LAS VEGAS RESCUE MISSION

AUDITED FINANCIAL STATEMENTS

JUNE 30, 2017 AND JUNE 30, 2016

HOULDSWORTH
RUSSO & COMPANY
20 YEARS & COUNTING
Certified Public Accountants

LAS VEGAS RESCUE MISSION

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YEAR ENDED JUNE 30, 2017 AND JUNE 30, 2016

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Las Vegas Rescue Mission
Las Vegas, Nevada

Report on the Financial Statements

We have audited the accompanying financial statements of Las Vegas Rescue Mission (a nonprofit organization), which comprise the statements of financial position as of June 30, 2017 and 2016, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 Las Vegas Rescue Mission as of June 30, 2017 and 2016 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.

Other Matters

Other Information
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 Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly

to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2018, on our consideration of Las Vegas Rescue Mission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreement and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Las Vegas Rescue Mission's internal control over financial reporting and compliance.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 5, 2018

LAS VEGAS RESCUE MISSION

STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2017 AND JUNE 30, 2016

	2017	2016
ASSETS		
CURRENT ASSETS		
Cash and equivalents	$ 504,118	$ 669,982
Cash and equivalents, restricted	322,630	301,000
Investments	28,060	34,938
Accounts receivable	4,011	3,367
Pledges receivable	178,945	-
Grants receivable	99,122	70,294
Prepaid expenses	26,697	25,960
Employee advances	10,261	4,990
	1,173,844	1,110,531
OTHER ASSETS		
Property and equipment, net	6,143,177	5,664,577
TOTAL ASSETS	$ 7,317,021	$ 6,775,108
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 35,985	$ 44,154
Accrued liabilities	116,466	120,789
Deferred compensation	39,000	57,000
Capital lease payable, current portion	327	-
Funds held for others	3,073	9,400
	194,851	231,343
LONG-TERM DEBT		
Capital lease payable, net of current portion	9,138	-
Note payable	1,000,000	1,000,000
	1,203,989	1,231,343
NET ASSETS		
Unrestricted	5,611,457	5,242,765
Temporarily restricted	501,575	301,000
	6,113,032	5,543,765
	$ 7,317,021	$ 6,775,108

LAS VEGAS RESCUE MISSION

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	2017		2016	
UNRESTRICTED NET ASSETS				
Revenue, gains, and other support:				
Contributions		$ 2,439,376		$ 2,468,176
Government grants		858,696		1,355,497
Special event revenue	$ 45,360		$ 49,717	
Less: direct benefits to donors	15,724		9,693	
		29,636		40,024
Sale of merchandise		368,641		382,096
Program revenue		187,899		227,222
Donated goods		1,492,379		857,770
Investment return		3,925		3,427
Rental revenue		18,180		14,880
Gain on disposal		-		1,450
Other revenue		3,034		2,105
Total revenue, gains, and other support		5,401,766		5,352,647
Expenses and losses:				
Program services:				
Food services		1,410,337		1,814,575
Thrift store		394,054		474,723
Shelter and homeless services		2,099,231		2,213,675
Total program services		3,903,622		4,502,973
Support services:				
Management and general		317,458		358,333
Fundraising		791,574		790,455
		5,012,654		5,651,761
Loss on disposal		20,420		-
Total expenses and losses		5,033,074		5,651,761
CHANGE IN UNRESTRICTED NET ASSETS		368,692		(299,114)
TEMPORARILY RESTRICTED NET ASSETS				
Contributions		200,575		-
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS		200,575		-
INCREASE (DECREASE) IN NET ASSETS		569,267		(299,114)
NET ASSETS, BEGINNING OF YEAR		5,543,765		5,842,879
NET ASSETS, END OF YEAR		$ 6,113,032		$ 5,543,765

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2017

	Program Services			Supporting Services			
	Food Services	Thrift Store	Shelter and Homeless Services	Management and General	Fundraising	Special Event Direct Benefit To Donors	Total
Wages and payroll taxes	$ 188,600	$ 206,613	$ 709,137	$ 208,615	$ 226,628	$ -	$ 1,539,593
Employee benefits	23,814	26,088	89,539	26,341	28,615	-	194,397
Advertising	1,231	1,348	4,628	1,362	510,353	-	518,922
Bank and merchant fees	-	17,631	-	2,731	-	-	20,362
Depreciation expense	64,364	38,618	146,749	5,149	2,575	-	257,455
Dues and subscriptions	400	438	1,503	442	480	-	3,263
Equipment rental	3,721	4,077	13,992	4,116	4,472	-	30,378
Food commodities	848,974	-	778,124	-	-	-	1,627,098
Insurance	14,646	8,788	33,394	1,172	586	-	58,586
Interest	97	106	363	107	116	-	789
Maintenance	27,265	16,359	62,164	2,181	1,091	-	109,060
Meals	418	459	1,576	464	504	-	3,421
Office supplies	9,389	5,634	21,408	751	376	-	37,558
Postage and shipping	3,935	4,307	14,782	4,348	4,720	-	32,092
Professional fees	3,346	3,666	12,581	53,666	4,021	-	77,280
Supplies	128,462	4,826	-	-	-	-	133,288
Property taxes	-	-	-	-	3,913	-	3,913
Training	181	199	683	201	218	-	1,482
Transportation	18,840	11,304	42,956	-	-	-	73,100
Utilities	72,654	43,593	165,652	5,812	2,906	-	290,617
Venue	-	-	-	-	-	15,724	15,724
	$ 1,410,337	$ 394,054	$ 2,099,231	$ 317,458	$ 791,574	15,724	5,028,378
Less: direct benefits to donors						(15,724)	(15,724)
						$ -	$ 5,012,654

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2016

	Program Services			Supporting Services			
	Food Services	Thrift Store	Shelter and Homeless Services	Management and General	Fundraising	Special Event Direct Benefit To Donors	Total
Wages and payroll taxes	$ 275,392	$ 256,074	$ 626,707	$ 179,701	$ 159,634	$ -	$ 1,497,508
Employee benefits	42,695	39,700	97,159	27,859	24,748	-	232,161
Advertising	2,434	2,263	5,538	1,588	496,273	-	508,096
Bank and merchant fees	-	14,756	-	3,687	-	-	18,443
Depreciation expense	49,896	46,396	113,547	32,558	28,923	-	271,320
Dues and subscriptions	1,305	1,214	2,971	852	757	-	7,099
Equipment rental	5,039	4,686	11,468	3,288	2,921	-	27,402
Food commodities	1,319,642	-	966,982	-	-	-	2,286,624
Insurance	10,473	9,738	23,833	6,834	6,071	-	56,949
Maintenance	19,546	18,176	44,482	12,755	11,331	-	106,290
Meals	6,337	5,892	14,421	4,135	3,673	-	34,458
Office supplies	4,415	4,105	10,047	2,881	2,559	-	24,007
Permits and licenses	314	291	713	204	182	-	1,704
Postage and shipping	3,654	3,424	8,315	2,384	2,118	-	19,895
Professional fees	-	-	17,627	34,613	9,990	-	62,230
Supplies	4,475	3,891	112,944	-	-	3,013	124,323
Property taxes	-	-	-	-	1,305	-	1,305
Training	404	375	919	263	234	-	2,195
Transportation	11,710	10,887	26,645	7,640	6,787	-	63,669
Travel	1,464	1,361	3,331	955	848	-	7,959
Utilities	55,380	51,494	126,026	36,136	32,101	-	301,137
Venue	-	-	-	-	-	6,680	6,680
	$ 1,814,575	$ 474,723	$ 2,213,675	$ 358,333	$ 790,455	9,693	5,661,454
Less: direct benefits to donors						(9,693)	(9,693)
						$ -	$ 5,651,761

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in in net assets	$ 569,267	$ (299,114)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	257,455	271,320
Donated property and equipment	(666,385)	-
Loss on disposal of property and equipment	20,420	-
Unrealized gain on investments	(2,120)	(3,427)
(Increase) decrease in operating assets:		
Accounts receivable	(644)	9,066
Pledges receivable	(178,945)	-
Grants receivable	(28,828)	(42,603)
Prepaid expenses	(737)	(6,060)
Employee advances	(5,271)	1,325
Increase (decrease) in operating liabilities:		
Accounts payable	(8,169)	(16,772)
Accrued liabilities	(4,323)	41,986
Deferred compensation	(18,000)	31,647
Funds held for others	(6,327)	6,479
Net cash used in operating activities	(72,607)	(6,153)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale of investments	8,998	3,274
Purchases of property and equipment	(80,606)	(36,652)
Proceeds from sale of property and equipment	-	1,450
Change in restricted cash	(21,630)	(301,000)
Net cash used in investing activities	(93,238)	(332,928)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on capital lease obligations	(19)	-
Net cash used in financing activities	(19)	-
NET DECREASE IN CASH	(165,864)	(339,081)
CASH AND EQUIVALENTS, BEGINNING OF YEAR	669,982	1,009,063
CASH AND EQUIVALENTS, END OF YEAR	$ 504,118	$ 669,982

See notes to financial statements

LAS VEGAS RESCUE MISSION

STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2017 AND JUNE 30, 2016

	2017	2016
SUPPLEMENTAL DISCLOSURES		
Property and equipment acquired through capital lease obligation	$ 9,484	$ -
Cash paid for interest	$ 789	$ -

See notes to financial statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

Las Vegas Rescue Mission (the "Mission") is a non-profit organization located in Southern Nevada, which was organized solely for educational, religious, scientific and general charitable purposes. The Mission provides food, shelter, and clothing, and offers programs to help citizens recover from alcohol and drugs, and spiritual guidance.

The Mission was incorporated under the laws of the State of Nevada on October 3, 1979.

Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America and, accordingly, reflect all significant receivables, payables, and other liabilities.

Income Taxes

The Mission is a not-for-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is generally exempt from income taxes on related income pursuant to the appropriate section of the Internal Revenue Code.

Financial Statement Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its *Accounting Standards Codification* (ASC). Under FASB ASC, the Mission 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.

Advertising

The Mission uses advertising to promote its programs among the audience it serves. The production costs of advertising are expensed as incurred. For the years ended June 30, 2017 and 2016, advertising expense was $518,922 and $508,096 respectively.

Cash and Cash Equivalents

The Mission considers all highly-liquid investments with an initial maturity of three months or less to be cash equivalents.

Use of Estimates

Timely 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. See Note 6 for discussion of significant estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the statements of activities and in the statements of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide overall support and direction of the Mission.

Donated Assets and Services

Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair value at the date of donation. Generally, donated goods, if significant in amount, are recorded at fair market value provided the Mission has a clearly measurable and objective basis for determining the value.

Donated services are recognized as contributions in accordance with FASB ASC, if the services (a) create or enhance nonfinancial assets, or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Mission. The Mission received a substantial amount of donated services from unpaid volunteers. However, the value of the contributed services is not reflected in the accompanying financial statements as it did not meet the criteria for recognition under FASB ASC.

Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. It is the Mission's policy to charge off uncollectible receivables when management determines the receivable will not be collected. As of June 30, 2017 and 2016, management expects the outstanding balances to be collected in full and no allowance was recognized. No interest income is recognized or charged on receivables. Pledges receivable at June 30, 2017 are considered collectible, unconditional, and due within one year. Accordingly, no discount has been recognized.

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property and Equipment

The Mission follows the practice of capitalizing all expenditures for property and equipment in excess of $2,500 with a useful life over one year. Purchased property and equipment are carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed on the straight-line method over the useful lives of the assets, generally as follows:

Vehicles	5 Years
Furniture, Fixtures and Equipment	5-7 Years
Buildings and Improvements	5-39 Years

When assets are retired or otherwise disposed, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of activities for the period. The cost of maintenance and repairs is expensed as incurred, while significant renewals and betterments are capitalized.

Impairment of Long-Lived Assets

The Mission periodically evaluates whether events and circumstances have occurred that may warrant revision of the estimated useful life of property and equipment or whether the remaining balance of property and equipment should be evaluated for possible impairment. The Mission uses an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in measuring their recoverability.

Gift of Long-Lived Assets

The Mission reports gifts of land, buildings, and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as temporarily restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Mission reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

Date of Management's Review

Subsequent events have been evaluated through March 5, 2018, which is the date the financial statements were available to be issued.

NOTE 2. FUNDS HELD FOR OTHERS

As of June 30, 2017 and 2016, funds held for others consists of monies held by the Mission for program participants who do not maintain bank accounts. These monies are readily available to the individuals.

NOTE 3. INVESTMENTS AND FAIR VALUE OF ASSETS

In accordance with FASB ASC 820-10, the following are quantitative disclosures about the fair value measurements. Fair value measurements are categorized on three levels:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Level 1 also includes U.S. Treasury and federal agency securities, which are traded by dealers and brokers in active markets. Valuations obtained from readily available pricing.

Level 2 – Valuation for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer or broker traded transactions. Level 3 valuations incorporate certain unobservable assumptions and projections in determining the fair value assigned to such assets and liabilities.

For the fiscal years ending June 30, 2017 and 2016, the Mission's only assets or liabilities measured at fair value are its investments. Investments measured at fair value on a recurring basis as of June 30 are as follows:

	Level 1	June 30, 2017
Marketable securities	$ 2,221	$ 2,221
Mutual funds - equity	25,839	25,839
	$ 28,060	$ 28,060

	Level 1	June 30, 2016
Marketable securities	$ 12,565	$ 12,565
Mutual funds - equity	22,373	22,373
	$ 34,938	$ 34,938

NOTE 4. CONCENTRATIONS

In the ordinary course of business, the Mission maintains cash balances at financial institutions in excess of federally insured limits. Cash held by banking institutions is insured up to the Federal Deposit Insurance Corporation ("FDIC") limit of $250,000. As of the years ended June 30, 2017 and 2016, the total uninsured cash balance was $591,098 and $729,186, respectively.

As of the years ended June 30, 2017 and 2016, the total amount of grants receivable was due from one grantor.

As of the year ended June 30, 2017, the total amount of pledges receivable was due from one donor.

NOTE 5. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at June 30:

	2017	2016
Buildings and improvements	$ 8,227,523	$ 7,451,237
Land	343,757	343,757
Vehicles	196,488	173,070
Furniture, fixtures, and equipment	790,432	841,941
Website	8,280	-
Construction in progress	-	20,420
	9,566,480	8,830,425
Less: accumulated depreciation	3,423,303	3,165,848
	$ 6,143,177	$ 5,664,577

NOTE 6. ESTIMATES

The Mission receives significant amounts of donated food and goods which are recognized as in-kind revenues and expenses. The valuation of these in-kind donations is a significant estimate. The amount recorded as donated food revenue and expense is determined using the estimated average costs per meal multiplied by the number of recipients. The amount recorded as other in-kind revenue and expense is determined based on the estimated fair value of the items donated.

The Mission's estimate of the useful life of the fixed assets is based on general knowledge about comparative items, which is based on the historical experience with similar items. We evaluated the key factors and assumptions used to develop estimates of the useful life of fixed assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The Mission also uses estimates to allocate expenses by function. The Mission's estimate of the functional expense allocation is based upon salary and square footage allocations. The salary allocation is determined based on the estimated time each employee spends working in each function. The square footage allocation is based on the estimated usage of square footage amongst the various programs and supporting services benefited.

The deferred compensation liability is estimated using the anticipated life expectancy of the beneficiary. It is reasonably possible that the actual life of the beneficiary could differ from this estimate. As of June 30, 2017 and 2016, the effects of the financial statement impact of this reasonably possible change in estimate are not able to be determined.

NOTE 7. NOTE PAYABLE

In December 2007, the Mission was awarded an Affordable Housing Program ("AHP") Subsidy for the construction of the Las Vegas Rescue Mission Men's Center totaling $1,000,000. These funds have been recognized as a note payable and will be forgiven once the 15-year life of the note payable has expired. The entire $1,000,000 balance of the loan will be recognized as revenue in the year of expiration.

NOTE 7. NOTE PAYABLE (CONTINUED)

This agreement includes certain restrictive covenants that must be adhered to by the Mission. These covenants include compliance with AHP regulations and a requirement that dwellings remain occupied by individuals whose incomes meet low-income thresholds, among others. If the Mission fails to meet any of these covenants, it is required to repay the note payable. The loan is collateralized with the premises located at 480 W. Bonanza Road in Las Vegas, Nevada. As of June 30, 2017 and 2016, the Mission was in compliance with all such covenants.

NOTE 8. COMMITMENTS

In December 2015, the Mission entered into a line of credit agreement for $250,000 that is collateralized by the Mission's property. At June 30, 2017, this line of credit had a maturity date of November 30, 2017 with an interest rate of 6%. As of June 30, 2017 and 2016, this line of credit had a balance of $0. In November 2017, the line of credit was extended through November 2018.

NOTE 9. DEFERRED COMPENSATION

The Mission has a deferred compensation arrangement with a former officer of the Mission. Providing the Mission is solvent, the recipient is entitled to a defined benefit payment of $1,500 per month for the remainder of the recipient's life. If the Mission becomes insolvent, payments to the recipient will cease until such a time that the Mission regains solvency. During times of insolvency, the defined benefit payment of $1,500 will accrue.

During the years ended June 30, 2017 and 2016, $18,000 was paid to the recipient each year. As of June 30, 2017 and 2016, the estimated deferred compensation liability was $39,000 and $57,000, respectively. This amount was calculated using inputs to include the anticipated life expectancy of the recipient, an estimated return on investment of 0.71%, and a monthly payment of $1,500 (see Note 6). The Mission expects to pay this liability using unrestricted cash.

NOTE 10. RESTRICTED NET ASSETS

Temporarily restricted net assets are restricted for the following purposes at June 30:

	2017	2016
Shelter of Hope	$ 253,000	$ 253,000
Women's scholarship	48,000	48,000
Baby essentials	10,000	-
Permanent housing	10,000	-
Renovations	1,630	-
Time restricted (pledges receivable)	178,945	-
	$ 501,575	$ 301,000

NOTE 11. OPERATING LEASES

The Mission leases postage, kitchen and office equipment, and vehicles classified as operating leases. The leases are renewable and have varying expiration dates. Total rent expense under these leases for the years ended June 30, 2017 and 2016 was $26,273 and $22,992, respectively.

Future minimum rental payments, which are required under the operating leases for the year ending June 30, 2017 are as follows:

2018	$ 30,783
2019	27,196
2020	14,361
2021	3,252
	$ 75,592

NOTE 12. CAPITAL LEASES

The Organization leases assets and equipment under long-term lease agreements that are classified as capital leases. Amortization related to these assets is included in depreciation expense. Assets under capital lease obligations include property and equipment as of June 30:

	2017	2016
Furniture and equipment	$ 9,484	$ -
Less: accumulated amortization	(151)	-
Total assets under capital lease obligations	$ 9,333	$ -

Future net minimum rental payments, which are required under the capital leases for the year ending June 30, 2017, are as follows:

2018	$ 6,422
2019	6,422
2020	6,422
2021	6,422
2022	6,422
Thereafter	1,069
Total minimum lease payments	33,179
Less: amount representing interest	(23,714)
Total	$ 9,465
Current obligations under capital leases	$ 327
Long-term obligations under capital leases	9,138
Total obligations under capital leases	$ 9,465

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*

Board of Directors
Las Vegas Rescue Mission
Las Vegas, 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 Las Vegas Rescue Mission (a nonprofit organization), which comprise the statement of financial position as of June 30, 2017, 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 report thereon dated March 5, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Las Vegas Rescue Mission'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 Las Vegas Rescue Mission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Las Vegas Rescue Mission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2017-001.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2017-002 and 2017-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Las Vegas Rescue Mission'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*.

Las Vegas Rescue Mission's Response to Findings

Las Vegas Rescue Mission's response to findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 5, 2018

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
Las Vegas Rescue Mission
Las Vegas, Nevada

Report on Compliance for Each Major Federal Program

We have audited Las Vegas Rescue Mission's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Las Vegas Rescue Mission's major federal programs for the year ended June 30, 2017. Las Vegas Rescue Mission'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Las Vegas Rescue Mission'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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Las Vegas Rescue Mission'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 Las Vegas Rescue Mission's compliance.

Opinion on Each Major Program

In our opinion, Las Vegas Rescue Mission 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 award programs for the year ended June 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2017-005. Our opinion on each major federal program is not modified with respect to these matters.

Las Vegas Rescue Mission's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Las Vegas Rescue Mission 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 Las Vegas Rescue Mission's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 Las Vegas Rescue Mission's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. 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 preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2017-004, that we consider to be a significant deficiency.

Las Vegas Rescue Mission's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Las Vegas Rescue Mission's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Houldsworth, Russo & Company, P.C.

Las Vegas, Nevada
March 5, 2018

LAS VEGAS RESCUE MISSION

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2017

Federal Grantor/Pass Through Grantor	Program Title	Pass Through Entity Identifying Number	Federal CFDA Number	Expenditures
Passed through Nevada Department of Agriculture:				
Food Distribution Cluster				
U.S. Department of Agriculture	The Emergency Food Assistance Program (Administrative Costs)	T80187270	10.568	$ 135,605
U.S. Department of Agriculture	The Emergency Food Assistance Program (Food Commodities)	T80187270	10.569	723,091
				$ 858,696

See notes to financial statements

LAS VEGAS RESCUE MISSION

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2017

NOTE 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes federal award activity of Las Vegas Rescue Mission under programs of the federal government for the year ended June 30, 2017. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule only presents a selected portion of the operations of Las Vegas Rescue Mission, it is not intended to and does not present the financial position, changes in net assets, functional expenses, or cash flows of Las Vegas Rescue Mission.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards is prepared on the accrual basis of accounting. Expenditures are recognized following the cost principles outlined in the OMB Circular A-122, "*Cost Principles for Non-Profit Organizations*," wherein certain types of expenditures are not allowable or are limited as to reimbursement. Las Vegas Rescue Mission did not elect to use the 10% de minimis cost rate.

NOTE 3. PASS-THROUGH AWARDS

Las Vegas Rescue Mission received certain federal financial assistance from pass-through awards of the pass-through entities listed on the schedule of expenditures of federal awards.

LAS VEGAS RESCUE MISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2017

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

1. The auditor's report expresses an unmodified opinion on the financial statements of Las Vegas Rescue Mission.

2. Two instances of significant deficiencies and one instance of material weakness related to the audit of the financial statements, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

3. No instances of noncompliance material to the financial statements of Las Vegas Rescue Mission, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.

Federal Awards

1. One significant deficiency related to the audit of major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance.

2. The auditor's report on compliance for Las Vegas Rescue Mission expresses an unmodified opinion.

3. Audit findings required to be reported in accordance with 2 CFR 200.516(a) are included in this schedule.

4. The programs tested as major programs were the U.S Department of Agriculture – The Emergency Food Assistance Program (Administrative Costs), CFDA #10.568 and the U.S Department of Agriculture – The Emergency Food Assistance Program (Food Commodities), CFDA #10.569.

5. The threshold for distinguishing between Type A and Type B programs was $750,000.

6. Las Vegas Rescue Mission does not qualify as a low-risk auditee.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT

2017-001: Material Adjustments to Financial Statements

Criteria: Financial statements are required to be fairly stated in accordance with accounting principles generally accepted in the United States of America.

Condition: During the audit, material adjustments were discovered that needed to be made to the accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2017-001: Material Adjustments to Financial Statements (Continued)

Context: Prior to the audit, balances in the general ledger were not adjusted which resulted in general ledger balances that were not in accordance with accounting principles generally accepted in the United States of America.

Effect: Failure to adjust general ledger balances to be in accordance with accounting standards generally accepted in the United States of America resulted in improper balances.

Cause: Internal controls were not designed and implemented over the conversion and reconciliation of accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that management design a system whereby all general ledger balances are adjusted to be in accordance with accounting principles generally accepted in the United States of America prior to those balances being submitted for audit procedures.

Management Response: Effective January, 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions (“KG&R”) as their outsourced controller. The directors of KG&R have over 45 years of accounting and financial reporting experience between the two of them. KG&R has an exceptional reputation in the accounting industry for financial statement reporting of not-for-profit organizations. As part of their engagement, KG&R will ensure that all balance sheet accounts are reconciled to a source document at least quarterly and that accurate financial statements are presented to the President/CEO and Board of Directors monthly.

2017-002: Special Events Cash Receipts

Criteria: Appropriate segregation of duties should be maintained over special events cash receipts collection procedures to promote an effective control environment.

Condition: Appropriate segregation of duties was not well defined related to special events cash collection procedures.

Context: During the financial statement audit procedures performed, it was discovered that special events cash receipts collection procedures were not well defined. As a result, appropriate segregation of duties was inconsistently applied to special events cash receipts collection procedures.

Effect: There is a risk that material misappropriation could occur which would go undetected.

Cause: Internal controls were not designed and implemented over the segregation of duties related to the special events cash receipts accounting function.

Recommendation: We recommend that management design procedures whereby appropriate segregation of duties over special event cash collection procedures is maintained.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2017-002: Special Events Cash Receipts (Continued)

Management Response: The LVRM has implemented that two people be present for the taking of all cash at all fundraising events. These individuals will be responsible for filling out a cash log sheet as cash is received. Two individuals will count the cash and sign off on a cash count sheet. The outsourced bookkeeper will review the log, sign off on the cash count, and ensure the cash deposit ties to the bank deposit slip. Cash deposits are always made by the President/CEO.

2017-003: Restrictions Tracking

Criteria: In order for financial statements to be fairly stated in accordance with accounting principles generally accepted in the United States of America, net assets with donor-imposed restrictions must be identified and disclosed in the financial statements.

Condition: During the audit, we discovered inconsistent tracking of restricted contribution revenue and subsequent releases in the general ledger resulting in a risk that contributions restricted by donors for specific purposes could be spent for purposes other than the donor's intentions.

Context: Failure to properly recognize donor-restricted revenue and expense activity in accordance with accounting principles generally accepted in the United States of America could result in improper balances.

Effect: Donor-restricted contribution revenues and subsequent releases were not consistently tracked in the accounting records thereby increasing the risk that the financial statements presented would not be in accordance with accounting principles generally accepted in the United States of America.

Cause: Internal controls over the recognition and posting of donor-restricted contribution revenues and subsequent release activity needed in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America were not consistently implemented.

Recommendation: We recommend that management design a system whereby donor-restricted contribution revenues and subsequent release activity are consistently tracked and recognized in the accounting records. This recognition should be posted to the accounting records prior to the general ledger balances being submitted for audit procedures.

FINDINGS AND QUESTIONED COSTS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2017-003: Restrictions Tracking (Continued)

Management Response: The LVRM outsourced their accounting function to KG&R Bookkeeping Solutions in January, 2017. At that time, numerous changes to accounting systems, functions, and processes were made. Unfortunately, as half of fiscal year July 1, 2016 – June 30, 2017 had already transpired, the financial impact of a full in-depth review of all the donations received for the LVRM during the first half of the fiscal year was not feasible. Effective January, 2017 all donations are tracked by restriction, program, donor, and amount so that reconciling restricted versus non restricted net assets for the organization at year end should be organized and accurate.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2017-004: Internal Controls Systems Over Eligibility – All Major Programs

Criteria: As defined in 2 CFR 200.62, an auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award.

Condition: Of the 60 recipient households selected for testing, evidence of eligibility for 1 recipient households was unable to be produced by management.

Context: Management failed to identify and remediate this lack of evidence of eligibility.

Effect: This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

Cause: The design and implementation of internal controls over the review and retention of eligibility support was not effective.

Repeat Finding: This finding is a repeat of prior year finding number 2016-008.

Recommendation: We recommend that management design and implement a system whereby documentation over eligibility is maintained.

Management Response: Effective March, 2017, Management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT (CONTINUED)

2017-005: Compliance Over Eligibility – All Major Programs

Criteria: As defined in 2 CFR 200.333, supporting documentation pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report.

Condition: Of the 60 recipient households selected for testing, management was unable to produce evidence of eligibility for 1 recipient household.

Context: Management failed to retain supporting documentation for eligible recipient households as required by 2 CFR 200.333

Effect: This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

Cause: The design and implementation of internal controls over the review and retention of eligibility support was not effective.

Repeat Finding: This finding is a repeat of prior year finding number 2016-009.

Recommendation: We recommend that management maintain documentation over eligibility in accordance with applicable grant agreements.

Management Response: Effective March, 2017, management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

LAS VEGAS RESCUE MISSION

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2017

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT

2016-001: Material Adjustments to Financial Statements

Criteria: Financial statements are required to be fairly stated in accordance with accounting principles generally accepted in the United States of America.

Condition: During the audit, material adjustments were discovered that needed to be made to the accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

Context: Prior to the audit, balances in the general ledger were not adjusted which resulted in general ledger balances that were not in accordance with accounting principles generally accepted in the United States of America.

Effect: Failure to adjust general ledger balances to be in accordance with accounting standards generally accepted in the United States of America resulted in improper balances.

Cause: Internal controls were not designed and implemented over the conversion and reconciliation of accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

Recommendation: We recommend that management design a system whereby all general ledger balances are adjusted to be in accordance with accounting principles generally accepted in the United States of America prior to those balances being submitted for audit procedures.

Management Response: Effective January 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions ("KG&R") as their outsourced controller. The directors of KG&R have over 45 years of accounting and financial reporting experience between the two of them. KG&R has an exceptional reputation in the accounting industry for financial statement reporting of not-for-profit organizations. As part of their engagement, KG&R will ensure that all balance sheet accounts are reconciled to a source document at least quarterly and that accurate financial statements are presented to the Executive Director and Board of Directors monthly.

All journal entries will be recorded in sequential number with a lead sheet to summarize annually. These entries will be filed in a binder with all backup documentation and signed off by the Executive Director. This binder will be retained with the organization's accounting records for a period of ten years.

Current status: Corrective action was not properly implemented. In the current year, there is one material weakness in internal control due to material adjustments.

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2016-002: Segregation of Duties Over Cash Receipts and Cash Disbursements

Criteria: Appropriate segregation of duties should be maintained over all accounting cycles to promote an effective control environment.

Condition: Appropriate segregation of duties was not maintained over cash receipts or cash disbursements.

Context: During the financial statement audit procedures performed, it was discovered that one individual was responsible for retrieving and opening the mail, recording receipts into the general ledger, and completing the bank deposit. This same individual also maintained check stock, recorded cash disbursements to the general ledger, and reconciled the bank accounts.

Effect: There is a risk that material misappropriation could occur which would go undetected.

Cause: Internal controls were not designed and implemented over the segregation of duties related to the cash receipts and cash disbursement accounting functions.

Recommendation: We recommend that management design procedures whereby appropriate segregation of duties over the cash receipts and cash disbursements processes are maintained.

Management Response: Effective January 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions ("KG&R") as their outsourced controller. As part of their engagement, KG&R has designed segregation of duties that will be put into effect within the organization effective February 1, 2017.

The opening of mail, recording receipts into the general ledger, completing the bank deposit, maintaining check stock, recording cash disbursements into the general ledger, and reconciling the bank accounts will be segregated amongst organization staff, KG&R staff, the Executive Director, and the Board Treasurer.

Current Status: Corrective action was properly implemented.

2016-003: In-Kind Donations Tracking and Recognition

Criteria: In order for financial statements to be fairly stated in accordance with accounting principles generally accepted in the United States of America, in-kind revenues and expenses must be recognized.

Condition: During the audit, adjustments to in-kind revenue and expenses were discovered that needed to be made to the accounting records in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America.

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2016-003: In-Kind Donations Tracking and Recognition (Continued)

Context: Failure to properly recognize in-kind revenues and expenses in accordance with accounting principles generally accepted in the United States of America resulted in improper balances.

Effect: In-kind revenues and expenses were not posted to the accounting records in accordance with accounting principles generally accepted in the United States of America.

Cause: Internal controls over the recognition and posting of in-kind revenues and expenses needed in order for the financial statements to be presented in accordance with accounting principles generally accepted in the United States of America were not well defined or consistently implemented.

Recommendation: We recommend that management design a system whereby in-kind donations are tracked and recognized in the accounting records. This recognition should be posted to the accounting records prior to the general ledger balances being submitted for audit procedures.

Management Response: Effective January, 2017 a donation tracking log has been developed and implemented with kitchen staff.

Current status: Corrective action was properly implemented.

2016-004: Document Retention

Criteria: The Mission should maintain supporting documentation for all contractual agreements entered into.

Condition: The Mission was unable to produce supporting documentation for three existing lease agreements.

Context: Failure to maintain documentation related to contractual obligations could result in an improper assessment of a transaction, which could result in improper financial statement recognition.

Effect: Lack of supporting documentation for contracts entered into could result in a misapplication of accounting principles generally accepted in the United States of America as these documents are required for financial statement impact assessment purposes.

Cause: Internal controls were not designed and implemented over controls related to document retention.

Recommendation: We recommend that management design and implement a document retention policy to ensure that those contractual liabilities are properly recognized in the accounting records

PRIOR AUDIT FINDINGS – FINANCIAL STATEMENT AUDIT (CONTINUED)

2016-004: Document Retention (Continued)

Management Response: Management adopted a Record Retention and Destruction policy approved by the Board in October of 2015. With the staff changes and outsourced controller function with KG&R Bookkeeping Solutions ("KG&R"), management is confident of improved recognition of contractual liabilities and document retention going forward.

Current status: Corrective action was properly implemented.

2016-005: Controls Over Approval of Payroll

Criteria: To promote an effective control environment, internal controls over the approval of payroll amounts should be well defined and documented.

Condition: During the financial statement audit procedures performed, it was discovered that one individual received vacation pay during a pay period, in addition to their standard compensation, without obtaining prior management approval. Evidence of this individual's pay rate was also not maintained in the employee file. Additionally, certain employees received bonus payouts which were grossed up to compensate for the deduction in payroll taxes. This gross up had not been approved by the Board of Directors.

Context: Failure to define internal controls over the approval of payroll amounts could result in an improper amount being paid to employees.

Effect: Written documentation did not exist for payroll amounts paid to certain employees.

Cause: Internal controls over the approval of payroll amounts were not well defined or consistently implemented.

Recommendation: We recommend that management design and implement a process whereby all payroll amounts are approved and documented prior to disbursement being made.

Management Response: Effective January, 2017, the Las Vegas Rescue Mission has contracted KG&R Bookkeeping Solutions ("KG&R") as their outsourced controller. As part of their engagement, KG&R has designed segregation of duties that will be put into effect within the organization effective February 1, 2017.

The approval of timecards, preparation and processing of payroll and payroll taxes, preparation of the quarterly payroll tax returns and year end forms will be segregated amongst organization staff, KG&R staff, and the Executive Director. These functions may be outsourced to a third party payroll service company and timecards will be uploaded electronically by the outsourced payroll provider (Pricing for outsourcing the payroll function is currently being evaluated).

Current status: Corrective action was properly implemented.

PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

2016-006: Schedule of Expenditures of Federal Awards - All Major Programs

Criteria: In accordance with 2 CFR 200.510, the auditee must prepare a schedule of expenditures of federal awards which must include the total federal awards expended.

Condition: Expenditures relating to the period were omitted from the schedule of expenditures of federal awards.

Context: Management failed to identify expenditures as expended from federal awards in the proper period and, therefore, these expenditures were not included on the schedule of expenditures of federal awards.

Effect: Improper recognition of federal expenditures could result in an improper determination relating to the necessity of a Single Audit and/or a major program determination.

Cause: The design and implementation of internal controls over the recognition of the expenditures of federal awards was not effective.

Recommendation: We recommend that management design a system whereby all federal expenditures are tracked and included on the schedule of expenditures of federal awards in the proper period.

Management Response: As part of the outsourced controllership of the Las Vegas Rescue Mission accounting function to KG&R Bookkeeping Solutions, a new QuickBooks accounting system will be implemented effective March 1, 2017. This revised setup will include a new chart of accounts and three dimensional “Class” tracking that will allow for ease of tracking federal award expenditures. This class tracking will include tracking by functional expense, program, and fund source (grant, sponsorship, etc.). A profit & loss report by Class will support all grant draws.

Expenses will be coded to the correct class upon posting of vendor invoices into the accounting system. These expenses will be tracked on accrual basis with the date on the vendor invoice used as the posting date. An accounts payable summary report will be provided to the Board of Directors monthly as part of the monthly financial packet for review.

Current status: Corrective action was properly implemented.

2016-007: Data Collection Form Submission – All Major Programs

Criteria: In accordance with 2 CFR 200.512, the auditee must submit required data elements described in Appendix X to Part 200—Data Collection Form (Form SF-SAC), which state whether the audit was completed in accordance with this part and provides information about the auditee, its Federal programs, and the results of the audit. This information must be submitted to the Federal Audit Clearinghouse, the designated repository.

PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT (CONTINUED)

2016-007: Data Collection Form Submission – All Major Programs

Condition: Data Collection Forms were not submitted for the periods ending June 30, 2013, June 30, 2014, and June 30, 2015.

Context: Management failed to identify and remediate this failure to submit the Data Collection Form in accordance with 2 CFR 200.512.

Effect: Noncompliance with applicable CFR requirements could impact relationships with existing and potential grantors.

Cause: The design and implementation of internal controls over the submission of the Data Collection Form was not effective.

Recommendation: We recommend that management design a system whereby the submission of the Data Collection Form is verified.

Management Response: With the engagement of a new auditor, Houldsworth, Russo & Company, P.C., (“HRC”) management has been educated as to these filing requirements and will be in compliance moving for tax year 2016 going forward. Management will verify the relevant data submission prior to filing by our external auditor, HRC.

Current status: Corrective action was properly implemented.

2016-008: Internal Controls Systems Over Eligibility – All Major Programs

Criteria: As defined in 2 CFR 200.62, and auditee is required to maintain a system of internal control over compliance designed to provide reasonable assurance that federal award transactions executed are in compliance with the terms and conditions of the federal award.

Condition: Of the 60 recipient households selected for testing, evidence of eligibility for 2 recipient households was unable to be produced by management.

Context: Management failed to identify and remediate this lack of evidence of eligibility.

Effect: This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

Cause: The design and implementation of internal controls over the review and retention of eligibility support was not effective.

Recommendation: We recommend that management design and implement a system whereby documentation over eligibility is maintained.

PRIOR AUDIT FINDINGS – MAJOR FEDERAL AWARDS PROGRAM AUDIT (CONTINUED)

2016-008: Internal Controls Systems Over Eligibility – All Major Programs (Continued)

Management Response: Effective March, 2017, Management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

Current status: Corrective action was not properly implemented. In the current year, there is one significant deficiency noted in internal control over compliance related to eligibility.

2016-009: Compliance Over Eligibility – All Major Programs

Criteria: As defined in 2 CFR 200.333, supporting documentation pertinent to a federal award must be retained for a period of three years from the date of submission of the final expenditure report.

Condition: Of the 60 recipient household selected for testing, evidence of eligibility for 2 recipient households was unable to be produced by management.

Context: Management failed to retain supporting documentation for eligible recipient households as required by 2 CFR 200.333

Effect: This lack of eligibility evidence resulted in the possibility of an ineligible recipient household receiving food distribution.

Cause: The design and implementation of internal controls over the review and retention of eligibility support was not effective.

Recommendation: We recommend that management maintain documentation over eligibility in accordance with applicable grant agreements.

Management Response: Effective March 2017, management revised procedures to require a supervisor to confirm proper documentation has been obtained before food is delivered to customer. In addition, the manager will compare computer records with verification information daily to confirm proper documentation has been secured. All paperwork will be filed in a locked cabinet and kept for three years until destroyed in accordance with policy.

Current status: Corrective action was not properly implemented. In the current year, there is one significant deficiency noted in internal control over compliance related to eligibility.