

EDUCATION ALLIANCE OF WASHOE COUNTY

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2010

EDUCATION ALLIANCE OF WASHOE COUNTY

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of the
Education Alliance of Washoe County

We have audited the accompanying Statement of Financial Position of the Education Alliance of Washoe County (the Alliance) (a non-profit organization) as of June 30, 2010, and the related Statements of Activities and Cash Flows for the year then ended. These financial statements are the responsibility of the management of the Alliance. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2011, on our consideration of the Alliance's internal control over financial reporting and 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 or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and is important for assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement of the Alliance taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Pangborn & Co., Ltd.

Reno, Nevada
March 18, 2011

EDUCATION ALLIANCE OF WASHOE COUNTY

Statement of Financial Position

June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$ 55,671
Grant receivable	122,166
Inventory	28,534
Total Current Assets	<u>206,371</u>

EQUIPMENT

Equipment	8,394
Less: Accumulated depreciation	<u>(8,394)</u>
Total Equipment	<u>-</u>

Total Assets	<u>\$ 206,371</u>
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LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 8,002
Accrued liabilities	<u>17,195</u>
Total Current Liabilities	<u>25,197</u>

NET ASSETS

Unrestricted	47,676
Temporarily restricted	<u>133,498</u>
Total Net Assets	<u>181,173</u>

Total Liabilities and Net Assets	<u>\$ 206,371</u>
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The attached auditor's report and notes should be read with the financial statements.

EDUCATION ALLIANCE OF WASHOE COUNTY

Statement of Activities

For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Support and Revenues			
Grant revenues, federal	\$ -	\$ 533,866	\$ 533,866
Grant revenues, state	-	13,578	13,578
Cash donations	20,876	436,341	457,217
Non-cash contributions	-	152,084	152,084
Contributions from Washoe			
County School District	-	421,613	421,613
Contribution from Washoe County			
School District Educational Foundation	13,850	6,742	20,592
Interest income	-	100	100
Total Support and Revenues	<u>34,726</u>	<u>1,564,324</u>	<u>1,599,050</u>
Net Assets Released from Restrictions	<u>1,607,918</u>	<u>(1,607,918)</u>	<u>-</u>
Total Support, Revenues and Net Assets Released	<u>1,642,644</u>	<u>(43,594)</u>	<u>1,599,050</u>
Expenses			
Program Service Expenses			
Parental Information and Resource Centers	586,198		586,198
P-16 Advocacy	23,281		23,281
NV Public Education Foundation	5,750		5,750
NV Public Education CED	25,449		25,449
Crayons to Computers	239,246		239,246
Partners in Education	96,356		96,356
Terry Lee Wells	136,410		136,410
United Way	6,867		6,867
Run for Education:			
Kids in Motion/Passport Program	62,672		62,672
Administrative Fee	8,107		8,107
Run for Education	45,884		45,884
Smarthinking	28,500		28,500
Parent Involvement Summit	11,740		11,740
AT&T Parental Engagement	41,650		41,650
Cari Carlson Scholarship	827		827
Focus on Literacy	225,059		225,059
Total Program Service Expenses	<u>\$ 1,543,995</u>	<u>\$ -</u>	<u>\$ 1,543,995</u>

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

EDUCATION ALLIANCE OF WASHOE COUNTY

Statement of Activities

For the Year Ended June 30, 2010

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Supporting Service Expenses			
Administration and General			
Funded by Washoe County School District:			
Salaries and related expenses	\$ 45,719	\$ -	\$ 45,719
Other operating expenses	17,521		17,521
Other expenses	<u>56,556</u>		<u>56,556</u>
 Total Supporting Services Expense	 <u>119,796</u>		 <u>119,796</u>
 Total Expenses	 <u>1,663,790</u>		 <u>1,663,790</u>
 Change in Net Assets	 (21,147)	 (43,594)	 (64,741)
 Net Assets, Beginning of Year	 <u>68,822</u>	 <u>177,092</u>	 <u>245,914</u>
 Net Assets, End of Year	 <u>\$ 47,676</u>	 <u>\$ 133,498</u>	 <u>\$ 181,173</u>

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

EDUCATION ALLIANCE OF WASHOE COUNTY

Statement of Cash Flows

For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$	(64,741)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
(Increase) decrease in grant receivable		(11,268)
(Increase) decrease in prepaid expenses		408
(Increase) decrease in inventory		9,894
Increase (decrease) in accounts payable		(52,264)
Increase (decrease) in accrued liabilities		<u>(7,633)</u>
Net Cash Used in Operating Activities		<u>(60,863)</u>
Net Decrease in Cash		(125,604)
CASH, Beginning of Year		<u>181,275</u>
CASH, End of Year	\$	<u><u>55,671</u></u>

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

EDUCATION ALLIANCE OF WASHOE COUNTY

Notes to Financial Statements

For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

The Education Alliance of Washoe County (the Alliance) is a Nevada non-profit corporation and is a publicly supported organization funded principally by contributions from the Washoe County School District (the District) and by cash and non-cash contributions from individuals and organizations. The Alliance has the responsibility to promote cooperative partnerships with schools of the District and businesses, institutions, and community organizations in and outside of Washoe County. It is also responsible to increase the educational opportunities and improve the quality of education for students in the District.

A majority of the Alliance's current operations rely on financial support from the District. Any events that would cause a significant reduction of that support could have an adverse impact on the Alliance's operations.

Each year the Alliance carries out various programs that promote the District. The Parental Information and Resource Centers program, cash donations, the District, and non-cash donations generated the largest portion of revenues for the Alliance. The support and revenue from these sources were 33%, 29%, 26%, and 10% respectively, of the Alliance's total support and revenue.

Financial Statement Presentation

The financial statements of the Alliance are prepared on the accrual basis of accounting and are in conformity with ASC 958-605-30, *Accounting for Contributions Made and Received*, and *Financial Statements of Not-for-Profit Organizations*.

Net Assets

There are three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets:

- Unrestricted Net Assets – Net assets not subject to donor-imposed stipulations;
- Temporarily Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained temporarily by the Alliance. When a donor restriction expires, that is, when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions;
- Permanently Restricted Net Assets – Net assets subject to donor-imposed stipulations that they be maintained permanently by the Alliance. The Alliance does not have any permanently restricted net assets at June 30, 2010.

EDUCATION ALLIANCE OF WASHOE COUNTY

Notes to Financial Statements

For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition

Contributions are recognized when the donor makes an unconditional promise to give to the Alliance. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are restricted for future periods or are restricted by the donor for specific purposes are reported as temporarily restricted support, which increases that net asset class.

When a donor-stipulated time restriction ends or a purpose restriction is accomplished, the restricted net assets are released to unrestricted net assets and are reported in the Statement of Activities as net assets released from restrictions.

The Alliance receives a substantial portion of its revenue from contracts or grants administered by federal agencies. Revenue from contracts or grants is considered earned as funds are expended or as services are provided.

Grants Receivable

Grants receivable include contracts and grant funds that have been earned but not yet received at year end. Such receivables are considered fully collectible by management; accordingly, no allowance for doubtful accounts is included in the financial statements.

Inventory

Inventory consists of items donated for use in classrooms and is valued at the estimated fair value of the items at the date of donation.

Equipment

The Alliance capitalizes all equipment acquisitions in excess of \$5,000. Purchased equipment is recorded at cost. Contributed items are recorded at fair value. Depreciation is computed using the straight-line method based on an estimated useful life of seven years for the equipment, which consists of a copy machine.

Use of Estimates

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

Federal Income Taxes

The Alliance is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements. The organization is no longer subject to examination by federal tax authorities for years before 2006.

EDUCATION ALLIANCE OF WASHOE COUNTY

Notes to Financial Statements

For the Year Ended June 30, 2010

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contributed Assets and Services

The Alliance recognizes donated property as a contribution at the estimated fair value at the date of the gift. A number of volunteers have donated significant amounts of time to various fund raising events and program activities. The value of these donated services is not recognized as a contribution as no objective basis is available to measure the value of such services.

Subsequent Events

Management has evaluated subsequent events through March 18, 2011, the date the financial statements were available to be issued.

NOTE 2 – FISCAL SPONSORSHIP AGREEMENT / RELATED PARTY

The Alliance has entered into an agreement with the District in which the District acts as the fiscal sponsor of the Alliance. As a fiscal sponsor, the District provided funding in the amount of \$421,613 during the year ended June 30, 2010. This funding consisted of salaries, benefits and related expenses, audit fees, and miscellaneous administrative costs. Salaries, benefits and related expenses were allocated by program based on estimates made by management of the Alliance. Due to this allocation, the amount presented in the Statement of Activities does not reflect the total salaries, benefits and related expenses that the District paid.

NOTE 3 – 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 on the basis of actual expenses and on estimates made by Alliance's management.

NOTE 4 – TEMPORARILY RESTRICTED NET ASSETS

At June 30, 2010, temporarily restricted net assets are available for the following programs:

Run for Education	\$	71,255
Crayons to Computers		28,534
Focus on Literacy		14,824
School-to-Careers		5,441
AT&T Parental Engagement		5,400
Parent Involvement Summit		4,850
Smarthinking		2,000
Cari Carlson Scholarship		827
Partners in Education		<u>219</u>
Total Temporarily Restricted	\$	<u>133,498</u>

EDUCATION ALLIANCE OF WASHOE COUNTY

Notes to Financial Statements

For the Year Ended June 30, 2010

NOTE 5 – NET ASSETS RELEASED FROM RESTRICTIONS

Net assets in the amount of \$1,607,918 were released from donor restrictions during the year ended June 30, 2010, by incurring expenses satisfying the restricted purposes which the donors specified.

Purpose restrictions accomplished:

Parental Information and Resource Centers	\$	586,198
Crayons to Computers		239,246
Focus on Literacy		225,059
Terry Lee Wells		136,410
Run for Education		116,663
Partners in Education		96,356
Program Support Washoe County School District		63,924
AT&T Parental Engagement		41,650
NV Public Education Foundation		31,197
Smarthinking		28,500
P-16 Advocacy		23,281
Parent Involvement Summit		11,740
United Way		6,867
Cari Carlson Scholarship		<u>827</u>
Total Restrictions Released	\$	<u>1,607,918</u>

EDUCATION ALLIANCE OF WASHOE COUNTY

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

Federal Grantor/Program Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
U.S. Department of Education			
Direct Program:			
Parental Information and Resource Centers (PIRC)	84.31	U310A060024-07	\$ 533,866
Total Expenditures of Federal Awards			\$ 533,866

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

EDUCATION ALLIANCE OF WASHOE COUNTY
Note to Schedule of Expenditures of Federal Award
For the Year Ended June 30, 2010

Basis of Presentation: The Schedule of Expenditures of Federal Awards includes the federal agency grant activity of the Education Alliance of Washoe County and is presented on the accrual basis of accounting. The information in the 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, 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
Education Alliance of Washoe County

We have audited the accompanying financial statements of the Education Alliance of Washoe County (the Alliance) (a non-profit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated March 18, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or 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 on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Alliance's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Pangborn & Co., Ltd

Reno, Nevada
March 18, 2011



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors
Education Alliance of Washoe County

Compliance

We have audited the compliance of the Education Alliance of Washoe County (the Alliance) (a non-profit organization) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2010. The Alliance's major federal program is 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 its major federal program is the responsibility of the Alliance's management. Our responsibility is to express an opinion on the Alliance's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with 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 Alliance's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Alliance's compliance with those requirements.

In our opinion, the Alliance complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

Internal Control over Compliance

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

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Directors, management, and federal award agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Pangborn & Co., Ltd

Reno, Nevada
March 18, 2011

EDUCATION ALLIANCE OF WASHOE COUNTY
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2010

A. Summary of Auditor's Results:

1. The Auditor's Report expresses an unqualified opinion on the financial statements of Education Alliance of Washoe County.
2. No significant deficiencies were disclosed during the audit of the financial statements.
3. No instances of noncompliance material to the financial statements of the Education Alliance of Washoe County which would be required to be reported in accordance with *Government Auditing Standards* were disclosed in the audit.
4. No significant deficiencies relating to the audit of the major federal award program were disclosed in the audit.
5. Pangborn & Co., Ltd., issued an unqualified opinion on compliance for the major program of the Education Alliance of Washoe County.
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 major program tested for the year ended June 30, 2010, included:

<u>CFDA Number</u>	<u>Program Name</u>
84.310	Parental Information and Resource Centers (PIRC)

8. The threshold used to distinguish between Type A and Type B programs was \$300,000.
9. The Education Alliance of Washoe County did not qualify as a low risk auditee for the year ended June 30, 2010, under the criteria set forth in Section 530 of OMB Circular A-133.

B. Findings – Financial Statement Audit

None

C. Finding – Major Federal Award Programs Audit

None

EDUCATION ALLIANCE OF WASHOE COUNTY

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2010

We have categorized the implementation status of the prior year's recommendations on conditions requiring attention into the following categories:

Implemented - We found the recommendation to be implemented and consider the condition cleared.

Partially Implemented - We found the Alliance had made significant progress toward implementation of the recommendation.

Not Implemented - Our testing of the Alliance's records reflects that no progress was made toward implementing the recommendation.

The recommendation listed as a significant deficiency relating to the financial statement audit reported in accordance with Financial Statement Preparation Generally Accepted Governmental Standards (GAGAS) for the year ended June 30, 2009, was:

Finding 08-1 – Financial Statement Preparation

Condition: Washoe County School District's Finance Department personnel provide general ledger financial information, based on the modified accrual basis of accounting, for the Alliance. Kafoury, Armstrong & Co. prepares the Alliance's audited financial statements and related note disclosures using the general ledger provided as a starting point. However, because the Alliance is a not-for-profit organization, adjusting entries are required in order to report financial information in accordance with generally accepted accounting principles applicable to not-for-profit organizations. Based on the audit adjustments required, it appears the Alliance's personnel (Washoe County School District personnel) assigned to the Alliance would have difficulty preparing the Alliance's financial statements in accordance with generally accepted accounting principles without the assistance of Kafoury, Armstrong & Co.

Recommendation: The prior auditor recommended that the Alliance implement procedures to provide training for accounting personnel assigned to the Alliance so financial statements could be prepared in accordance with generally accepted accounting principles for not-for-profit organizations.

Status: Implemented.