

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2016 AND 2015



**thurman,
comes,
foley
& co., llp**

certified public accountants
and consultants

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Association on American Indian Affairs, Inc.
Rockville, Maryland

We have audited the accompanying financial statements of **ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.** (a non-profit organization) as of December 31, 2016 and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association on American Indian Affairs, Inc. as of December 31, 2016, and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Thurman Comes Foley & Co LLP

Sioux Falls, South Dakota
October 6, 2017

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2016 AND 2015

ASSETS

| | <u>2016</u> | <u>2015</u> |
|---------------------------------|-------------------|-------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$ 352,300 | \$ 63,067 |
| Grants and contracts receivable | - | 5,600 |
| Prepaid expenses | <u>8,091</u> | <u>6,528</u> |
| Total current assets | 360,391 | 75,195 |
| PROPERTY AND EQUIPMENT | | |
| Furniture and equipment | 26,371 | 26,371 |
| Less accumulated depreciation | <u>(26,371)</u> | <u>(22,394)</u> |
| Net property and equipment | <u>-</u> | <u>3,977</u> |
| OTHER ASSETS | | |
| Investments - endowments | 479,428 | 501,856 |
| Security deposits | <u>1,150</u> | <u>1,150</u> |
| Total other assets | <u>480,578</u> | <u>503,006</u> |
| | <u>\$ 840,969</u> | <u>\$ 582,178</u> |

LIABILITIES AND NET ASSETS

| | | |
|----------------------------|-------------------|-------------------|
| CURRENT LIABILITIES | | |
| Accounts payable | \$ 50,639 | \$ 53,188 |
| Accrued wages | 3,868 | 3,522 |
| Other accruals | 1,027 | 2,675 |
| Accrued vacation | <u>5,088</u> | <u>5,088</u> |
| Total current liabilities | 60,622 | 64,473 |
| NET ASSETS | | |
| Unrestricted | 67,499 | (179,845) |
| Temporarily restricted | 158,318 | 44,727 |
| Permanently restricted | <u>554,530</u> | <u>652,823</u> |
| Total net assets | <u>780,347</u> | <u>517,705</u> |
| | <u>\$ 840,969</u> | <u>\$ 582,178</u> |

See accompanying notes to financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

| | 2016 | | | Total | 2015 |
|--|-------------------|------------------------|------------------------|-------------------|---------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | |
| Revenues, gains and other support | | | | | |
| Contributions and dues | \$ 73,534 | \$ 13,300 | \$ - | \$ 86,834 | \$ 145,878 |
| Legacies | 325,458 | - | - | 325,458 | 8,970 |
| Grants | 50,000 | 250,901 | - | 300,901 | 102,500 |
| Consulting | - | 37,674 | - | 37,674 | 46,935 |
| Conference registrations | - | 28,606 | - | 28,606 | - |
| Investment income | - | 9,470 | - | 9,470 | 15,375 |
| Media sales | 2,217 | - | - | 2,217 | 900 |
| Other income | 2,776 | - | - | 2,776 | 9,274 |
| In-kind contributions | 840 | - | - | 840 | - |
| Realized gains (losses) on investments | - | 7,743 | - | 7,743 | 67,800 |
| Unrealized gains (losses) on investments | 4,852 | - | - | 4,852 | (79,233) |
| Net assets released from restrictions | | | | | |
| Satisfaction of restrictions | <u>332,396</u> | <u>(234,103)</u> | <u>(98,293)</u> | <u>-</u> | <u>-</u> |
| Total revenues, gains and other support | 792,073 | 113,591 | (98,293) | 807,371 | 318,399 |
| Expenses | | | | | |
| Programs | 358,545 | - | - | 358,545 | 542,543 |
| General and administrative | 139,892 | - | - | 139,892 | 75,425 |
| Fund raising | <u>46,292</u> | <u>-</u> | <u>-</u> | <u>46,292</u> | <u>187,240</u> |
| Total expenses | <u>544,729</u> | <u>-</u> | <u>-</u> | <u>544,729</u> | <u>805,208</u> |
| Change in net assets | <u>\$ 247,344</u> | <u>\$ 113,591</u> | <u>\$ (98,293)</u> | <u>\$ 262,642</u> | <u>\$ (486,809)</u> |
| Net Assets, beginning of year | \$ (179,845) | \$ 44,727 | \$ 652,823 | \$ 517,705 | \$ 1,004,514 |
| Change in net assets | <u>247,344</u> | <u>113,591</u> | <u>(98,293)</u> | <u>262,642</u> | <u>(486,809)</u> |
| Net Assets, end of year | <u>\$ 67,499</u> | <u>\$ 158,318</u> | <u>\$ 554,530</u> | <u>\$ 780,347</u> | <u>\$ 517,705</u> |

See accompanying notes to financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Change in net assets | \$ 262,642 | \$ (486,809) |
| Adjustments to reconcile to net cash provided by operating activities | | |
| Net realized and unrealized gains and losses on investments | (12,595) | 11,433 |
| Depreciation | 3,977 | 4,838 |
| Changes in operating assets and liabilities | | |
| Grants receivable | 5,600 | 47,524 |
| Contributions receivable | - | 25,732 |
| Other receivables | - | 12,708 |
| Prepaid expenses | (1,563) | 3,696 |
| Accounts payable | (2,549) | 15,888 |
| Accrued wages | 346 | 49 |
| Other accruals | (1,648) | 2,444 |
| Accrued vacation | - | (18,963) |
| | <hr/> | <hr/> |
| Net cash provided (used) by operating activities | 254,210 | (381,460) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment sales and maturities | 45,110 | 519,937 |
| Investment purchases | (10,087) | (126,446) |
| | <hr/> | <hr/> |
| Net cash provided by investing activities | 35,023 | 393,491 |
| Change in cash | 289,233 | 12,031 |
| CASH, beginning of year | <hr/> | <hr/> |
| | 63,067 | 51,036 |
| CASH, end of year | <u>\$ 352,300</u> | <u>\$ 63,067</u> |

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest and taxes totaled \$7,825 and \$2,420 for 2016 and 2015, respectively.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.**NOTES TO FINANCIAL STATEMENTS****1. NATURE OF ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES****a. Nature of Organization**

The Association on American Indian Affairs, Inc. (the Association or AAIA) is an independent organization established for the purpose of assisting American Indian and Alaska Native communities in their efforts to achieve full economic, social and civic equality, and to defend their rights.

b. Accounting Basis and Financial Statement Presentation

AAIA prepares its financial statements on the accrual basis of accounting. Under this method of accounting, revenue is recognized when earned or billed, and expenses are recognized when the related goods or services are received.

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, AAIA is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted.

c. Revenue Recognition

Contributions, dues and other revenues are recognized when a donor makes a promise to give to the Association that is, in substance, unconditional. The Association reports such revenue as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Legacies that are received with donor stipulations are recorded as either temporarily or permanently restricted net assets, depending on the nature of the stipulations. The income on the permanently restricted net assets is recorded as temporarily restricted net assets until the restricted purpose is met. Temporarily restricted net assets are reclassified as unrestricted net assets when the donor restriction has been satisfied and reported in the statement of activities as net assets released from restrictions.

Investment appreciation (depreciation) is recorded as unrestricted net assets.

The Association uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on prior years' experience and management's analysis of specific promises made. All of the grants, contracts and contributions receivable reported in the accompanying financial statements are expected to be collected within one year. Management believes that all items are collectible. Accordingly, no allowance for uncollectible accounts has been recorded for the years ended December 31, 2016 or 2015.

d. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association has designated money fund shares in the investment account as cash equivalents in determining the net change in cash.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.**NOTES TO FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****e. Investments**

The Financial Accounting and Standards Board issued Staff Position No. FAS 117-1, Endowments of Non-For-Profit Organizations: Net Asset Classification of Funds Subject to an Enacted Version of the Uniform Prudent Management of Institutional Funds Act, and Enhanced Disclosures for All Endowment Funds, now included in Financial Accounting Standards Board Accounting Standards Codification (FASB ASC) Section 958-205-50. ASC 958-205-50 provides guidance on the net asset classification of donor restricted endowment funds for a not-for-profit organization that is subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act of 2006 (UPMIFA). ASC 958-205-50 also improves disclosures about an organization's endowment funds (both donor restricted and board designated endowment funds) whether or not the organization is subject to UPMIFA.

The State of New York adopted its version of UPMIFA (NYUPMIFA) on September 17, 2010. The Association adopted ASC 958-205-50 effective with the year ended December 31, 2012. The Board of Directors has determined that the funds making up the permanently restricted net assets (see Note 10) meets the definition of an endowment fund under NYUPMIFA.

The Association has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

f. Income Taxes

The Association qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Association is subject to routine examination by the IRS and state tax jurisdictions. There are currently no examinations in progress. AAIA believes that they are no longer subject to examination for years prior to 2013.

AAIA has adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required. Income tax benefits are recognized for income tax positions taken or expected to be taken in a tax return, only when it is determined that the income tax position will more-likely-than-not be sustained upon examination by taxing authorities. The Association has analyzed tax positions taken for filing with the Internal Revenue Service and all state tax jurisdictions where it operates and believes that its income tax positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Association's financial condition, results of operations or cash flows. Accordingly, the Association has not recorded any reserves, or related accruals for interest and penalties for uncertain income tax positions at December 31, 2016 or 2015.

The Organization's policy is to classify income tax related interest and penalties in interest expense and other expenses, respectively.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.**NOTES TO FINANCIAL STATEMENTS****1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****g. Fair Value**

The carrying amounts reflected in the financial statements for cash and cash equivalents, approximate the respective fair values due to the short nature of those instruments.

In accordance with Accounting Standards Codification, AAIA has categorized its financial instruments based on the priority of inputs to the valuation technique into a three-tier fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Investments recorded in the Statements of Financial Position are categorized based on the inputs to valuation techniques as follows:

Level 1. These are investments where values are based on the unadjusted quoted prices for identical assets in an active market the Association has the ability to access.

Level 2. These are investments where values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the investments.

Level 3. These are investments where values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect assumptions of management about assumptions market participants would use in pricing the investments. These investments include non-readily marketable securities that do not have an active market.

h. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

i. Property and Equipment

Property and equipment are recorded at cost, or if donated at the approximate fair market value at the date of donation. Items with an original cost or fair market value at the date of donation of less than \$1,000 are expensed when incurred. Depreciation is provided using the straight-line method over the useful lives of the assets, which range from five to ten years. Depreciation expense for the years ended December 31, 2016 and 2015 was \$3,977 and \$4,838 respectively.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

j. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Association have been summarized on a functional and object classification basis in the supplemental schedule of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Fund raising expenses in connection with direct mail and other appeals are allocated to supporting services only. Fund raising expenses on the schedule of functional expenses principally consist of: salaries, travel, meetings, printing costs, postage and mailing costs, premiums, and mailing list maintenance and rental costs.

k. Reclassifications

Certain items in the prior year's financial statements have been reclassified to conform to the current year's presentation. These reclassifications had no effect on previously reported change in net assets.

l. Date of Management's Review

Management has evaluated subsequent events through October 6, 2017, the date on which the financial statements were available to be issued.

2. CASH AND CASH EQUIVALENTS

Interest bearing cash consists of the following as of December 31,

| | | |
|-------------------------------|-------------------|------------------|
| | <u>2016</u> | <u>2015</u> |
| Checking and savings accounts | \$ 343,907 | \$ 45,735 |
| Money market funds | <u>8,393</u> | <u>17,332</u> |
| | <u>\$ 352,300</u> | <u>\$ 63,067</u> |

3. EMPLOYEE BENEFIT PLAN

The Association has a 403(b) Thrift Plan that covers all full-time employees. Under the plan, the Association contributes five percent of each eligible employee's salary. Retirement plan expenses for the years ended December 31, 2016 and 2015 were \$11,263 and \$12,088, respectively

The Association terminated the portion of its retirement plan that provided for a post-retirement life insurance benefit in 2011. In recognition of the service of employees and former employees with more than 15 years of service at retirement, however, AAIA chose to make cash awards totaling \$40,375 over a five-year period in lieu of the cancelled benefit. The amount paid under this program for the years ended December 31, 2016 and 2015 was \$8,550 in each year.

4. PROPERTY AND EQUIPMENT

Property and equipment consist of the following:

| | | |
|-------------------------------|-----------------|-----------------|
| | <u>2016</u> | <u>2015</u> |
| Furniture and equipment | \$ 3,167 | \$ 3,167 |
| Website | <u>23,204</u> | <u>23,204</u> |
| | <u>26,371</u> | <u>26,371</u> |
| Less accumulated depreciation | <u>(26,371)</u> | <u>(22,394)</u> |
| Net property and equipment | <u>\$ -</u> | <u>\$ 3,977</u> |

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS

Investments consist of the following, stated at fair market value:

| | <u>Cost or Basis</u> | <u>Market Value</u> |
|--------------------------|--------------------------|-------------------------|
| <u>December 31, 2016</u> | | |
| Fixed Income | \$ 160,835 | \$ 152,835 |
| Equities | <u>304,222</u> | <u>326,593</u> |
| | <u>\$ 465,057</u> | <u>\$ 479,428</u> |
| <u>December 31, 2015</u> | | |
| Fixed Income | \$ 176,431 | \$ 176,351 |
| Equities | <u>316,296</u> | <u>325,505</u> |
| | <u>\$ 492,727</u> | <u>\$ 501,856</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2016:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------|---------------------|-----------------------------------|------------------|
| Interest and dividends | \$ - | \$ 9,470 | \$ 9,470 |
| Realized gains | - | 7,743 | 7,743 |
| Unrealized gains | <u>4,852</u> | - | <u>4,852</u> |
| Total investment return | <u>\$ 4,852</u> | <u>\$ 17,213</u> | <u>\$ 22,065</u> |

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2015:

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Total</u> |
|-------------------------|---------------------|-----------------------------------|-----------------|
| Interest and dividends | \$ 1,729 | \$ 13,646 | \$ 15,375 |
| Realized gains | 7,625 | 60,175 | 67,800 |
| Unrealized gains | <u>(79,233)</u> | - | <u>(79,233)</u> |
| Total investment return | <u>\$(69,879)</u> | <u>\$ 73,821</u> | <u>\$ 3,942</u> |

The fair value measurements and levels within the hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2016 are as follows:

| <u>Description</u> | <u>Fair Value</u> | <u>Quoted Prices In active Markets for Identical Assets (Level 1)</u> |
|-----------------------|-------------------|---|
| Long-term Investments | | |
| Fixed Income | \$ 152,835 | \$ 152,835 |
| Equities | <u>326,593</u> | <u>326,593</u> |
| | <u>\$ 479,428</u> | <u>\$ 479,428</u> |

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

5. INVESTMENTS (CONTINUED)

The fair value measurements and levels within the hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2015 are as follows:

| Description | Fair Value | Quoted Prices In active Markets for Identical Assets (Level 1) |
|-----------------------|-------------------|--|
| Long-term Investments | | |
| Fixed Income | \$ 176,351 | \$ 176,351 |
| Equities | <u>325,505</u> | <u>325,505</u> |
| | <u>\$ 501,856</u> | <u>\$ 501,856</u> |

6. LEASE COMMITMENTS

The Association leases certain office equipment and software under non-cancellable leases with payments totaling \$1,000 per month through December 2018 and \$250 per month thereafter. Future minimum payments under this lease are:

| <u>Year ending December 31,</u> | |
|---------------------------------|------------------|
| 2017 | \$ 12,000 |
| 2018 | 12,000 |
| 2019 | 3,000 |
| 2020 | 3,000 |
| 2021 | <u>1,500</u> |
| | <u>\$ 31,500</u> |

7. CONCENTRATIONS

The Association maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. At December 31, 2016 and 2015 the amount at risk totaled \$131,335 and \$0, respectively. The Association has not experienced any losses in such accounts. The Association does not believe it is exposed to any significant credit risk on cash.

The proceeds from two grants accounted for approximately 27% of revenue in 2016, additionally the proceeds from one bequest accounted for approximately 31% of revenue in 2016.

The proceeds from one grant accounted for approximately 32% of revenue in 2015.

8. IN-KIND CONTRIBUTIONS

During 2016, certain members of the board of directors donated the cost of travel to Board meetings. The cost of travel is included in the general and administrative column of the statement of functional expenses.

During 2015, in-kind donations were insignificant to the financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

9. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are available for the following purposes as of December 31:

| | <u>2015</u> | <u>Additions</u> | <u>Releases</u> | <u>2016</u> |
|----------------------------|------------------|-------------------|-------------------|-------------------|
| Juvenile Justice | \$ 10,998 | \$ 120,000 | \$ 39,720 | \$ 91,278 |
| International repatriation | 21,221 | 134,507 | 155,728 | - |
| Medicine Wheel | 4,457 | - | - | 4,457 |
| Steve Brady Fund | 760 | - | - | 760 |
| Adoption project | 7,291 | 25,000 | 16,900 | 15,391 |
| Scholarships | - | 116,006 | 69,574 | 46,432 |
| Total | <u>\$ 44,727</u> | <u>\$ 395,513</u> | <u>\$ 281,922</u> | <u>\$ 158,318</u> |

10. PERMANENTLY RESTRICTED NET ASSETS

The Association has received endowments for various purposes. These funds are reported as permanently restricted net assets in the accompanying financial statements. Income from these funds is available to support the purpose of each endowment as follows:

The Elizabeth and Sherman Asche Memorial Scholarship Fund – student scholarships

The Homborg Scholarship Fund – scholarships for American Indian girls

The Mary Hemenway Memorial Fund - education of American Indians, preferably at the college or graduate school level, either by way of scholarship grants or such other ways as the Association's Board of Directors may from time to time decide

The Lea A. and Elsie L. Wildung Perpetual Endowment Fund – aid and support for Native Americans in Minnesota

Ethel Wortis Endowment Scholarship Fund – aid to Native American college students requiring financial assistance to continue their studies

Endowment funds consist of the following at December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|---|-------------------|-------------------|
| The Elizabeth and Sherman Asche Memoria Scholarship Fund | \$ 237,250 | \$ 237,250 |
| The Homborg Scholarship Fund | 142,000 | 142,000 |
| The Mary Hemenway Memorial Fund | 175,280 | 175,280 |
| The Lea A. and Elsie L. Wildung Perpetual Endowment Fund | - | 73,293 |
| Ethel Wortis Endowment Scholarship Fund | - | 25,000 |
| Total | <u>\$ 554,530</u> | <u>\$ 652,823</u> |

During 2016, in accordance with the New York Prudent Management of Institutional Funds Act, AAIA, after the required action by the Board of Directors and notice to any identifiable donors and to the New York Attorney General, reclassified two small endowments (Wildung and Wortis) from permanently restricted to temporarily restricted for the scholarship program. The reclassifications were deemed prudent because AAIA concluded that it would be impracticable to continue the restriction on the use of the principal of these funds because the income generated by the funds was insufficient to achieve the purpose of the gifts. AAIA's intent is to honor the intent of the donors and to use these funds for the purposes stated in the original gifts.



**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

The Board of Directors
Association on American Indian Affairs, Inc.
Rockville, Maryland

We have audited the financial statements of Association on American Indian Affairs, Inc. as of and for the year ended December 31, 2016, and our report thereon dated October 6, 2017, which expressed an unmodified opinion on those financial statements appears on page 1. Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses and the schedules of comparative income and expense data are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Thurman Comes Foley & Co LLP

Sioux Falls, South Dakota
October 6, 2017

**SCHEDULE OF FUNCTIONAL EXPENSES
SHOWN ON FOLLOWING PAGES**

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

SCHEDULE OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED DECEMBER 31, 2016

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2015)

| | PROGRAM SERVICES | | | Total Program Services |
|--|--------------------------------------|-------------------|---------------------|------------------------------|
| | Scholarship, Education & Youth | Legal Affairs | Public Education | |
| Salaries | \$ 40,131 | \$ 83,424 | \$ 20,710 | \$ 144,265 |
| Payroll taxes | 3,280 | 6,819 | 1,693 | 11,792 |
| Employee fringe benefits | 9,195 | 19,114 | 4,745 | 33,054 |
| Total salaries and related expenses | 52,606 | 109,357 | 27,148 | 189,111 |
| Audit and accounting | - | - | - | - |
| Grants | 6,000 | - | - | 6,000 |
| Scholarships | 46,750 | - | - | 46,750 |
| Meetings and conferences | 5,623 | 7,480 | 7,498 | 20,601 |
| Professional fees and consultants | - | - | - | - |
| Printing and publications | - | - | - | - |
| Contracted services | 21,959 | 4,525 | 8,643 | 35,127 |
| Travel | 4,047 | 9,106 | 3,035 | 16,188 |
| Occupancy | 4,090 | 9,719 | 2,111 | 15,920 |
| Telephone | 1,110 | 1,776 | 888 | 3,774 |
| Insurance | 1,455 | 3,025 | 751 | 5,231 |
| Stationery and office | 1,538 | 3,198 | 794 | 5,530 |
| Language program supplies and expenses | 50 | - | - | 50 |
| Postage and mailing | 1,760 | 406 | 271 | 2,437 |
| Depreciation | 3,887 | 41 | 11 | 3,939 |
| Bank charges | 1,971 | 4,097 | 1,017 | 7,085 |
| Miscellaneous | 223 | 463 | 116 | 802 |
| Fund raising solicitation expenses | - | - | - | - |
| Filing fees | - | - | - | - |
| | <u>\$ 153,069</u> | <u>\$ 153,193</u> | <u>\$ 52,283</u> | <u>\$ 358,545</u> |

SUPPORTING SERVICES

| <u>General and Administrative</u> | <u>Fund Raising</u> | <u>Total Supporting Services</u> | <u>2016 Total</u> | <u>2015 Total</u> |
|---------------------------------------|-------------------------|--|-----------------------|-----------------------|
| \$ 63,722 | \$ 15,036 | \$ 78,758 | \$ 223,023 | \$ 317,101 |
| 5,208 | 1,229 | 6,437 | 18,229 | 25,674 |
| <u>14,600</u> | <u>3,445</u> | <u>18,045</u> | <u>51,099</u> | <u>58,465</u> |
| 83,530 | 19,710 | 103,240 | 292,351 | 401,240 |
| 26,004 | - | 26,004 | 26,004 | 22,301 |
| - | - | - | 6,000 | 16,000 |
| - | - | - | 46,750 | 70,044 |
| 11,247 | 7,498 | 18,745 | 39,346 | 31,788 |
| 525 | - | 525 | 525 | 7,831 |
| - | 1,500 | 1,500 | 1,500 | 2,667 |
| 2,234 | 527 | 2,761 | 37,888 | 46,496 |
| 1,012 | 3,035 | 4,047 | 20,235 | 77,185 |
| 6,495 | 1,533 | 8,028 | 23,948 | 26,698 |
| 444 | 222 | 666 | 4,440 | 5,134 |
| 2,310 | 545 | 2,855 | 8,086 | 7,221 |
| 2,443 | 576 | 3,019 | 8,549 | 14,462 |
| - | - | - | 50 | 650 |
| 135 | 135 | 270 | 2,707 | 8,860 |
| 31 | 7 | 38 | 3,977 | 4,838 |
| 3,129 | 738 | 3,867 | 10,952 | 7,870 |
| 353 | 83 | 436 | 1,238 | 3,835 |
| - | 8,683 | 8,683 | 8,683 | 48,608 |
| - | 1,500 | 1,500 | 1,500 | 1,480 |
| <u>\$ 139,892</u> | <u>\$ 46,292</u> | <u>\$ 186,184</u> | <u>\$ 544,729</u> | <u>\$ 805,208</u> |

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

COMPARATIVE INCOME DATA

FOR THE YEARS ENDING DECEMBER 31,

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|-------------------|-------------------|-------------------|---------------------|
| UNRESTRICTED NET ASSETS | | | | |
| Contributions and dues | \$ 73,534 | \$ 145,878 | \$ 114,926 | \$ 179,903 |
| Legacies | 325,458 | 8,970 | 29,092 | 383,237 |
| Grants | 50,000 | - | 25,000 | 31,500 |
| Consulting | - | 7,500 | 54,800 | 105,077 |
| Investment income | - | 1,729 | 5,725 | 4,704 |
| Media sales and other income | 4,993 | 10,174 | 5,862 | 11,181 |
| In-kind contributions | 840 | - | 727 | 556 |
| Realized gains (losses) on securities | - | 7,625 | 28,165 | 23,053 |
| Unrealized gains (losses) on securities | 4,852 | (79,233) | (67,076) | 62,931 |
| Net assets released from restrictions | <u>332,396</u> | <u>377,129</u> | <u>365,532</u> | <u>186,680</u> |
| Total unrestricted | 792,073 | 479,772 | 562,753 | 988,822 |
| TEMPORARILY RESTRICTED NET ASSETS | | | | |
| Contributions | 13,300 | - | 8,167 | - |
| Grants | 250,901 | 102,500 | 356,351 | 153,750 |
| Consulting | 37,674 | 39,435 | 27,885 | - |
| Conference registrations | 28,606 | - | - | - |
| Investment income | 9,470 | 13,646 | 12,832 | 11,958 |
| In-kind contributions | - | - | 28,825 | 17,519 |
| Realized gains (losses) on securities | 7,743 | 60,175 | 63,147 | 61,184 |
| Net assets released from restrictions | <u>(234,103)</u> | <u>(377,129)</u> | <u>(365,532)</u> | <u>(186,680)</u> |
| Total temporarily restricted | 113,591 | (161,373) | 131,675 | 57,731 |
| PERMANENTLY RESTRICTED NET ASSETS | | | | |
| Net assets released from restrictions | <u>(98,293)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total income | <u>\$ 807,371</u> | <u>\$ 318,399</u> | <u>\$ 694,428</u> | <u>\$ 1,046,553</u> |

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

COMPARATIVE EXPENSE DATA

FOR THE YEARS ENDING DECEMBER 31,

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--------------------------------|-------------------|-------------------|-------------------|-------------------|
| PROGRAM SERVICES | | | | |
| Scholarship, Education & Youth | \$ 153,069 | \$ 214,634 | \$ 256,395 | \$ 438,787 |
| Health | - | 20,214 | 17,752 | 10,299 |
| Legal affairs | 153,193 | 228,595 | 227,413 | 112,974 |
| Public education | <u>52,283</u> | <u>79,100</u> | <u>66,560</u> | <u>43,605</u> |
| Total program services | 358,545 | 542,543 | 568,120 | 605,665 |
| SUPPORTING SERVICES | | | | |
| General and administrative | 139,892 | 75,425 | 89,904 | 86,377 |
| Fund raising | <u>46,292</u> | <u>187,240</u> | <u>214,141</u> | <u>206,869</u> |
| Total supporting services | <u>186,184</u> | <u>262,665</u> | <u>304,045</u> | <u>293,246</u> |
| Total expenses | <u>\$ 544,729</u> | <u>\$ 805,208</u> | <u>\$ 872,165</u> | <u>\$ 898,911</u> |