

**ALBUQUERQUE AREA INDIAN
HEALTH BOARD, INC.**
FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORTS
September 30, 2016

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albuquerque Area Indian Health Board, Inc.

We have audited the accompanying financial statements of Albuquerque Area Indian Health Board, Inc. (AAIHB) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise of AAIHB's basic financial statements as listed in the table of contents.

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

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of AAIHB as of September 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 3-6 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of AAIHB's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2017, on our consideration of AAIHB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AAIHB's internal control over financial reporting and compliance.

Craig A. LeCompte, CPA
LeCompte, P.C.
Rio Rancho, NM
May 24, 2017

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2016

Background

The Albuquerque Area Indian Health Board, Inc. (AAIHB) is a not-for-profit, 501(c) (3), consortium of six federally recognized tribes in New Mexico and Southern Colorado. AAIHB was incorporated in 1980 to provide direct health care services and to foster self determination in health care delivery systems. Each tribe appoints a representative to the AAIHB board of directors. These representatives assess and advocate for the health care needs of their respective tribal communities.

Introduction

This section of the Albuquerque Area Indian Health Board's annual financial report introduces the basic financial statements and presents an analytical overview of the financial position and changes in financial position for the fiscal year ended September 30, 2016. Management has prepared this information; it should be read in conjunction with the Independent Auditor's Report, audited financial statements and notes thereto. The information being presented provides additional information regarding the activities of the AAIHB and meets the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Statement of Net Position

The Statement of Net Position is a list of the Assets and Liabilities of AAIHB at year end September 30, 2016 with the difference being the net position. The net position is categorized as "Invested in Capital Assets," "Restricted," or "Unrestricted." Net Position Invested in Capital Assets is the fixed assets of AAIHB reduced by accompanying debt and accumulated depreciation. Restricted net position is those assets subject to externally imposed restrictions governing their use. All other assets are categorized as unrestricted.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2016

Condensed Statement of Net Position

Assets	2016	2015	Change	% Change
Current assets	\$ 2,276,151	\$ 2,317,964	\$ (41,813)	-1.8%
Noncurrent assets	898,496	620,681	277,815	44.8%
Total Assets	<u>\$ 3,174,647</u>	<u>\$ 2,938,645</u>	<u>\$ 236,002</u>	<u>8.0%</u>
Liabilities				
Current liabilities	\$ 1,896,759	\$ 1,698,964	\$ 197,795	11.6%
Noncurrent liabilities	320,943	336,805	(15,862)	-4.7%
Total Liabilities	<u>2,217,702</u>	<u>2,035,769</u>	<u>181,933</u>	<u>8.9%</u>
Net Position				
Invested in capital assets	56,956	73,313	(16,357)	-22.3%
Restricted	460,463	422,778	37,685	8.9%
Unrestricted	439,526	406,784	32,742	8.0%
Total Net Position	<u>\$ 956,945</u>	<u>\$ 902,875</u>	<u>\$ 54,070</u>	<u>6.0%</u>

There was an increase of six percent in the AAIHB net asset position over the prior fiscal year. There was an increase in assets and a corresponding increase in liabilities. The AAIHB continues to experience steady incremental expansion of program services.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2016

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Assets presents the AAIHB's results of operations for the year ended September 30. Below is the Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of September 30, 2016 and 2015.

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2016	2015	Change	% Change
Operating Revenues				
Program Income	\$ 369,367	\$ 342,834	\$ 26,533	7.7%
Government Grants	3,402,191	2,810,717	591,474	21.0%
Private Donations	10,659	10,500	159	1.5%
Total Operating Revenues	<u>3,782,217</u>	<u>3,164,051</u>	<u>618,166</u>	<u>19.5%</u>
Operating Expenses				
Direct Program Expenses	3,229,889	2,614,731	615,158	23.5%
Indirect Cost Expenses	564,626	569,912	(5,286)	-0.9%
Total Operating Expenses	<u>3,794,515</u>	<u>3,184,643</u>	<u>609,872</u>	<u>19.2%</u>
Operating Deficit	<u>(12,298)</u>	<u>(20,592)</u>	<u>8,294</u>	<u>40.3%</u>
Nonoperating Revenues (Expenses)				
Fund Transfer	-	30,038	(30,038)	60,076
Investment Income	73,162	2,745	70,417	2565.3%
Depreciation	(6,794)	(7,636)	842	-11.0%
Net Nonoperating Revenues	<u>66,368</u>	<u>25,147</u>	<u>41,221</u>	<u>163.9%</u>
Net Increase/Decrease in Net Position	<u>54,070</u>	<u>4,555</u>	<u>49,515</u>	<u>1087.0%</u>
Net Position, beginning of year	<u>902,875</u>	<u>898,320</u>	<u>4,555</u>	<u>0.5%</u>
Net Position, end of year	<u>\$ 956,945</u>	<u>\$ 902,875</u>	<u>\$ 54,070</u>	<u>6.0%</u>

In fiscal year 2016, revenues and corresponding expenses increased by more than almost twenty percent, due to expanded activities under the CDC Good Health and Wellness in Indian Country program. Due to a strong recovery in the capital markets, the AAIHB's investment portfolio experienced gains sufficient to offset the prior year's decline.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2016

Expenses classified by Function

A comparative summary of the AAIHB's operating expenses by functional classification for the years ended September 30, 2016 and 2015 is included below:

Expenses by Functional Classification

	<u>2016</u>	<u>2015</u>
Audiology	\$ 940,289	\$ 780,640
HIV/AIDS/STI Prevention	140,682	150,785
Cancer prevention	47,633	119,316
Epidemiology/Research	1,209,638	925,260
Community Based Public Health	869,330	621,061
Special Projects	22,317	17,669
Overhead/Administration	<u>564,626</u>	<u>569,912</u>
Total Operating Expenses	<u>\$ 3,794,515</u>	<u>\$ 3,184,643</u>

During fiscal year 2016, the AAIHB successfully expanded program services delivery, without generating an increase in overhead costs.

Future Outlook

The AAIHB anticipates continued incremental growth in programmatic services delivery and expects continued financial stability into the future.

All general correspondence can be accomplished through:

Albuquerque Area Indian Health Board, Inc.
5015 Prospect Avenue NE
Albuquerque, NM 87110

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Net Position
As of September 30, 2016

Assets

Current Assets

Cash	\$ 348,986
Short-term investments	1,394,747
Grants and contracts receivable	407,848
Accounts receivable	99,837
Other receivable	2,486
Prepaid expenses	22,247
<i>Total current assets</i>	2,276,151

Noncurrent Assets

Investments	561,473
Capital Assets, net of accumulated depreciation	337,023
<i>Total Noncurrent Assets</i>	898,496
Total assets	\$ 3,174,647

Liabilities

Current Liabilities

Accounts payable	\$ 249,385
Accrued liabilities	91,299
Mortgage payable	16,791
Unearned revenue	1,539,284
<i>Total current liabilities</i>	1,896,759

Noncurrent liabilities

Compensated Absences Payable	57,668
Mortgage Payable	263,275

Total Liabilities	2,217,702
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Net Position

Invested in Capital Assets net of related debt	56,956
Restricted	460,463
Unrestricted	439,526

Total Net Position	\$ 956,945
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The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2016

Operating Revenues	
Grant Award Income IHS	\$ 2,163,744
Grant Award Income CDC	1,146,190
Grant Award Income NM DOH	15,950
Grant Award Income NM DIA	76,307
Program Service Fees	369,367
Private Donations	10,659
Total Operating Revenues	<u>3,782,217</u>
Operating Expenses-Direct	
Salaries	1,327,582
Benefits/Payroll Taxes	336,435
Travel	217,692
Project Supplies	414,286
Dues, fees, subscriptions	4,577
Equipment lease/Maintenance	28,793
Consultant fees	382,807
Training & Certification	31,371
Communication	22,844
Insurance	7,635
Occupancy costs	100,580
Depreciation	25,759
Interest	13,946
Tribal subawards	315,582
Total Operating Expenses-Direct	<u>3,229,889</u>

The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended September 30, 2016

Operating Expenses-Indirect	
Salaries	309,880
Benefits/Payroll Taxes	73,362
Staff travel	8,587
Board travel	52,635
Office Supplies	14,090
Dues, fees, subscriptions	1,296
Equipment maintenance	8,644
Professional fees	42,007
Training	8,597
Occupancy	5,476
Depreciation	5,426
Interest	2,277
Communication	4,623
Insurance	851
Directors Fees	26,875
Total Operating Expenses-Indirect	564,626
Operating Income/(Loss)	(12,298)
Non-operating revenues (expenses)	
Net Investment Gain	73,162
Depreciation of Consortium owned assets	(6,794)
Net Increase (Decrease) in Net Position	54,070
Net position beginning of year	902,875
Net position end of year	\$ 956,945

The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Cash Flows
Year Ended September 30, 2016

Cash flows from operating activities

Receipts for program services	\$ 329,266
Receipts from government grants/contracts	3,315,428
Receipts of private donations	30,650
Payments to employees for services	(1,108,345)
Payments to suppliers of goods or services	<u>(2,551,200)</u>
Net cash provided by operating activities	15,799

Cash flows from capital and related financing activities

Repayment of capital debt	<u>(21,622)</u>
Net cash used by capital financing activities	(21,622)

Cash flows from investing activities

Dividend and interest received	45,975
Purchases of bond fund shares	(412,888)
Purchase of equipment	-
Redemptions of bond fund shares	<u>575,000</u>
Net cash provided by investing activities	208,087

Net increase in cash 202,264

Cash - beginning of year 146,721

Cash - end of year \$ 348,985

Reconciliation of operating loss to net cash used by operating activities:

Operating loss \$ (12,298)

Adjustments to reconcile operating loss to net cash provided

by operating activities:

 Depreciation Expense 37,979

 Changes in Assets and liabilities:

 Grants Receivable (144,498)

 Other Receivables (65,169)

 Prepaid Expenses (3,721)

 Accounts Payable 81,752

 Unearned Revenues 95,224

 Accrued Liabilities 17,900

 Compensated Absences 8,630

Net cash provided by operating activities \$ 15,799

The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Albuquerque Area Indian Health Board, Inc. (AAIHB) was incorporated as a nonprofit organization on February 4, 1980 and is primarily funded by the U.S Department of Health and Human Services (86%). AAIHB is considered a government because AAIHB's board of directors is appointed by members of tribal governments. Member tribal governments include: The To'Hajiilee Band of Navajos, the Ramah Band of Navajos, the Jicarilla Apache Nation, the Mescalero Apache Tribe, the Ute Mountain Ute Tribe and the Southern Ute Indian Tribe. AAIHB's purpose is to promote the common welfare and well being of the Indian communities and reservations of its members through the development of health services and the health education of the Indian people it represents.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, the financial statements must present the Board (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

B. Operations & Budgetary Data

The operations of AAIHB, Inc. encompass providing health related services and disbursing health information to tribal communities in the Albuquerque area. The operating revenues and expenses of the board are primarily financed as stated above through grants funded by the United States Department of Health and Human Services. Cash flows from financing and investing activities are considered non-operating activities and are classified as such. AAIHB's grant budgets are subject to annual review and negotiation by their various funding sources. Annual budgets are not required to be legally adopted.

C. Basis of Accounting

AAIHB follows the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, which establish the financial reporting standards for all state and local government entities.

The accompanying financial statements have been prepared using the economic resources measurement focus and the accrual basis of accounting and reflect transactions on behalf of AAIHB, the reporting entity. AAIHB is considered a special purpose government engaged in business-type activities.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies (continued)

Under GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Government Entities that Use Proprietary Fund Accounting*, the AAIHB has adopted the option to apply only those Financial Accounting Standards Board (FASB) statements and interpretations issued before November 30, 1989, which do not conflict with or contradict GASB pronouncements. Only GASB pronouncements issued after this date are followed.

Net Position is classified as follows:

Invested in capital assets, net of related debt represents AAIHB's total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted net position represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. AAIHB is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by external third parties.

Unrestricted net position consists of those operating funds over which the Board of Directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, AAIHB's policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

Revenues and expenses are classified as operating or non-operating according to the following criteria:

Operating revenues and expenses include those activities that have the characteristics of an exchange transaction as well as those incurred that relate directly to the pursuit of the mission of AAIHB.

Non-operating revenues and expenses include those activities that have the characteristics of non-exchange transactions.

During the year ended September 30, 2013, AAIHB implemented the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows, Deferred Inflows and Net Position*. During the year ended September 30, 2014, AAIHB implemented the provision of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Federal and State Grants

Contract and grant revenue is recognized when program expenditures are incurred, in accordance with program guidelines. The expenditures are subject to review by the funding agency and may result in disallowance in subsequent periods. Grants and contracts receivable represent funds receivable from grantors for program services expenses in excess of reimbursements. All grants receivable are considered collectible by AAIHB. Unearned revenue reimbursements in excess of expenses are to be expended in a future period.

E. Income Tax Status

AAIHB is exempt from federal income taxation under Section 501 (c) (3) of the Internal Revenue Code. Accordingly, no tax provision has been made.

F. Use of Estimates

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

G. Cash Equivalents

For the purpose of the statement of cash flows AAIHB considers all currency on hand and deposits held by financial institutions that can be readily withdrawn without limitation as cash and cash equivalents.

H. Investments

AAIHB accounts for investments in accordance with GASB No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The provisions of this standard require that investments in equity securities with readily determinable fair values and all investments in debt securities be measured at fair value in the statement of Net Position. The unrealized gain or loss on investments is reflected in the statement of Revenues, Expenses, and Changes in Net Position. Investments are carried at the quoted market value of the security. Investment return consists of investment income, realized gain (loss) utilizing the first-in, first-out method and unrealized gain (loss). Interest, dividends and capital gains are invested in a money market fund.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

1. Summary of Significant Accounting Policies (continued)

I. Compensated Absences

Each employee earns a certain number of vacation leave hours depending on years of service and four (4) hours of sick leave per pay period. Employees may carry forward up to a total of 80 hours of accumulated vacation leave for use in a succeeding calendar year. All unused sick leave can be carried forward to the next calendar year. Employees that are terminated or terminate employment are to be only compensated for annual leave at a maximum of 120 hours. Sick leave is not paid on termination.

2. Cash and cash equivalent

AAIHB has deposits in two financial institutions with a carrying value of \$348,986 as of September 30, 2016. In the carrying value of \$348,986, \$105,116 is deposited in a non-interest bearing checking account and \$270 is held on hand. The remaining balance of \$243,600 is invested in money market accounts in three financial institutions. AAIHB's deposits were fully insured at September 30, 2016 by Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SPIC).

3. Investments

AAIHB's investments are categorized as to credit risk to give an indication of the level of risk assumed. Category one includes investments that are insured or registered, and held by the AAIHB or its agent in the AAIHB's name. Category Two includes investments that are uninsured and unregistered, and held by the AAIHB's agent in the AAIHB's name. Category Three includes investments that are uninsured and unregistered and held by the agent, but not in the AAIHB's name. On September 30, 2016 the AAIHB's investments consisted of the following:

	September 30, 2016		
	Category 1	Cateroy 2	Category 3
Stocks	\$ 29,278	\$ -	\$ -
Mutual funds	1,394,747	-	-
Certified deposits	300,764		
Bond	49,830	-	-
TRAK-Advisory Service	181,601	-	-
	\$ 1,956,220	\$ -	\$ -

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

4. Grants and Contracts Receivable

Grants receivable, all considered collectible, consist of the following:

U.S. Department of Health and Human Services:	
Indian Health Services (IHS)	
Southwest Tribal Epidemiology Center	\$ 98,837
NARCH	14,589
HIV Test	8,854
Injury Prevention	4,729
Total IHS	<u>\$ 127,009</u>
National Institutes of Health (NIH)	
<i>-Pass Through University of New Mexico</i>	
Cancer Control	\$ 13,967
Total NIH	<u>\$ 13,967</u>
Centers for Disease Control and Prevention	
CDC Wellness	\$ 266,875
Total CDC	<u>\$ 266,875</u>
Total Grants and Contracts Receivable	<u><u>\$ 407,851</u></u>

5. Property and Equipment

The AAIHB's property and equipment as of September 30, 2016 is composed of the following:

	9/30/2015			9/30/2016
	Balance	Additions	Disposals	Balance
Capital assets not being depreciated:				
Land	\$ 124,300	-	-	\$ 124,300
Total capital assets not being depreciated	<u>124,300</u>	<u>-</u>	<u>-</u>	<u>124,300</u>
Other capital assets				
Building	539,559	-	-	539,559
Equipment	308,598	-	(48,097)	260,501
Total other capital assets	<u>848,157</u>	<u>-</u>	<u>(48,097)</u>	<u>800,060</u>
Less accumulated depreciation for				
Building	(325,008)	(26,357)	-	(351,365)
Equipment	(272,446)	(11,622)	48,097	(235,971)
Total accumulated depreciation	<u>(597,454)</u>	<u>(37,979)</u>	<u>48,097</u>	<u>(587,336)</u>
Capital Asset Summary:				
Capital assets not being depreciated	124,300	-	-	124,300
Other capital assets, at cost	848,157	-	(48,097)	800,060
Total cost of capital assets	972,457	-	(48,097)	924,360
Less accumulated depreciation	(597,454)	(37,979)	48,097	(587,336)
Capital Assets, net	<u>\$ 375,003</u>	<u>(37,979)</u>	<u>-</u>	<u>\$ 337,024</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.

**Notes to Financial Statements
Year Ended September 30, 2016**

5. Property and Equipment (continued)

It is the policy of AAIHB to capitalize property acquisitions exceeding \$5,000 in cost. The estimated useful life of the AAIHB's property has been determined to be as follows: the building is 20 years, and the equipment ranges from 3 to 15 years. The straight line method of calculating depreciation is used.

6. Interfund Balances: Transfers and Interfund Activity

AAIHB occasionally purchases equipment using restricted federal funds that are subsequently used in its allowable business related activities. These assets are transferred to the investment in capital assets fund and are depreciated over their useful life. AAIHB reports these transfers in its financial statements in accordance with GASB No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

7. Accrued Liabilities

The AAIHB's accrued liabilities consist of the following amounts that were payable as of September 30, 2016:

Salaries payable	\$ 35,856
Employee benefit payable	31,831
F.I.C.A./Medicare	11,860
Withholdings	10,929
SUTA payable	327
Other accrued payable	496
Total accrued liabilities	<u>\$ 91,299</u>

8. Unearned Revenue

Unearned revenue represents the deficiency of expenditures over advances on federal, state or other award programs as follows:

U.S. Department of Health and Human Services:

Indian Health Service (IHS)		
Indian Self-Determination	\$ 1,433,153	
Indian Self-Determination-Nonrecurring	4,258	
Tribal Planning Substance Abuse	38,526	
Self-Determination Services	48,108	
Total U.S. Department of Health and Human Services		<u>1,524,045</u>
Federal Sub-Contract		
Office of Minority Health	15,239	
Total Unearned Revenue		<u>\$ 1,539,284</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

9. Note Payable and Other Long-Term Liabilities

AAIHB had one outstanding note payable as of September 30, 2016:

Loan Type	Interest Rate	Maturity Date	Original Amount	Balance 9/30/2016
Mortgage	6%	2028	\$ 395,385	\$ 280,066

In June 2009, AAIHB refinanced the building in the amount of \$395,385. This note is secured by the building. The note carries a fixed rate of 6.0% and requires monthly payments of principal and interest in the amount of \$2,853. The final payment is due on June 16, 2028. The current portion of the mortgage is \$16,971 as of September 30, 2016.

The following summarizes the changes in notes payable for the period ended September 30, 2016:

	Balance 9/30/2015	Additions	Reductions	Balance 9/30/2016
Mortgage payable				
Current liability	\$ 13,922	\$ 16,971	\$ 13,922	\$ 16,971
Noncurrent liability	287,767		24,672	263,095
Total mortgage payable	301,689	16,971	38,594	280,066
Other long-term liabilities				
Compensated absence	49,038		-	49,038
Total mortgage payable and long-term liabilities	<u>\$ 350,727</u>	<u>\$ 16,971</u>	<u>\$ 38,594</u>	<u>\$ 329,104</u>

10. Contingencies – Grantor Agencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time although AAIHB expects such amounts, if any, to be immaterial.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2016

11. Current Vulnerability Due to Concentrations

AAIHB receives approximately 86% of its support for various program grants and contracts awarded by the U.S. Department of Health/Human Services. AAIHB does not expect to lose this support from the U.S. Department of Health/Human Services in the near term. However, if funding were withdrawn or diminished, AAIHB's continued operation would be impacted adversely.

12. Retirement Plan

AAIHB has adopted a Simplified Employee Pension plan (SEP) for the benefit of its employees. The plan is administered in accordance with the internal revenue code and treasury regulations. AAIHB makes an annual contribution to a traditional individual retirement agreement (SEP-IRA) set up by each eligible employee. Employees vest 100% in the contribution at the time the contribution is made. The SEP-IRA is wholly owned and controlled by the employee.

13. Risk Management and Litigation

AAIHB is exposed to various risks of losses related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, AAIHB has obtained liability and other coverage from commercial insurance companies. AAIHB has effectively managed risk through various employee education and prevention programs. Risk management expenses for AAIHB are accounted for in operations. Any claims are processed through insurance agents and/or adjusters. There are no pending or threatened legal proceedings involving material matters to which AAIHB is a party.

14. Subsequent Events

AAIHB has evaluated subsequent events through May 24, 2017, which is the date the financial statements were available to be issued.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Funding Source Contract/Grant Name	Federal CFDA Number	Contract/ Grant Number	Accrued (Unearned) 9/30/2015	Receipts	Expenditures	(Unearned) 9/30/2016	Accrued 9/30/2016
U.S. Department of Health & Human Services							
Indian Health Services (IHS)							
<i>Indian Self-Determination</i>	93.441	HHSI242201510008C	\$ (1,351,955)	\$ 976,271	\$ 895,073	\$ (1,433,153)	\$ -
<i>Indian Self-Determination-Nonrecurring Funds</i>	93.441	HHSI242201510008C	(4,258)	-	-	(4,258)	-
<i>Tribal Planning Substance Abuse</i>	93.228	242-00-001	(38,526)	-	-	(38,526)	-
<i>Self Determination Services</i>	93.228	242-00-001	(48,108)	-	-	(48,108)	-
<i>Epidemiology Cooperative Agreements (Southwest Tribal Epidemiology Center)</i>	93.231	U1B1IHS0013-06-02	35,053	719,883	783,668	-	98,838
<i>IHS Injury Prevention</i>	93.284	D261IHS0155-01-00	-	94,933	99,662	-	4,729
<i>Demonstration Projects for Indian Health (Native American Research Centers for Health 5)</i>	93.933	U261IHS0075-03-00	63,058	551,135	502,666	-	14,589
<i>Demonstration Projects for Indian Health (STD/HIV/AIDS Prevention Program's Enhanced HIV/AIDS)</i>	93.933	D921IHS0007-03-01	(1,162)	93,183	103,199	-	8,854
Centers for Disease Control and Prevention (CDC)							
<i>A Comprehensive Approach to Good Health and Wellness in Indian County-financed solely by Prevention and Public Health</i>	93.762	NU58DP005423-02-00	160,580	852,954	959,249	-	266,875
National Institutes of Health							
<i>Pass Through University of New Mexico Cancer Control</i>	93.399	1R01CA192967-01A1	-	17,825	31,792	-	13,967
Total U.S. Department of Health & Human Services			(1,185,318)	3,306,184	3,375,309	(1,524,045)	407,852
Total Federal Awards			(1,185,318)	3,306,184	3,375,309	(1,524,045)	407,852
Federal Sub-Contract							
<i>Office of Minority Health</i>			-	20,000	4,761	(15,239)	-
Total Federal Sub-Contract			-	20,000	4,761	(15,239)	-
Other Non-federal Grants and Contracts							
<i>Acoma</i>			4,611	15,800	11,189	-	-
<i>NM Department of Health</i>			-	24,574	24,574	-	-
<i>NM DIA</i>			-	31,733	31,733	-	-
<i>NM PRAMS</i>			-	20,000	20,000	-	-
Total Other Non-federal Grants			4,611	92,107	87,496	-	-
Total Awards			\$ (1,180,707)	\$ 3,418,291	\$ 3,467,566	\$ (1,539,284)	\$ 407,852

The accompanying notes are an integral part of this schedule

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to the Schedule of Expenditures of Federal Awards
Year Ended September 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Albuquerque Area Indian Health Board, Inc. under programs of the federal government for the year ended September 30, 2016. The information in this 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 the schedule presents only a selected portion of the operations of AAIHB, it is not intended to and does not present the financial position, changes in net position or cash flows of AAIHB.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. AAIHB has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

3. Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements.

The following is a reconciliation of the expenditures reported on the schedule of expenditures of federal awards to the expenditures reported in the Statement of Revenues, Expenses, and Changes in Net Position.

Expenditures reported on the schedule of expenditures of federal awards	\$ 3,467,566
Expenditures paid by other revenue sources	333,743
Total	\$ 3,801,309
Operating Expenses - Direct	\$ 3,229,889
Operating Expenses - Indirect	564,626
Depreciation Expense	6,794
Total Expenditures reported on financial statements:	\$ 3,801,309

4. Subrecipients

Of the federal expenditures presented in the schedule, AAIHB provided federal awards to subrecipients as follows:

CFDA Number	Program Name	Amount Provided to Subrecipients
93.762	A Comprehensive Approach to Good Health and Wellness in Indian County – financed solely by Prevention and Public Health	\$ 315,582

**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
Albuquerque Area Indian Health Board, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Albuquerque Area Indian Health Board, Inc. (AAIHB) as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise AAIHB’s basic financial statements, and have issued our report thereon dated May 24, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered AAIHB’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 AAIHB’s internal control. Accordingly, we do not express an opinion on the effectiveness of AAIHB’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether AAIHB's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that is required to be reported under *Government Auditing Standards*.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Craig A. LeCompte, CPA
LeCompte, P.C.
Rio Rancho, NM
May 24, 2017

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

To the Board of Directors
Albuquerque Area Indian Health Board, Inc.

Report on Compliance for Each Major Federal Program

We have audited Albuquerque Area Indian Health Board, Inc.(AAIHB)’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 AAIHB’s major federal programs for the year ended September 30, 2016. AAIHB’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of AAIHB’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 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 AAIHB’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 AAIHB's compliance.

Opinion on Each Major Federal Program

In our opinion, AAIHB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

Report on Internal Control Over Compliance

Management of AAIHB 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 AAIHB'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 AAIHB's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Craig A. LeCompte, CPA
LeCompte, P.C.
Rio Rancho, NM
May 24, 2017

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of Auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____	Yes	_____	no
Significant deficiency(ies) identified?	_____	Yes	_____	none reported

Noncompliance material to financial statements noted? _____ Yes _____ no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	_____	no
Significant deficiency(ies) identified?	_____	yes	_____	none reported

Type of Auditor’s report issued on compliance
For Major Programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR.516(a)? _____ yes _____ no

Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.441	Indian Self Determination

Dollar threshold used to distinguish between Type A
And type B programs: \$750,000

Auditee qualified as low-risk auditee. _____ X yes _____ no

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Summary Schedule of Prior Year Audit Findings
Year Ended September 30, 2016

No prior year audit findings.