



LECOMPTE, P.C.

CPAs & Financial Consultants

**ALBUQUERQUE AREA INDIAN
HEALTH BOARD, INC.**

**FINANCIAL STATEMENTS
and
INDEPENDENT AUDITOR'S REPORTS
September 30, 2017**

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor’s Report on Financial Statements and Supplemental Information	1-3
Management’s Discussion and Analysis	4-7
Financial Statements	
Statement of Net Position	8
Statement of Revenues, Expenses, and Changes in Net Position	9-10
Statement of Cash Flows	11
Notes to the Financial Statements	12-20
Schedule of Expenditures of Federal Awards and Other Nonfederal Awards	21
Notes to Schedule of Expenditures of Federal Awards	22
Reports on Internal Control Structure and Compliance for Single Audits	
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 <i>Government Auditing Standards</i>	23-24
Independent Auditor’s Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	25-26
Schedule of Findings and Questioned Costs	27-28
Section I – Summary of Auditor’s Results	
Section II – Financial Statement Findings	
Section III – Federal Award Findings and Questioned Costs	
Summary Schedule of Prior Year Audit Findings	29



INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albuquerque Area Indian Health Board, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Albuquerque Area Indian Health Board, Inc. (AAIHB) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise of the AAIHB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the AAIHB as of September 30, 2017, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 4-7 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.

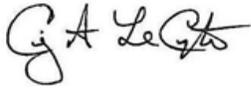
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2018, on our consideration of the 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 the AAIHB's internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Craig A. Le Compte". The signature is written in a cursive, flowing style.

Craig A. Le Compte, CPA
Le Compte, P.C.
Rio Rancho, NM
June 22, 2018

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2017

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. The 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, 2017. 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 the AAIHB at year end September 30, 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 the 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, 2017

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current Assets	\$ 2,933,651	\$ 2,276,151	\$ 657,500	28.89%
Noncurrent Assets	573,733	898,496	\$ (324,763)	-36.15%
Total Assets	<u>3,507,384</u>	<u>3,174,647</u>	<u>332,737</u>	<u>10.48%</u>
Liabilities				
Current Liabilities	\$ 2,297,145	\$ 1,896,759	\$ 400,386	21.11%
Noncurrent Liabilities	241,566	320,943	(79,377)	-24.73%
Total Liabilities	<u>2,538,711</u>	<u>2,217,702</u>	<u>321,009</u>	<u>14.47%</u>
Net Position				
Invested in capital assets	43,067	56,956	(13,889)	-24.40%
Restricted	478,057	460,463	17,594	3.80%
Unrestricted	447,549	439,526	8,023	1.80%
Total Net Position	<u>\$ 968,673</u>	<u>\$ 956,945</u>	<u>\$ 11,728</u>	<u>1.20%</u>

The AAIHB continues to experience a steady incremental expansion of program services. As a result, in FY 2017, both total assets and total liabilities increased. The AAIHB net position remained stable, with a slight 1.2% increase over the prior fiscal year.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2017

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position 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 Position as of September 30, 2017 and 2016.

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

	<u>2017</u>	<u>2016</u>	<u>Change</u>	<u>% Change</u>
Operating Revenues				
Program Income	\$ 408,206	\$ 369,367	\$ 38,839	10.50%
Government Grants	4,011,743	3,402,191	609,552	17.90%
Private Donations	6,941	10,659	(3,718)	-34.90%
Total Operating Revenues	<u>4,426,890</u>	<u>3,782,217</u>	<u>644,673</u>	<u>17.00%</u>
Operating Expenses				
Direct Program Expenses	3,810,127	3,229,889	580,238	18.00%
Indirect Cost Expenses	648,377	564,626	83,751	14.80%
Total Operating Expenses	<u>4,458,504</u>	<u>3,794,515</u>	<u>663,989</u>	<u>17.50%</u>
Operating Deficit	<u>(31,614)</u>	<u>(12,298)</u>	<u>(19,316)</u>	<u>157.10%</u>
Nonoperating Revenues (Expenses)				
Fund Transfer	-	-	-	-
Investment Income	49,350	73,162	(23,812)	-32.50%
Depreciation	(6,008)	(6,794)	786	-11.60%
Net Operating Revenues	<u>43,342</u>	<u>66,368</u>	<u>(23,026)</u>	<u>-34.70%</u>
Net Increase/Decrease in Net Position	11,728	54,070	(42,342)	-78.30%
Net Position, beginning of year	<u>956,945</u>	<u>902,875</u>	<u>54,070</u>	<u>6.00%</u>
Net Position, end of year	<u>\$ 968,673</u>	<u>\$ 956,945</u>	<u>\$ 11,728</u>	<u>1.20%</u>

In fiscal year 2017, revenues and corresponding expenses increased due to expanded programmatic activities. The AAIHB investment portfolio generated fewer revenues in FY 2017 than in FY 2016, due to increased market volatility rather than to decreased investment income. Investment income offset the excess of program expenditures over program revenues, and the AAIHB net position remained constant.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Management's Discussion and Analysis
September 30, 2017

Expenses classified by Function

A comparative summary of the AAIHB's operating expenses by functional classification for the years ended September 30, 2017 and 2016 is included below:

Expenses by Functional Classification

	<u>2017</u>	<u>2016</u>
Audiology	\$ 928,541	\$ 940,289
HIV/AIDS/STI Prevention	181,803	140,682
Cancer Prevention	27,165	47,633
Epidemiology/Research	1,554,136	1,209,638
Community Based Public Health	1,091,696	869,330
Special Projects	26,785	22,317
Overhead/Administration	648,377	564,626
Total Operating Expenses	<u>\$ 4,458,503</u>	<u>\$ 3,794,515</u>

During fiscal year 2017, the AAIHB successfully expanded program services delivery, and there was a corresponding increase in overhead and administrative 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.
7001 Prospect Place NE
Albuquerque, NM 87110

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Net Position
As of September 30, 2017

Assets

Current Assets

Cash and cash equivalent	\$	497,540
Short-term investments		1,887,849
Grants and contracts receivable		434,152
Accounts receivable		82,489
Other receivables		638
Prepaid expenses		30,983
<i>Total current assets</i>		2,933,651

Noncurrent Assets

Investments		273,208
Capital Assets, net of accumulated depreciation		300,525
<i>Total noncurrent assets</i>		573,733
Total assets	\$	3,507,384

Liabilities

Current Liabilities

Accounts payable	\$	256,661
Accrued liabilities		110,714
Mortgage payable		15,892
Compensated Absences Payable		73,189
Unearned revenue		1,840,689
<i>Total current liabilities</i>		2,297,145

Noncurrent liabilities

Mortgage Payable		241,566
Total noncurrent liabilities		241,566
Total Liabilities		2,538,711

Net Position

Invested in Capital Assets net of related debt		43,067
Restricted		478,057
Unrestricted		447,549
Total Net Position	\$	968,673

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, 2017

Operating Revenues	
Grant Award Income IHS	\$ 2,657,949
Grant Award Income CDC	867,924
Grant Award Income SAMHSA	92,565
Grant Award Income DHHS	42,096
Grant Award Income State NM	68,137
Sub Award Income	283,072
Program Service Fees	408,206
Private Donations	6,941
Total Operating Revenues	<u>4,426,890</u>
Operating Expenses-Direct	
Salaries	1,524,859
Benefits/Payroll Taxes	419,511
Travel	293,577
Project Supplies	495,213
Dues, fees	4,928
Equipment lease/Maintenance	27,847
Consultant fees	471,216
Training & Certification	36,115
Communication	28,466
Insurance	7,165
Occupancy costs	147,591
Depreciation	24,477
Interest	9,380
Tribal subawards	319,782
Total Operating Expenses-Direct	<u>3,810,127</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, 2017

Operating Expenses-Indirect	
Salaries	346,402
Benefits/Payroll Taxes	75,414
Staff travel	23,604
Board travel	67,585
Office Supplies	20,733
Dues, fees	1,738
Equipment	11,797
Professional fees	45,274
Training	8,649
Occupancy costs	6,596
Depreciation	6,013
Interest	2,253
Telephone	2,717
Insurance	727
Directors Fees	28,875
Total Operating Expenses-Indirect	648,377
Operating Income/(Loss)	(31,614)
Non-operating revenues (expenses)	
Net Investment Earnings	49,350
Depreciation of Consortium owned assets	(6,008)
Net Increase (Decrease) in Net Position	11,728
Net position beginning of year	956,945
Net position end of year	\$ 968,673

The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Statement of Cash Flows
Year Ended September 30, 2017

Cash flows from operating activities

Receipts for program services	\$ 353,858
Receipts from government grants/contracts	4,252,016
Receipts of private donations	111,446
Payments to employees for services	(1,304,713)
Payments to suppliers for goods or services	(3,085,958)
Net cash provided by operating activities	326,649

Cash flows from capital and related financing activities

Repayment of capital debt	(22,608)
Net cash used by capital financing activities	(22,608)

Cash flows from investing activities

Dividend and interest received	49,198
Purchases of bond fund shares	(505,448)
Redemptions of bond fund shares	300,764
Net cash provided by investing activities	(155,486)

Net increase in cash 148,555

Cash - beginning of year 348,985

Cash - end of year \$ 497,540

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

Operating loss	\$ (31,614)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation Expense	30,490
Changes in Assets and liabilities:	
Grants Receivable	(26,337)
Other Receivables	19,193
Prepaid Expenses	(8,736)
Accounts Payable	7,276
Unearned Revenue	301,441
Accrued Liabilities	19,415
Compensated Absences	15,521
Net cash provided by operating activities	\$ 326,649

The accompanying notes are integral part of these financial statements

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2017

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 (83%). The AAIHB is considered a government because the AAIHB's board of directors is appointed by members of tribal governments. Tribal government members 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. The 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 the AAIHB 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. The 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

The 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 the AAIHB, the reporting entity. The 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, 2017**

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 the 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. The 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, the 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 the AAIHB.

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

During the year ended September 30, 2013, the 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, the 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, 2017

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 the AAIHB. Unearned revenue reimbursements in excess of expenses are to be expended in a future period.

E. Income Tax Status

The 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 the 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

The 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, 2017

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

The AAIHB has deposits in three financial institutions with a carrying value of \$497,540 as of September 30, 2017. In the carrying value of \$497,540, \$224,725 is deposited in a non-interest bearing checking account and \$270 is held on hand. The remaining balance of \$272,545 is invested in money market accounts in three financial institutions. The AAIHB's deposits were fully insured at September 30, 2017 by Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC).

3. Investments

The 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, 2017 the AAIHB's investments consisted of the following:

	September 30, 2017		
	Category 1	Category 2	Category 3
Stocks	\$ 33,510	\$ -	\$ -
Mutual funds	1,887,849	-	-
Certified deposits	-		
Bond	48,633	-	-
TRAK-Advisory Service	191,065	-	-
	\$ 2,161,057	\$ -	\$ -

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2017

4. Grants and Contracts Receivable

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

U.S. Department of Health and Human Services:

Indian Health Service (IHS)

Southwest Tribal Epidemiology Center	\$ 107,883
Injury Prevention	8,844
Great Lakes Subcontract	6,230
STD/HIV/Aids Prevention	1,148
<i>Total Indian Health Service</i>	<u>124,105</u>

National Institutes of Health

Pass Through the University of New Mexico

Cancer Control	11,611
<i>Total National Institutes of Health</i>	<u>11,611</u>

Centers for Disease Control and Prevention

CDC Wellness	240,351
<i>Total Centers for Disease Control and Prevention</i>	<u>240,351</u>

Centers for Mental Health Services

Substance Abuse and Mental Services Administration	9,169
<i>Total Center for Mental Health Services</i>	<u>9,169</u>

Office of Minority Health

Health Equity	14,058
<i>Total Office of Minority Health</i>	<u>14,058</u>

Patient - Centered Outcomes Research Institute

Pass Through the University of New Mexico

Patient - Centered Outcomes Research Institute Subaward	34,858
<i>Total Patient-Centered Outcomes Research Institute</i>	<u>34,858</u>

Total Grants and Contracts Receivable	<u><u>\$ 434,152</u></u>
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ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2017

5. Property and Equipment

The AAIHB's property and equipment as of September 30, 2017 is composed of the following:

	9/30/2016 Balance	Additions	Disposals	9/30/2017 Balance
Capital assets not being depreciated:				
Land	\$ 124,300	\$ -	\$ -	\$ 124,300
Total capital assets not being depreciated	124,300	-	-	124,300
Other capital assets				
Building	539,559	-	-	539,559
Equipment	260,501	-	-	260,501
Total other capital assets	800,060	-	-	800,060
Less accumulated depreciation for				
Building	(351,365)	(26,357)	-	(377,722)
Equipment	(235,971)	(10,141)	-	(246,112)
Total accumulated depreciation	(587,336)	(36,498)	-	(623,834)
Capital Asset Summary:				
Capital assets not being depreciated	124,300	-	-	124,300
Other capital assets, at cost	800,060	-	-	800,060
Total cost of capital assets	924,360	-	-	924,360
Less accumulated depreciation	(587,336)	(36,498)	-	(623,834)
Capital Assets, net	\$ 337,024	\$ (36,498)	\$ -	\$ 300,526

It is the policy of the 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

The 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. The 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*.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2017

7. Accrued Liabilities

The AAIHB's accrued liabilities consist of the following amounts that were payable as of September 30, 2017:

Salaries payable	\$ 37,041
Employee benefit payable	34,307
F.I.C.A./Medicare	10,891
Withholdings	13,041
SUTA payable	402
Other accrued payable	15,032
Total accrued liabilities	<u>\$ 110,714</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	\$ 1,523,531
Indian Self-Determination -Nonrecurring	4,258
Tribal Planning Substance Abuse	38,526
Self-Determination Services	48,108
Native American Research Centers for Health	<u>108,073</u>
Total U.S. Department of Health and Human Services	<u>1,722,496</u>
Federal Sub-Contract	
Office of Minority Health	13,265
Non-Federal Grants and Contracts	
Kellogg Foundation	104,505
NM Region 7	<u>422</u>
Total Non-Federal Grants and Contracts	<u>104,927</u>
Total Unearned Revenue	<u><u>\$ 1,840,688</u></u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.

**Notes to Financial Statements
Year Ended September 30, 2017**

9. Note Payable and Other Long-Term Liabilities

The AAIHB had one outstanding note payable as of September 30, 2017:

<u>Loan Type</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Balance 9/30/2017</u>
Mortgage	6%	2028	\$ 395,385	\$ 257,458

In June 2008, the 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 \$15,892 as of September 30, 2017.

The note requirements are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 18,339	\$ 15,892	\$ 34,231
2019	19,486	14,745	34,231
2020	20,667	13,564	34,231
2021	21,998	12,233	34,231
2022-2028	176,967	41,954	218,920
Total	\$ 257,458	\$ 98,387	\$ 355,845

The following summarizes the changes in notes payable and compensated absences for the period ended September 30, 2017:

	<u>Balance 9/30/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 9/30/2017</u>
Mortgage payable				
Current liability	\$ 16,971	\$ 15,892	\$ 16,971	\$ 15,892
Noncurrent liability	263,095		21,529	241,566
Total mortgage payable	280,066	15,892	38,500	257,458
Other current liabilities				
Compensated absence	57,688	15,501	-	73,189
Total mortgage payable and other liabilities	\$ 337,754	\$ 31,393	\$ 38,500	\$ 330,647

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 the AAIHB expects such amounts, if any, to be immaterial.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Notes to Financial Statements
Year Ended September 30, 2017

11. Current Vulnerability Due to Concentrations

The AAIHB receives approximately 83% of its support for various program grants and contracts awarded by the U.S. Department of Health and Human Services. The AAIHB does not expect to lose this support from the U.S. Department of Health and Human Services in the near term. However, if funding were withdrawn or diminished, The AAIHB's continued operation would be impacted adversely.

12. Retirement Plan

The 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. The 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

The 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, The AAIHB has obtained liability and other coverage from commercial insurance companies. The AAIHB has effectively managed risk through various employee education and prevention programs. Risk management expenses for the 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 the AAIHB is a party.

14. Subsequent Events

The AAIHB has evaluated subsequent events through June 22, 2018, which is the date the financial statements were available to be issued.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Expenditures of Federal Awards and
Other Nonfederal Awards
For the Year Ended September 30, 2017

Funding Source Contract/Grant Name	Federal CFDA Number	Contract/ Grant Number	Accrued (Unearned) 9/30/2016	Receipts	Expenditures	Expenditures to Subrecipients	(Unearned) 9/30/2017	Accrued 9/30/2017
U.S. Department of Health & Human Services								
Indian Health Services (IHS)								
<i>Indian Self-Determination</i>	93.441	HHS1242201510008C	\$ (1,433,153)	\$ 982,135	\$ 891,757	\$ -	\$ (1,523,531)	\$ -
<i>Indian Self-Determination-Nonrecurring Funds</i>	93.441	HHS1242201510008C	(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	98,838	937,778	946,823	-	-	107,883
<i>Injury Prevention Program for American Indians and Alaskan Natives Cooperative Agreements</i>	93.284	D261IHS0155-01-00	4,729	105,067	109,182	-	-	8,844
<i>Demonstration Projects for Indian Health (Native American Research Centers for Health 5)</i>	93.933	U261IHS0075-03-00	14,589	636,775	514,113	-	(108,073)	-
<i>Demonstration Projects for Indian Health (STD/HIV/AIDS Prevention Program's Enhanced HIV/AIDS)</i>	93.933	D921IHS0007-03-01	8,854	74,143	66,437	-	-	1,148
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	266,875	1,096,182	1,069,658	319,782	-	240,351
Center for Mental Health Services								
<i>Substance Abuse and Mental Health Services Project for Regional and National Significance</i>	93.243	5H79SM063500-02	-	83,396	92,565	-	-	9,169
Office of Minority Health								
<i>Community Programs to Improve Minority Health Grant Program (Health Equity)</i>	93.137	1A1AMP170017-01-00	-	14,064	28,122	-	-	14,058
National Institutes of Health								
<i>Pass Through University of New Mexico Cancer Control</i>	93.399	1R01CA192967-01A1	13,967	140,027	137,672	-	-	11,612
Total U.S. Department of Health & Human Services			(1,116,193)	4,069,567	3,856,329	319,782	(1,722,496)	393,064
Total Expenditures of Federal Awards			(1,116,193)	4,069,567	3,856,329	319,782	(1,722,496)	393,064
Federal Sub-Contract								
U.S. Department of Health & Human Services								
Indian Health Services (IHS)								
<i>HIV Subcontract</i>								
			(15,239)	12,000	13,974	-	(13,265)	-
Office of Minority Health								
<i>Epidemiology Cooperative Agreements (Great Lakes Subcontract)</i>	93.231	UIB11HS0001-21-02	-	43,770	50,000	-	-	6,230
Total Federal Sub-Contract			(15,239)	55,770	63,974	-	(13,265)	6,230
Other Non-federal Grants and Contracts								
<i>NM Department of Health</i>								
			-	31,225	31,225	-	-	-
<i>NM Department of Indian Affairs</i>								
			-	33,412	33,412	-	-	-
<i>Patient-Centered Outcomes Research Institute</i>								
<i>Pass Through University of New Mexico</i>								
<i>Patient-Centered Outcomes Research Institute Subaward</i>			-	60,542	95,400	-	-	34,858
<i>Kellogg Foundation Prams</i>			-	105,100	595	-	(104,505)	-
<i>NM Region 7</i>			-	1,500	1,078	-	(422)	-
Total Other Non-federal Grants			-	231,779	161,710	-	(104,927)	34,858
Total Awards			\$ (1,131,432)	\$ 4,357,116	\$ 4,082,013	\$ 319,782	\$ (1,840,687)	\$ 434,152

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, 2017

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. (AAIHB), under programs of the federal government for the year ended September 30, 2017. 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 the AAIHB, it is not intended to and does not present the financial position, changes in net position or cash flows of the 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. The 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	\$ 3,856,329
Expenditures paid by other revenue sources	608,183
Total	\$ 4,464,512
Operating Expenses - Direct	\$ 3,810,127
Operating Expenses - Indirect	648,377
Depreciation Expense	6,008
Total Expenditures reported on financial statements:	\$ 4,464,512

4. Subrecipients

Of the federal expenditures presented in the Schedule, the 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	\$ 319,782



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 Albuquerque Area Indian Health Board, Inc. (AAIHB) as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the AAIHB's basic financial statements, and have issued our report thereon dated June 22, 2018.

Internal Control Over Financial Reporting

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

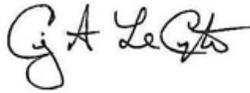
A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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 the 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. Le Compte, CPA
Le Compte, P.C.
Rio Rancho, NM
June 22, 2018



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 the AAIHB's major federal programs for the year ended September 30, 2017. The 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 the 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 the 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 the AAIHB's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2017.

Report on Internal Control Over Compliance

Management of the 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 the 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 the 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. Le Compte, CPA
Le Compte, P.C.
Rio Rancho, NM
June 22, 2018

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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	<u> X </u>	no
Significant deficiency(ies) identified?	_____	Yes	<u> X </u>	none reported

Noncompliance material to financial statements noted?	_____	Yes	<u> X </u>	no
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____	yes	<u> X </u>	no
Significant deficiency(ies) identified?	_____	yes	<u> X </u>	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	<u> X </u>	no
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Identification of Major Programs

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
93.762	Center for Disease Control and Prevention
93.933	Demonstration Project for Indian Health

Dollar threshold used to distinguish between Type A
 And type B programs:

\$750,000

Auditee qualified as low-risk auditee?	<u> X </u>	yes	_____	no
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ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
Schedule of Findings and Questioned Costs
Year Ended September 30, 2017

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, 2017

No prior year audit findings.