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**Association on American Indian  
Affairs, Inc.**

**Financial Statements, Supplementary  
Information and Report of Independent  
Certified Public Accountants**

**For the Year Ended December 31, 2017**

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**LSWG**

**Linton Shafer Warfield & Garrett, P.A.  
CERTIFIED PUBLIC ACCOUNTANTS**



Certified Public Accountants & Business Consultants

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## **Report of Independent Certified Public Accountants**

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

We have audited the accompanying financial statements of the Association on American Indian Affairs, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2017, and the related statements of activities and changes in net assets 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 the Association on American Indian Affairs, Inc. as of December 31, 2017 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses, comparative income data, and comparative expense data are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Linton Shafer Warfield & Garrett, P.A.*

Rockville, Maryland  
July 17, 2018

**Association on American Indian Affairs, Inc.**  
**Statement of Financial Position**  
**December 31, 2017**

**Assets**

**Current Assets**

Cash and cash equivalents	\$	456,871
Grants and contracts receivable		61,689
Prepaid expenses		1,150
<b>Total Current Assets</b>		<b>519,710</b>

**Property and Equipment - at Cost**

Furniture and equipment		3,167
Website		23,204
Less: accumulated depreciation		(26,371)
<b>Property and Equipment - Net</b>		<b>-</b>

**Other Assets**

Investments- endowments		546,632
Other assets		7,648
<b>Total Other Assets</b>		<b>554,280</b>

**Total Assets** **\$ 1,073,990**

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$	56,468
Accrued wages		3,077
Accrued vacation		2,236
<b>Total Current Liabilities</b>		<b>61,781</b>

**Net Assets**

Unrestricted		313,540
Temporarily restricted		144,139
Permanently restricted		554,530
<b>Total Net Assets</b>		<b>1,012,209</b>

**Total Liabilities and Net Assets** **\$ 1,073,990**

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Statement of Activities and Changes in Net Assets**  
**For the Year Ended December 31, 2017**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>Revenues, gains and other support</b>				
Contribution and dues	\$ 65,295	\$ 7,418	\$ -	\$ 72,713
Legacies	324,396	14,191	-	338,587
Grants	-	100,000	-	100,000
Consulting	25,906	-	-	25,906
Conference registration	36,227	-	-	36,227
Investment income	-	13,039	-	13,039
Media sales	22,444	-	-	22,444
Other income	1,525	-	-	1,525
In-kind contributions	49,654	-	-	49,654
Realized gains (loss) on investment	-	52,642	-	52,642
Unrealized gains (loss) on investment	18,669	-	-	18,669
<b>Net Assets Released From Restriction:</b>				
Satisfaction of restriction	<u>201,469</u>	<u>(201,469)</u>	<u>-</u>	<u>-</u>
Total Revenue	<u>745,585</u>	<u>(14,179)</u>	<u>-</u>	<u>731,406</u>
<b>Expenses</b>				
Programs	265,896	-	-	265,896
General and administrative	198,294	-	-	198,294
Fundraising	<u>24,061</u>	<u>-</u>	<u>-</u>	<u>24,061</u>
Total Expenses	<u>488,251</u>	<u>-</u>	<u>-</u>	<u>488,251</u>
Change in Net Assets	257,334	(14,179)	-	243,155
Net Assets - Beginning of Year - Restated	<u>56,206</u>	<u>158,318</u>	<u>554,530</u>	<u>769,054</u>
Net Assets - End of Year	<u>\$ 313,540</u>	<u>\$ 144,139</u>	<u>\$ 554,530</u>	<u>\$ 1,012,209</u>

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Statement of Cash Flow**  
**For the Year Ended December 31, 2017**

**Increase (Decrease) in Cash and Cash Equivalents**

**Cash Flows from Operating Activities**

Change in Net Assets	\$	243,155
Adjustments to reconcile changes in net assets to net cash provided by operating activities		
Realized gains on investments		52,642
Unrealized gains on investments		18,669
Changes in operating assets and liabilities:		
Grants receivable		(61,689)
Prepaid expenses		6,941
Other assets		(6,498)
Accounts payable		(5,464)
Accrued wages		(791)
Other accruals		(1,027)
Accrued vacation		(2,852)
Net Cash Provided by Operating Activities		243,086

**Cash Flows from Investing Activities**

Investment sales and maturities		369,781
Investment purchases		(508,296)
Net Cash Used in Investing Activities		(138,515)

**Increase in Cash and Cash Equivalents**

104,571

**Cash and Cash Equivalents, Beginning of Year**

352,300

**Cash and Cash Equivalents, End of Year**

\$ 456,871

**Supplemental Disclosures:**

Interest paid	\$	-
Income taxes paid	\$	-

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**1. Nature of Operations**

Association on American Indian Affairs, Inc. (the Association) 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.

**2. Summary of Significant Accounting Policies**

(a) **Basis of Accounting** – The financial statements are prepared on the accrual basis of accounting, whereby revenue and related assets are recognized when earned and expenses and related liabilities are recognized when the obligations are incurred.

(b) **Financial Statement Presentation** – The Association has adopted Financial Accounting Standards Board (FASB) Codification Standards. Under the Codification Standards, the Association is required to report information regarding its financial position and activities according to three classes of net assets:

- **Unrestricted Net Assets** – represent resources that are currently available for support of the Association’s operations.
- **Temporarily Restricted Net Assets** – represents resources that may be utilized only in accordance with the restricted purposes established by donor restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities and changes in net assets as net assets released from restrictions.
- **Permanently Restricted Net Assets** – represents resources for which the principal is to be maintained intact and the income may only be spent in accordance with the intent of the donor.

(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. 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.

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

(d) **Cash and Cash Equivalents** – For 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**  
**December 31, 2017**

**2. 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 9) 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) Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Association considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they are charged to operations when that determination is made.
- (g) 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. Income generated by activities that would be considered unrelated to the Association's mission would be subject to tax which, if incurred, would be recognized as a current expense. No such tax has been recognized as of December 31, 2017.

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Association. Management has analyzed the tax positions taken and has concluded that as of December 31, 2017 all tax positions taken or expected to be taken would more likely than not be sustained upon examination. For tax purposes, the open audit years are 2014-2016.



**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**2. Summary of Significant Accounting Policies (continued)**

- (h) Fair Value - The carrying amounts reflected in the financial statements for cash and cash equivalents, approximates the respective fair values due to the short nature of those instruments.

In accordance with Accounting Standards Codification, the Association 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.
- (i) 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.
- (j) 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 seven years. All assets are fully depreciated at December 31, 2017.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**2. Summary of Significant Accounting Policies (continued)**

(k) **Functional Allocation of Expenses** – The costs of providing the various programs and other activities of the Association have been summarized on a functional basis in the supplementary schedule of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

**3. Investments**

Investments at December 31, 2017 consist of the following:

	<u>Cost or Basis</u>	<u>Market Value</u>
Fixed income	\$ 159,379	\$ 158,155
Equities	354,212	388,477
	<u>\$ 513,591</u>	<u>\$ 546,632</u>

The following summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2017:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest and dividends	\$ -	\$ 13,039	\$ 13,039
Realized gains	-	52,642	52,642
Unrealized gains	18,669	-	18,669
Bank charges	(3,704)	-	(3,704)
	<u>\$ 14,965</u>	<u>\$ 65,681</u>	<u>\$ 80,646</u>

The fair value measurements and levels within the hierarchy of those measurements for those assets reported at fair value on a recurring basis at December 31, 2017 are as follows:

	<u>Fair Value</u>	<u>Quoted Prices in active markets for assets (Level 1)</u>
December 31, 2017		
Fixed income	\$ 158,155	\$ 158,155
Equities	388,477	388,477
	<u>\$ 546,632</u>	<u>\$ 546,632</u>

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**4. In-Kind Contributions**

During 2017, certain members of the Board of Directors donated the cost of travel to Board meetings. Also, one Board member donated time to the Association as the interim Executive Director. Total in-kind contributions for the year ended December 31, 2017 was \$49,654.

**5. Lease Commitment**

The Association has a sixty month office equipment lease with required monthly payments of \$250. The lease expires in June 2021.

The Association also has a software lease with required monthly payments of \$750. This lease expires in December 2018.

Future minimum equipment and software lease payments under these leases are as follows for the years ending December 31,:

2018	\$	12,000
2019		3,000
2020		3,000
2021		1,500
2022		-

The Association also has a lease for office space in Maryland. The lease calls for monthly payments of \$1,150 and expires in June 2018.

Future minimum office lease payments are as follows for the years ending December 31,:

2018	\$	6,900
2019		-
2020		-
2021		-
2022		-

**6. Concentrations**

**Credit Risk** - Cash held by the Association in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the Association is not exposed to any significant credit risk related to cash.

**Revenue** - The proceeds from one bequest accounted for approximately 43% of total revenue in 2017.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**7. Pension 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 year ended December 31, 2017 were \$4,456.

**8. Temporarily Restricted Net Assets**

Temporarily restricted net assets are available for the following purposes:

	<u>December 31,</u> <u>2016</u>	<u>Additions</u>	<u>Releases</u>	<u>December 31,</u> <u>2017</u>
Juvenile Justice	\$ 91,278	\$ -	\$ (91,278)	\$ -
International repatriation	-	75,000	(75,000)	-
Medicine Wheel	4,457	-	-	4,457
Steve Brady Fund	760	-	(760)	-
Adoption project	15,391	25,000	-	40,391
Summer camp	-	6,000	(6,000)	-
Scholarships	46,432	81,290	(28,431)	99,291
	<u>\$ 158,318</u>	<u>\$ 187,290</u>	<u>\$ (201,469)</u>	<u>\$ 144,139</u>

**9. 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

Endowment funds consist of the following at December 31, 2017:

The Elizabeth & Sherman Asche Memorial	
Scholarship Fund	\$ 237,250
The Homborg Scholarship Fund	142,000
The Mary Hemenway Memorial Fund	175,280
	<u>\$ 554,530</u>

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2017**

**10. Prior Period Adjustment**

During the 2017 audit, travel expenses relating to prior periods were identified. These totaled \$11,293 and beginning of the year unrestricted net assets was reduced from \$67,499 to \$56,206.

**11. Subsequent Events**

Management has evaluated subsequent events through July 17, 2018, the date that the financial statements were available to be issued. There were no subsequent events to report.

**SUPPLEMENTARY INFORMATION**

Association on American Indian Affairs, Inc.  
Schedule of Functional Expenses  
For the Year Ended December 31, 2017

	Repatriation and Sacred Sites	Indian Children & Youth	Other Programs	Total Program	Fundraising	General & Administrative	Total
Salaries	\$ 65,593	\$ 16,299	\$ 11,805	\$ 93,697	\$ 4,579	\$ 26,648	\$ 124,924
Payroll taxes	6,523	1,600	1,108	9,231	492	2,584	12,307
Employee fringe benefits	13,548	3,323	2,300	19,171	1,023	5,369	25,563
Total salaries and related expenses	85,664	21,222	15,213	122,099	6,094	34,601	162,794
Audit and accounting	-	-	-	-	-	45,896	45,896
Grants	-	-	6,000	6,000	-	-	6,000
Scholarships	-	-	24,010	24,010	-	-	24,010
Meetings and conferences	42,181	-	-	42,181	-	13,837	56,018
Professional fees and consultants	16,000	16,000	240	32,240	-	20,263	52,503
Printing and publications	-	-	381	381	-	240	621
Contracted services	-	15,308	1,583	16,891	-	8,710	25,601
Travel	7,462	3,489	-	10,951	2,371	6,378	19,700
Occupancy	6,585	-	-	6,585	-	15,764	22,349
Telephone	1,773	-	-	1,773	-	1,904	3,677
Insurance	-	-	-	-	-	11,710	11,710
Office expense	2,369	-	-	2,369	-	31,112	33,481
Postage and mailing	50	-	366	416	1,043	361	1,820
Bank charges	-	-	-	-	-	6,653	6,653
Miscellaneous	-	-	-	-	-	111	111
Fundraising solicitation expenses	-	-	-	-	14,553	-	14,553
Filing fees	-	-	-	-	-	754	754
	<u>\$ 162,084</u>	<u>\$ 56,019</u>	<u>\$ 47,793</u>	<u>\$ 265,896</u>	<u>\$ 24,061</u>	<u>\$ 198,294</u>	<u>\$ 488,251</u>

See report of independent certified public accountants.

