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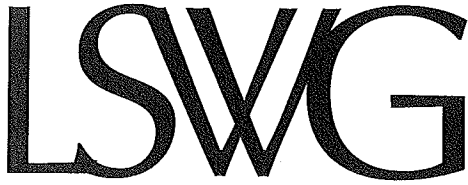
**Association on American Indian  
Affairs, Inc.**

**Financial Statements and Independent  
Auditor's Report**

**For the Year Ended December 31, 2018**

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



Certified Public Accountants & Business Consultants

*Accounting for your success since 1965*

## **Independent Auditor's Report**

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, 2018, and the related statements of activities and changes in net assets, functional expenses 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, 2018 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.

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

Rockville, Maryland  
May 14, 2019

**Association on American Indian Affairs, Inc.**  
**Statement of Financial Position**  
**December 31, 2018**

**Assets**

**Current Assets**

Cash and cash equivalents	\$	398,304
Grants and contracts receivable		807
Prepaid expenses		6,113
Total Current Assets		405,224

**Property and Equipment - at Cost**

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

**Other Assets**

Investments- endowments		489,179
Other assets		1,150
Total Other Assets		490,329

**Total Assets**

**\$ 895,553**

**Liabilities and Net Assets**

**Current Liabilities**

Accounts payable	\$	22,120
Accrued expenses		19,319
Total Current Liabilities		41,439

**Net Assets**

Without donor restrictions		62,944
With donor restrictions		791,170
Total Net Assets		854,114

**Total Liabilities and Net Assets**

**\$ 895,553**

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, 2018**

	<b>Without Donor <u>Restrictions</u></b>	<b>With Donor <u>Restrictions</u></b>	<b><u>Total</u></b>
<b>Revenues, gains and other support</b>			
Contributions and dues	\$ 95,648	\$ 12,190	\$ 107,838
Legacies	-	66,806	66,806
Grants	-	100,000	100,000
Consulting	15,340	-	15,340
Conference registration	71,925	-	71,925
Investment income, net of fees of \$5,356	370	11,275	11,645
Media sales	2,064	-	2,064
In-kind contributions	34,741	-	34,741
Realized gains on investment	-	26,332	26,332
Unrealized (loss) on investment	(74,377)	-	(74,377)
Net Assets Released From Restriction:			
Satisfaction of restriction	<u>124,102</u>	<u>(124,102)</u>	<u>-</u>
 Total Revenue	 <u>269,813</u>	 <u>92,501</u>	 <u>362,314</u>
 <b>Expenses</b>			
Programs	354,484	-	354,484
General and administrative	132,987	-	132,987
Fundraising	<u>32,938</u>	<u>-</u>	<u>32,938</u>
Total Expenses	<u>520,409</u>	<u>-</u>	<u>520,409</u>
 <b>Change in Net Assets</b>	 (250,596)	 92,501	 (158,095)
 <b>Net Assets - Beginning of Year</b>	 <u>313,540</u>	 <u>698,669</u>	 <u>1,012,209</u>
 <b>Net Assets - End of Year</b>	 <u>\$ 62,944</u>	 <u>\$ 791,170</u>	 <u>\$ 854,114</u>

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2018**

	<u>Repatriation and Sacred Sites</u>	<u>Indian Children &amp; Youth</u>	<u>Other Programs</u>	<u>Total Program</u>	<u>Fundraising</u>	<u>General &amp; Administrative</u>	<u>Total</u>
Salaries	\$ 59,210	\$ 28,759	\$ 45,676	\$ 133,645	\$ 10,150	\$ 25,376	\$ 169,171
Payroll taxes	4,485	2,178	3,460	10,123	769	1,922	12,814
Employee fringe benefits	8,603	4,178	6,636	19,417	1,475	3,687	24,579
<b>Total salaries and related expenses</b>	<b>72,298</b>	<b>35,115</b>	<b>55,772</b>	<b>163,185</b>	<b>12,394</b>	<b>30,985</b>	<b>206,564</b>
Audit and accounting	-	-	-	-	-	41,942	41,942
Grants	-	-	5,425	5,425	-	-	5,425
Scholarships	-	-	30,000	30,000	-	-	30,000
Meetings and conferences	60,380	-	-	60,380	-	3,560	63,940
Legal fees	-	-	-	-	-	400	400
Occupancy	-	-	-	-	-	13,800	13,800
Board expenses	-	-	-	-	-	8,644	8,644
Contracted services	18,674	16,516	21,117	56,307	4,051	28,441	88,799
Office expenses	11,742	5,703	9,058	26,503	2,013	5,032	33,548
Travel	12,589	95	-	12,684	6,273	183	19,140
Filing fees	-	-	-	-	8,207	-	8,207
<b>Total</b>	<b>\$ 175,683</b>	<b>\$ 57,429</b>	<b>\$ 121,372</b>	<b>\$ 354,484</b>	<b>\$ 32,938</b>	<b>\$ 132,987</b>	<b>\$ 520,409</b>

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Statement of Cash Flows**  
**For the Year Ended December 31, 2018**

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

**Cash Flows from Operating Activities**

Change in Net Assets	\$ (158,095)
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities	
Realized gains on investments	26,332
Unrealized (loss) on investments	(74,377)
Changes in operating assets and liabilities:	
Grants and contracts receivable	60,882
Prepaid expenses	(4,963)
Other assets	6,498
Accounts payable	(34,348)
Accrued expenses	14,006
Net Cash (Used in) Operating Activities	(164,065)

**Cash Flows from Investing Activities**

Investment sales and maturities	441,968
Investment purchases	(336,470)
Net Cash Provided by Investing Activities	105,498

**Decrease in Cash and Cash Equivalents** (58,567)

**Cash and Cash Equivalents, Beginning of Year** 456,871

**Cash and Cash Equivalents, End of Year** \$ 398,304

**Supplemental Disclosures:**

Interest paid	\$ <u>          -</u>
Income taxes paid	\$ <u>          -</u>

The accompanying notes are an integral part of this statement.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**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) **Basis of Presentation** - The financial statements of the Association have been prepared on the accrual basis of accounting. The Association reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

Net Assets Without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restriction. Gains and losses on investments and other asset or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on the net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets.

- (c) **Revenue Recognition** - Contributions, dues, legacies and other revenues are recognized when a donor makes a promise to give to the Association that is, in substance, unconditional.

The income on the endowments is recorded as with donor restrictions until the restricted purpose is met. Investment appreciation (depreciation) is recorded as net assets without donor restrictions.

- (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, 2018**

**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 donor-restricted endowment funds (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) Grants and contracts receivable are stated at the amount management expects to collect from outstanding balances. The Association considers receivables 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, 2018.

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, 2018 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 2015 - 2017.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**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, 2018.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

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

(k) Recently Issued Accounting Standards - In 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, Presentation of Financial Statements for Not-for-Profit Entities. The Association adopted the provisions of this new standard during the year ended December 31, 2018. In addition to changes in terminology used to describe categories of net assets throughout the financial statements, new disclosures were added regarding liquidity and the availability of resources (Note 10), and disclosures related to functional allocation of expenses were expanded (Note 11).

**3. Investments**

Investments at December 31, 2018 consist of the following:

	<b>Cost or Basis</b>	<b>Market Value</b>
Fixed income	\$ 173,095	\$ 169,939
Equities	<u>352,592</u>	<u>319,240</u>
	<u>\$ 525,687</u>	<u>\$ 489,179</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, 2018 are as follows:

	<b>Fair Value</b>	<b>Quoted Prices in active markets for assets (Level 1)</b>
December 31, 2018		
Fixed income	\$ 169,939	\$ 169,939
Equities	<u>319,240</u>	<u>319,240</u>
	<u>\$ 489,179</u>	<u>\$ 489,179</u>

**4. Donated Goods and Services**

Contributions of donated goods and services are recorded at fair value in the period received. During 2018, in-kind contributions represented travel costs to Board meetings of certain Board members as well as donated costs related to the conference. Donated goods and services totaled \$34,741 for the year ended December 31, 2018.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**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 expired in December 2018 and is currently on a month to month basis.

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

2019	\$	3,000
2020		3,000
2021		1,500
2022		-
2023		-

The Association also has a lease for office space in Maryland. The lease calls for monthly payments of \$1,150 and expires in June 2019.

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

2019	\$	6,900
2020		-
2021		-
2022		-
2023		-

**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.

The Association invests in a professionally managed portfolio that contains fixed income and equities. Such investments are exposed to various risks such as interest rate, market and credit risks. It is reasonably possible that changes in values of investments will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

Revenue – Three donors represented approximately 46% of total revenue in 2018.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**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 contributions for the year ended December 31, 2018 were \$2,554.

A longstanding retirement benefit approved by the Board of Directors provides that any employee who has worked for the Association for fifteen years or more and who leaves the employment of the Association after the age of 55 is entitled to a retirement benefit consisting of five annual payments with each payment equal to 5% of the employee's final salary. During 2018, the Board of Directors approved the accrual of \$5,086 towards a previous Executive Director's retirement benefit that will become payable starting in May of 2021.

**8. Net Assets with Donor Restrictions**

The Association's restricted net assets are available for the following purposes:

Available for expenditure for:

Juvenile Justice	\$ 21,673
Scholarships	235,253
Medicine Wheel	4,457
Cultural Sovereignty campaign	217
Adoption project	40,391

Donor-restricted endowment, available for appropriation for the following purposes:

Scholarships (original gift \$554,530)	489,179
	<u>\$ 791,170</u>

**9. Endowments**

The Association's endowment is composed of three donor-restricted endowment funds. These funds are reported as net assets with donor restrictions (scholarships) 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

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**9. Endowments (continued)**

Below are the amounts of the original gifts for each endowment fund:

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

The activities in the Association's donor-restricted endowment funds for the year ended December 31, 2018 are as follows:

Endowment net assets, beginning of year	\$ 546,632
Contributions	-
Investment return	(34,953)
Appropriations	<u>(22,500)</u>
Endowment net assets, end of year	<u>\$ 489,179</u>

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the level that donors require the Association to retain as a fund of perpetual duration. This deficiency in the current year is largely a result of the unrealized losses on the investments for the year ended December 31, 2018.

**10. Liquidity and Availability of Financial Assets**

The following table reflects the Association's financial assets as of December 31, 2018, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year, trust assets, assets held for others, perpetual endowments and accumulated earnings net of appropriations within one year, or because the governing board has set aside the funds for a specific contingency reserve or a long term investment as board designated endowments. These board designations could be drawn upon if the board approves that action.

**Association on American Indian Affairs, Inc.**  
**Notes to Financial Statements**  
**December 31, 2018**

**10. Liquidity and Availability of Financial Assets (continued)**

Financial Assets:	
Cash and cash equivalents	\$ 398,304
Grants and contracts receivable	807
Investments - endowments	<u>489,179</u>
Financial assets, at year end	888,290
Less those unavailable for general expenditure within one year, due to:	
Donor restrictions	<u>(791,170)</u>
Financial Assets Available to Meet Cash Needs for General Expenses Within One Year	<u><u>\$ 97,120</u></u>

The Association's primary source of support is derived from contributions and grants. Some of the support is required to be used in accordance with the purpose restrictions imposed by the donors. The Association has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

**11. Functional Allocation of Expenses**

The Association's operating costs have been allocated between program, management and general, and fundraising expenses based on direct identification when possible, and allocation if a single expenditure benefits more than one program or function. The expenses that are allocated are salaries, payroll taxes, employee fringe benefits and office expenses, which are allocated on the basis of estimates of time and effort determined by management.

**12. Subsequent Events**

Management has evaluated subsequent events through May 14, 2019, the date that the financial statements were available to be issued. There were no subsequent events to report.

