Directors
Northern Nevada HIV Outpatient Program, Education and Services

Report on the Financial Statements

We have audited the accompanying financial statements of Northern Nevada HIV Outpatient Program, Education and Services (a non-profit organization) which comprise the statement of financial position as of June 30, 2014 and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Northern Nevada HIV Outpatient Program, Education and Services, as of June 30, 2014, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We previously audited Northern Nevada HIV Outpatient Program, Education and Service's June 30, 2013 Financial Statements, and we expressed an unqualified audit opinion on those audited financial statements in our report dated October 21, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 U.S. Office of Management and Budget Circular A-133, *Audit of States, Local Governments and Non-Profit Organizations*, is presented for purposes of additional analysis 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 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 a report dated November 5, 2014, on our consideration of Northern Nevada HIV Outpatient Program, Education and Service's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and with 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 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* in considering Northern Nevada HIV Outpatient Program, Education and Services internal control over financial reporting and compliance.

Pangborn & Co., Ltd

Reno, Nevada
November 5, 2014

Northern Nevada HIV Outpatient Program, Education and Services
Statements of Financial Position
June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	2014	2013 Total (Memorandum Only)
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 5,278,952	\$ 4,209,007
Receivables, less allowance for doubtful accounts of \$214,389 and \$59,314, respectively	573,831	366,342
Due from Grantors	601,384	435,926
Inventories	158,076	140,987
Prepaid Expenses	35,071	33,897
Certificates of Deposit	249,000	248,000
Total Current Assets	<u>6,896,314</u>	<u>5,434,159</u>
Land, Buildings, and Equipment, less accumulated depreciation	1,869,637	1,593,514
OTHER ASSETS		
Certificates of Deposit	-	498,000
TOTAL ASSETS	\$ 8,765,951	\$ 7,525,673
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Long-term Debt	\$ 14,678	\$ 6,658
Accounts Payable	568,933	485,401
Accrued Payroll and Compensated Absences	41,126	34,020
Security Deposits Held Received in Advance	500	500
Total Current Liabilities	<u>625,237</u>	<u>526,579</u>
LONG-TERM DEBT, net of current portion	-	15,067
Total Liabilities	<u>625,237</u>	<u>541,646</u>
NET ASSETS		
Unrestricted		
Investment in Land, Buildings and Equipment, less related debt	1,854,959	1,571,789
Undesignated	6,275,624	5,390,575
Total Unrestricted Net Assets	<u>8,130,583</u>	<u>6,962,364</u>
Total Temporarily Restricted Net Assets	10,131	21,663
Total Net Assets	<u>8,140,714</u>	<u>6,984,027</u>
TOTAL LIABILITIES AND NET ASSETS	\$ 8,765,951	\$ 7,525,673

The attached auditor's report and notes should be read with the financial statements.

Northern Nevada HIV Outpatient Program, Education and Services
 Statements of Activities and Changes in Net Assets
 For the Year Ended June 30, 2014
 (With Summarized Financial Information for the Year Ended June 30, 2013)

	Unrestricted	Temporarily Restricted	2014	(Memorandum Only) 2013 Total Unrestricted
PUBLIC AND GOVERNMENTAL SUPPORT, REVENUE AND GAINS				
Public and Governmental Support				
Federal and State Contracts				
United States (U.S.) Department of Health and Human Services	\$ 1,402,075	\$ -	\$ 1,402,075	\$ 3,104,880
State of Nevada - Department of Human Services, Health Division	2,124,032	-	2,124,032	504,249
Contributions and Gifts	61,299	16,086	77,385	83,467
Net Assets Released from Restrictions	27,618	(27,618)	-	-
Total Public and Governmental Support	3,615,024	(11,532)	3,603,492	3,692,596
Revenue and Gains				
Patient and Insurance Payments	7,813,601	-	7,813,601	6,858,174
Interest and Dividend Income	5,088	-	5,088	3,052
Fundraising, net of \$3,467 expenses	43,592	-	43,592	30,397
Miscellaneous	14,714	-	14,714	23,875
Total Revenue and Gains	7,876,995	-	7,876,995	6,915,498
Total Public and Governmental Support, Revenue, Gains and Net Assets Released	11,492,019	(11,532)	11,480,487	10,608,094
EXPENSES				
Program Services	9,613,357	-	9,613,357	8,188,686
Management and Administrative	681,735	-	681,735	587,708
Fundraising	28,708	-	28,708	-
Total Expenses	10,323,800	-	10,323,800	8,776,394
INCREASE (DECREASE) IN NET ASSETS	1,168,219	(11,532)	1,156,687	1,831,700
NET ASSETS, beginning of year	6,962,364	21,663	6,984,027	5,152,327
NET ASSETS, end of year	\$ 8,130,583	\$ 10,131	\$ 8,140,714	\$ 6,984,027

The attached auditor's report and notes should be read with the financial statements.

Northern Nevada HIV Outpatient Program, Education and Services
Statement of Functional Expenses
For the Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	Program Services	Management and Administrative	Fundraising	Total	2013 Total (Memorandum Only)
Accounting	\$ -	\$ 25,800	\$ -	\$ 25,800	\$ 27,897
Bank Fees	-	4,645	-	4,645	4,633
Biologicals	5,567,390	-	-	5,567,390	5,062,842
Contractual Services	573,520	4,914	9,560	587,994	516,513
Depreciation	47,835	30,177	-	78,012	67,557
Dues and Subscriptions	-	21,479	-	21,479	12,251
Consulting and Office Equipment	39,593	26,798	-	66,391	33,842
Fire and Security	7,340	4,967	-	12,307	7,252
HIV Care Consortium	389,290	-	1,926	391,216	412,637
Insurance	21,861	14,796	-	36,657	38,098
Interest	-	1,055	-	1,055	1,839
Janitorial Services	17,506	11,849	-	29,355	8,901
Licenses and Permits	705	477	-	1,182	1,095
Maintenance and Repairs	23,357	15,809	-	39,166	11,653
Miscellaneous	7,549	23,097	-	30,646	15,748
Patient recruitment and retention	113,916	-	4,674	118,590	99,165
Payroll Processing Fees	-	14,185	-	14,185	12,571
Payroll Taxes and Employee Benefits	462,996	80,984	1,812	545,792	407,255
Postage	380	8,119	-	8,499	7,295
Property Taxes	1,711	1,158	-	2,869	3,619
Salaries and Wages	1,986,910	347,534	7,780	2,342,224	1,721,867
Supplies	232,684	4,364	1,249	238,297	167,556
Travel and Training	68,161	5,243	1,707	75,111	52,295
Utilities	50,653	34,285	-	84,938	82,013
TOTALS	\$ 9,613,357	\$ 681,735	\$ 28,708	\$ 10,323,800	\$ 8,776,394

The attached auditor's report and notes should be read with the financial statements.

Northern Nevada HIV Outpatient Program, Education and Services
 Statements of Cash Flows
 For the Year Ended June 30, 2014
 (With Summarized Financial Information for the Year Ended June 30, 2013)

	2014	2013 Total (Memorandum Only)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Federal and State Grants	\$ 3,360,649	\$ 3,597,471
Cash Received from and on Behalf of Clients	7,683,496	6,947,437
Cash Received from Fundraising	43,592	31,063
Other Operating Cash Receipts	14,714	23,875
Cash Paid to Vendors and Employees	(10,172,357)	(8,668,569)
Interest Received	5,088	3,052
Interest Paid	(1,055)	(1,839)
Net Cash Flows Provided by Operating Activities	<u>934,127</u>	<u>1,932,490</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Improvement and Equipment	(147,181)	(90,788)
Payments made on Construction in Progress	(206,954)	-
Purchase of Certificates of Deposit	-	(746,000)
Proceeds from Certificates of Deposit	497,000	-
Net Cash Flows Provided by (Used in) Investing Activities	<u>142,865</u>	<u>(836,788)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal Payments on Long-Term Debt	(7,047)	(6,658)
Net Cash Flows Used in Financing Activities	<u>(7,047)</u>	<u>(6,658)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,069,945	1,089,044
CASH AND CASH EQUIVALENTS, beginning of year	4,209,007	3,119,963
CASH AND CASH EQUIVALENTS, end of year	\$ 5,278,952	\$ 4,209,007

The attached auditor's report and notes should be read with the financial statements.

Northern Nevada HIV Outpatient Program, Education and Services
 Statements of Cash Flows
 For the Year Ended June 30, 2014
 (With Summarized Financial Information for the Year Ended June 30, 2013)

	2014	2013 Total (Memorandum Only)
RECONCILIATION OF CHANGE IN NET ASSETS TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES:		
Change in Net Assets	\$ 1,156,687	\$ 1,831,700
Adjustments to Reconcile Change in Net Assets to Net Cash		
Flows Provided by Operating Activities:		
Depreciation	78,012	67,557
Decrease (Increase) in Accounts Receivable	(207,490)	(37,907)
Decrease (Increase) in Grants Receivable	(165,458)	(11,657)
Decrease (Increase) in Inventories	(17,089)	(27,178)
Decrease (Increase) in Prepaid Expenses and Other Current Assets	(1,174)	(2,685)
(Decrease) Increase in Accounts Payable	83,531	144,336
(Decrease) Increase in Deferred Revenue	-	(14,227)
(Decrease) Increase in Accrued Expenses	7,108	(17,449)
Net Cash Flows Provided by Operating Activities	\$ 934,127	\$ 1,932,490

The attached auditor's report and notes should be read with the financial statements.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General Description

Northern Nevada HIV Outpatient Program, Education and Services (Northern Nevada HOPES) is a non-profit community health center based in downtown Reno, NV that offers integrated medical care and support services to individuals with or without health insurance. Our growing list of services includes primary medical care, chronic disease management, behavioral health counseling, social services, an on-site pharmacy, and more. Our team-based approach to healthcare makes us different from other providers in the community as patients can access a range of comprehensive services in one central location. For medically underserved populations such as the LGBT community, drug users, sex workers, the homeless, and those living in poverty, our one-stop-shop healthcare model reduces barriers to care and increases the likelihood of maintaining long-term health. We welcome patients, wherever they are in life, and provide them with a safe and accepting place to receive services that can improve and enrich their lives.

B. Revenue Recognition

Revenue from contracts/grants is considered earned as funds are expended, or as services are provided in accordance with grant terms.

C. Basis of Presentation

Northern Nevada HOPES reports information regarding its financial position and activities according to the three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, based upon the existence or absence of donor imposed restrictions. There are no permanently restricted net assets.

Contributions received are recorded as unrestricted, temporarily restricted, and permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted support that increases the net asset class. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Northern Nevada HOPES reports restricted contributions whose restrictions are fulfilled in the same reporting period in which the contribution is received as unrestricted.

D. Statements of Cash Flows

For purposes of financial reporting, Northern Nevada HOPES considers money market funds and certificates of deposit with original maturities of three months or less to be cash equivalents.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued):

E. Receivables

Accounts receivable are stated at unpaid balances, less an allowance for doubtful accounts. Past due status is based on contractual terms.

Client fee receivable represent amounts receivable for client services. The allowance for doubtful accounts is based upon management's estimate of uncollectible accounts taking into consideration past payment history. Currently, the allowance for doubtful accounts is estimated to be 70% of total Clinic receivables.

Pharmacy receivables represent amounts due for insurance billing. No allowance for doubtful accounts is considered necessary by management since the entire amount was collected subsequent to year end.

F. Due From Grantors/Deferred Grant Revenue

Due from grantors represents grant funds that have been expended, but not received. Deferred grant revenue represents grant funds that have been received, but not yet expended for their intended purpose.

G. Inventories

Inventories consist of pharmaceutical drugs and are stated at the lower of cost or market determined by the first-in, first-out method.

H. Land, Buildings, and Equipment

The Organization's policy is to capitalize property and equipment with an estimated useful life of more than one year and a value of more than \$1,000. Purchases of land, buildings, and equipment are recorded at cost. Donated property is recorded at its estimated value at the date received. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives of 3 to 40 years on a straight-line basis.

I. Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

J. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Notes to Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (continued):

K. Patient recruitment and retention Costs

Patient recruitment and retention costs are expensed as incurred. Patient recruitment and retention costs totaled \$118,590 and for the year ended June 30, 2014.

L. Income Taxes

Northern Nevada HOPES is exempt from federal income taxes under Internal Revenue Code Section 501(c)(3). Accordingly, no provision for income taxes has been made. The Internal Revenue Service classifies Northern Nevada HIV Outpatient Program, Education and Services as an organization other than a private foundation. The federal income tax returns of Northern Nevada HIV Outpatient Program, Education and Services for 2011, 2012, and 2013 are subject to examination by the Internal Revenue Service, generally for three years after they were filed.

M. Contributed Services

Northern Nevada HOPES is required to recognize the contributions of services if the services received (a) create or enhance non-financial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Services requiring specialized skills are those provided by accountants, architects, carpenters, doctors, electricians, lawyers, nurses, plumbers, teachers, and other professional craftsmen.

Members of the board of directors donate significant amounts of time to the activities of Northern Nevada HOPES. The services donated do not meet the criteria for recognition as defined above. Accordingly, the financial statements do not reflect the value of these services

N. Memorandum Only – Total Columns

Total columns in the financial statements are captioned “memorandum only” to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, changes in net position or cash flows in conformity with generally accepted accounting principles as applied to nonprofits. Accordingly, such information should be read in conjunction with the organization’s basic financial statements for the year ended June 30, 2013 from which the summarized information was derived. The information reflects certain reclassifications that conform to the classifications in the current year and has no impact on net financial position.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES
Notes to Financial Statements
For the Year Ended June 30, 2014**

NOTE 2 – CONCENTRATION OF CREDIT RISK:

Northern Nevada HOPES receives a substantial portion of its revenue from contracts/grants administered by federal and state agencies. Northern Nevada HOPES' operations are significantly dependent upon this revenue.

Northern Nevada HOPES maintains cash accounts at one commercial bank and one brokerage firm. The bank account is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 and the brokerage account is guaranteed by the Securities Investor Protection Corporation (SIPC) up to \$500,000 with the brokerage firm providing additional insurance. In the unlikely event that the institutions would encounter severe financial difficulties, Northern Nevada HOPES would be at risk as a result of uninsured balances. At June 30, 2014 Northern Nevada HOPES uninsured cash balance was \$934,829.

Northern Nevada HOPES acquires all of its pharmaceutical drugs from a single supplier. Although there are other suppliers of pharmaceutical drugs, a delay resulting from changing suppliers or an increase in pricing could adversely affect operating results.

NOTE 3 - LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment consisted of the following at June 30:

	2014
Land	\$ 696,412
Buildings	952,166
Construction in Progress	206,954
Improvements	219,549
Machinery and equipment	192,701
Furniture and fixtures	13,664
Software	40,273
Vehicles	<u>116,757</u>
Subtotal	2,438,476
Accumulated Depreciation and Amortization	(568,839)
Total	\$ 1,869,637

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES
Notes to Financial Statements
For the Year Ended June 30, 2014**

NOTE 4 - RETIREMENT PLAN:

Northern Nevada HOPES maintains a 401K plan covering all eligible employees. Northern Nevada HOPES matches 4% of the employees' compensation and contributed \$55,227 to the plan during the year ended June 30, 2014.

NOTE 5 - LONG TERM DEBT:

Long-term debt consisted of the following at June 30:

	2014
Equipment under a capital lease with a capitalized cost of \$31,284. Accumulated depreciation on the statement of financial position and depreciation expense on the statement of activities was \$19,292 and \$6,257. The lease ends in 2016 after 60 monthly payments have been made.	14,678
Less Current Maturities	(14,678)
Long-term Debt	\$ - 0 -

On June 6, 2014 the organization renegotiated the terms of their lease agreement with Konica Minolta, for the lease of copy equipment, with monthly payments of \$1,752 for sixty months.

NOTE 6 - COMMITMENTS AND CONTINGENCIES:

Various federal, state and local agencies have the authority to audit the books and records of Northern Nevada HOPES as they pertain to the grants and contracts they have awarded. As the result of these potential audits, some grants or contract costs could be disallowed and would create a liability to the organization.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES
Notes to Financial Statements
For the Year Ended June 30, 2014**

NOTE 7 - RESTRICTED NET ASSETS:

As of June 30, 2014, temporarily restricted net assets are available for the following purpose:

Residence Program	\$ 9,388
HIV Copay Assistance/Medical Supplies	743
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Total	\$ 10,131

Temporarily restricted net assets are released from restriction at such time that the purpose of the gift has been accomplished. Temporarily restricted net assets released during the year ended June 30, 2014 includes:

Purpose restriction accomplished

Residence Program	\$ 17,388
HIV Copay Assistance/Medical Supplies	10,175
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Total	\$ 27,618

NOTE 8 - SUBSEQUENT EVENTS:

Events subsequent to June 30, 2014 have been evaluated through November 5, 2014, the date that these statements were available to be issued, to determine whether they should be disclosed to keep the financial statements from being misleading. Management found no subsequent events to be disclosed.

SUPPLEMENTARY INFORMATION

Northern Nevada HIV Outpatient Program, Education and Services
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

Federal Grantor/Program Title	CFDA Number	Federal Expenditures
Department of Health & Human Services		
Health Center Cluster (FQHC)	93.224	\$ 425,045
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease (Ryan White Program Part C)	93.918	623,338
Grant for Coordinated Services and Access to Research for Women, Infants, Children and Youth (Ryan White CARE Act Title IV Program)	93.153	353,692
Passed Through Nevada Department of Human Resources, Health Division:		
HIV Care Formula Grants - Medical Case Management and Treatment Adherence	93.917	250,791
HIV Care Formula Grants - Ryan White Mental Health	93.917	
HIV Care Formula Grants - AIDS & Drug Assistance Program	93.917	1,160,371
HIV Care Formula Grants - Psychosocial Support Services	93.917	57,723
HIV Care Formula Grants - Medical Transportation	93.917	69,811
HIV Care Formula Grants - Housing Services	93.917	85,067
Block Grants for Prevention and Treatment of Substance Abuse	93.959	127,951
Adult Viral Hepatitis Services (Hep C)	93.270	<u>3,322</u>
Total Department of Health & Human Services		<u>3,157,111</u>
Department of Housing and Urban Development		
Passed through from the Nevada Department of Human Services:		
Housing Opportunities for Persons with AIDS	14.241	231,064
Total Federal Expenditures		\$ 3,388,175

The attached auditor's report and notes should be read with the financial statements.

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2014

A. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northern Nevada HIV Outpatient Program, Education and Services and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
Northern Nevada HIV Outpatient Program, Education and Services
Reno, Nevada

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Northern Nevada HIV Outpatient Program, Education and Services (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our reports thereon dated November 5, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Northern Nevada HIV Outpatient Program, Education and Service'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 Northern Nevada HIV Outpatient Program, Education and Service's internal control. Accordingly, we do not express an opinion of effectiveness of Northern Nevada HIV Outpatient Program, Education and Service'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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northern Nevada HIV Outpatient Program, Education and Service'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.

Pangborn & Co., Ltd

Reno, Nevada
November 5, 2014



Independent Auditor's Report on Compliance For
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133

To the Board of Directors of
Northern Nevada HIV Outpatient Program, Education and Services

Report on Compliance for Each Major Federal Program

We have audited Northern Nevada HIV Outpatient Program, Education and Services compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Northern Nevada HIV Outpatient Program, Education and Service's major federal programs for the year ended June 30, 2014. Northern Nevada HIV Outpatient Program, Education and Service's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northern Nevada HIV Outpatient Program, Education and Service's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northern Nevada HIV Outpatient Program, Education and Service's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Northern Nevada HIV Outpatient Program, Education and Service's compliance.

Opinion on Each Major Federal Program

In our opinion, Northern Nevada HIV Outpatient Program, Education and Services 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, 2014.

Report on Internal Control Over Compliance

Management of Northern Nevada HIV Outpatient Program, Education and Services is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Northern Nevada HIV Outpatient Program, Education and Services internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Northern Nevada HIV Outpatient Program, Education and Service'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.

Pangborn & Co., Ltd

Reno, Nevada
November 5, 2014

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

A – SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unmodified opinion on the financial statements.
2. No significant deficiencies or material weaknesses were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of Northern Nevada HIV Outpatient Program, Education and Services were disclosed during the audit.
4. No significant deficiencies or material weaknesses in internal control over major federal award programs were disclosed during the audit.
5. The independent auditor's report on compliance for each major program for Northern Nevada HIV Outpatient Program, Education and Services expresses an unmodified opinion on all major federal award programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of *OMB Circular A-133* are reported in this schedule.
7. The programs tested as major programs included:
 - Health Center Cluster (FQHC) (93.224)
 - Ryan White Title IV Program (Part D) (93.153)
 - Substance Abuse Prevention and Treatment Agency (93.959)
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Northern Nevada HIV Outpatient Program, Education and Services was determined to be a low-risk auditee.

B – FINDINGS – FINANCIAL STATEMENT AUDIT

None

C – FINDINGS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

**NORTHERN NEVADA HIV OUTPATIENT
PROGRAM, EDUCATION AND SERVICES**
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2014

None