

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars
COMBINED FINANCIAL STATEMENTS
June 30, 2017
(With Comparative Totals for June 30, 2016)**

INDEPENDENT AUDITORS' REPORT

Board of Directors
American Indian Graduate Center, Inc.
and American Indian Graduate Center Scholars

Report on the Financial Statements

We have audited the accompanying combined financial statements of American Indian Graduate Center, Inc. and American Indian Graduate Center Scholars, collectively referred to as “the Organization”, a nonprofit organization, which comprise the combined statement of financial position as of June 30, 2017 and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined 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 combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Organization's preparation and fair presentation of the combined 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 Organization'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 combined 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 combined financial statements referred to above present fairly, in all material respects, the financial position of the Organization as of June 30, 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 Summarized Comparative Information

We have previously audited the Organization's 2016 combined financial statements, and our report dated November 15, 2016, expressed an unmodified opinion on those audited combined financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the combined financial statements as a whole.

The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

The accompanying combining statements of financial position and activities and changes in net assets are presented for purposes of additional analysis of the combined financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the combined 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 combined financial statements. The combining information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining information is fairly stated in all material respects in relation to the combined financial statements as a whole.

The accompanying Budget-to-Actual Comparison – Higher Education Scholarships Grant (Unaudited), which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the basic combined financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the combined financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 4, 2017, on our consideration of the Organization'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 and compliance and the results of that testing, and not to provide an opinion on 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 Organization's internal control over financial reporting and compliance.

December 4, 2017


Pulakos CPAs, PC

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

COMBINED STATEMENTS OF FINANCIAL POSITION

June 30, 2017

(With Comparative Totals for June 30, 2016)

<u>Assets</u>	2017	2016
Current assets		
Cash	\$ 6,735,835	\$ 3,661,697
Investments	1,492,992	1,377,266
Receivables	1,506,610	1,838,938
Other current assets	10,963	10,963
Total current assets	9,746,400	6,888,864
Property and equipment, net	45,400	57,497
Long term receivable	-	395,000
Temporarily restricted investments	656,635	528,130
Permanently restricted investments	1,684,831	1,629,831
Total assets	\$ 12,133,266	\$ 9,499,322
 <u>Liabilities and Net Assets</u> 		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,890	\$ 68,649
Scholarships payable, current portion	207,704	406,878
Deferred revenue	2,792,952	1,694,275
Total current liabilities	3,051,546	2,169,802
Scholarships payable, net of current	-	205,500
Total liabilities	3,051,546	2,375,302
Net assets		
Unrestricted		
Undesignated	4,035,563	2,027,280
Board designated	750,000	750,000
Temporarily restricted	2,611,326	2,716,909
Permanently restricted	1,684,831	1,629,831
Total net assets	9,081,720	7,124,020
Total liabilities and net assets	\$ 12,133,266	\$ 9,499,322

See Notes to Combined Financial Statements and Independent Auditors' Report.

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	2017			Total	2016 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, support and gains					
Contributions and grants	\$ 13,120,794	\$ 2,141,359	\$ 55,000	\$ 15,317,153	\$ 15,916,975
Federal grant	2,431,637	-	-	2,431,637	2,630,998
Other program revenue	9,251	-	-	9,251	15,990
Investment income, net of investment fees	23,783	45,524	-	69,307	21,471
Realized and unrealized gains on investments	77,930	135,535	-	213,465	50,999
Net assets released from restrictions	2,428,001	(2,428,001)	-	-	-
Total revenues, support and gains	18,091,396	(105,583)	55,000	18,040,813	18,636,433
Expenses					
Program	15,592,304	-	-	15,592,304	16,539,448
Management	350,803	-	-	350,803	361,881
Fundraising	140,006	-	-	140,006	112,068
Total expenses	16,083,113	-	-	16,083,113	17,013,397
Change in net assets	2,008,283	(105,583)	55,000	1,957,700	1,623,036
Net assets, beginning of year	2,777,280	2,716,909	1,629,831	7,124,020	5,500,984
Net assets, end of year	<u>\$ 4,785,563</u>	<u>\$ 2,611,326</u>	<u>\$ 1,684,831</u>	<u>\$ 9,081,720</u>	<u>\$ 7,124,020</u>

See Notes to Combined Financial Statements and Independent Auditors' Report.

**American Indian Graduate Center, Inc.
and
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COMBINED STATEMENTS OF CASH FLOWS

**Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	2017	2016
Operating activities		
Change in net assets	\$ 1,957,700	\$ 1,623,036
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	18,058	28,104
Realized and unrealized gain on investments	(213,465)	(50,999)
Net changes to operating assets and liabilities		
Receivables	727,328	(1,504,661)
Accounts payable and accrued liabilities	(17,759)	(18,118)
Scholarships payable	(404,674)	176,540
Deferred revenue	1,098,677	843,880
	3,165,865	1,097,782
Net cash provided by operating activities		
Investing activities		
Purchases of investments and reinvestment of investment income	(165,407)	(70,774)
Proceeds from sale of investments	79,641	83,000
Purchases of property and equipment	(5,961)	(16,420)
	(91,727)	(4,194)
Net cash used by investing activities		
Change in cash	3,074,138	1,093,588
Cash, beginning of year	3,661,697	2,568,109
Cash, end of year	\$ 6,735,835	\$ 3,661,697

**American Indian Graduate Center, Inc.
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COMBINED STATEMENTS OF FUNCTIONAL EXPENSES

**Year Ended June 30, 2017
(With Comparative Totals for 2016)**

	Program			
	Scholarships and Program Support	Outreach	Reading	Leadership
Scholarships	\$ 14,452,332	\$ -	\$ -	\$ -
Salaries	389,649	197,042	50,087	24,583
Payroll taxes and employee benefits	69,825	35,310	8,976	4,405
Travel	42,343	28,303	5,443	9,252
Office rent and utilities	41,137	20,724	5,288	2,595
Professional services	25,395	12,794	3,264	1,603
Consumable supplies	21,409	10,795	2,752	1,351
Telephone	14,527	7,408	1,867	1,097
Meetings and conferences	8,714	5,825	1,120	1,904
Printing	7,184	3,619	923	453
Depreciation	7,643	3,850	982	482
American Indian Graduate Publication	6,453	3,251	830	407
Board of Directors meetings	5,393	3,605	693	1,178
Postage	6,347	3,197	816	400
Advertising and marketing	4,795	2,416	616	303
Equipment expense	4,150	2,091	533	262
Insurance	3,460	1,743	445	218
Miscellaneous	2,756	1,225	313	153
	<u>\$ 15,113,512</u>	<u>\$ 343,198</u>	<u>\$ 84,948</u>	<u>\$ 50,646</u>

Management and General

Total Program	AIGC	AIGC Scholars	Fundraising	2017 Total	2016 Total
\$ 14,452,332	\$ -	\$ -	\$ -	\$ 14,452,332	\$ 15,332,471
661,361	99,301	108,207	61,440	930,309	1,012,864
118,516	17,795	19,391	11,010	166,712	179,198
85,341	12,886	9,195	10,851	118,273	128,013
69,744	10,478	10,489	6,493	97,204	96,230
43,056	8,708	5,983	28,288	86,035	38,499
36,307	6,929	4,015	3,379	50,630	54,644
24,899	3,702	3,702	2,293	34,596	31,018
17,563	2,652	1,892	2,233	24,340	19,645
12,179	2,472	1,554	3,299	19,504	19,879
12,957	2,966	929	1,206	18,058	28,104
10,941	2,221	1,396	2,964	17,522	9,497
10,869	1,641	1,171	1,382	15,063	29,181
10,760	2,557	664	1,046	15,027	17,932
8,130	1,650	1,037	2,202	13,019	5,669
7,036	1,058	1,058	655	9,807	4,704
5,866	1,811	12	743	8,432	3,391
4,447	1,273	8	522	6,250	2,458
\$ 15,592,304	\$ 180,100	\$ 170,703	\$ 140,006	\$ 16,083,113	\$ 17,013,397

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 1 – NATURE OF BUSINESS

The combined financial statements include the accounts of American Indian Graduate Center, Inc. (AIGC) and American Indian Graduate Center Scholars (AIGC Scholars), which are related by common purposes and are collectively referred to as “the Organization”. The two organizations share office space and various personnel and administrative expenses.

AIGC is a not-for-profit corporation incorporated in 1971 to promote the interests of American Indian people throughout the United States by providing assistance to Indian students at the graduate level. American Indian Graduate Center Scholars (AIGC Scholars) is a not-for-profit corporation established January 30, 2001, to administer scholarship and other educational programs to broaden and expand the higher educational opportunities for American Indian and Alaska Native students.

AIGC Scholars receives 100% of its funding under a grant agreement with the United Negro College Fund (UNCF). The grant agreement with UNCF provides for the administration of a portion of the Bill and Melinda Gates Millennium Scholars Program, as it relates to American Indian and Alaska Native students pursuing undergraduate through doctoral degrees. The Gates Millennium Scholars Program is a scholarship program funded by the Bill and Melinda Gates Foundation, and is administered by UNCF. To assist in the implementation of this program, UNCF established a partnership with AIGC Scholars.

Programs of the Organization

The Organization's principal programs are comprised of:

Disbursements and Program Support

Materials and activities designed to ensure that all applicant documents are processed properly, and student files are complete, meet the requirements of all scholarship programs, and are compliant with the Bureau of Indian Education (BIE) and Gates Millennium Scholars program contracts. Disbursement activities also include the calculation of award amounts based on financial need and the disbursement of scholarship funds to students.

Retention and academic advisement activities are reported in Disbursements and Program Support and consist of generalized activities to assist awarded Gates Millennium Scholars in achieving continued success in the program. AIGC Scholars staff maintains communication with students and addresses any difficulties they are experiencing in their academic pursuits; with the objective of helping them achieve the criteria for retention in the program.

**American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 1 – NATURE OF BUSINESS – CONTINUED

Programs of the Organization – Continued

Outreach

Activities that promote the scholarship programs and recruit applicants with the skills necessary to succeed in the program. Materials and presentations are designed to inform educators and American Indian and Alaska Native students about the program.

Reading

Activities for the selection of students who are awarded Gates Millennium scholarships. Qualified readers are selected to review all applications and rank them for the purpose of selecting the best-qualified applicants for the program.

Know Before You Go

A college readiness program that informs high school students and parents about college application, financial aid and literacy and transitioning to college. Materials and presentations are designed to engage American Indian and Alaska Native high school students in the college going process and to provide resources for successful enrollment in and transition to higher education.

Gates Foundation Sustainability Grant

Two-year grant to assist in the development of robust marketing and development department to ensure sustainability of the organization. The budget includes staff and startup costs, including program impact and fundraising feasibility studies and technology to support the strategic directions of a Comprehensive Fundraising Plan.

Leadership

Preparing and hosting activities to bring awarded students and alumni together to participate in leadership activities and engage in networking and mentoring, in order to promote their leadership abilities and enhance their likelihood for success.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Estimates

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

American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

June 30, 2017
(With Comparative Totals for 2016)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Financial Statement Presentation

The assets, liabilities and results of activities of AIGC and AIGC Scholars are combined in the accompanying combined financial statements and have been collectively referred to as "the Organization." All significant intercompany accounts and transactions are eliminated in the combination. These combined statements are not those of a separate legal entity.

The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the combined financial statements for the year ended June 30, 2016, from which the summarized information was derived.

Certain reclassifications have been made to the 2016 financial statements to conform to the 2017 presentation. These reclassifications have no impact on AIGC's change in net assets.

Receivables

Receivables are carried at their estimated collectible amounts. The Organization utilizes the allowance method of receivables valuation. Balances that remain outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance.

As of June 30, 2017 and 2016, management estimates that all receivables are collectible and thus no allowance for uncollectible receivables has been recorded. All receivables are considered current.

Investments

Investments consist of marketable securities, and are stated at quoted fair market value (FMV). Investment income is presented net of investment fees. Investment fees were \$16,365 and \$58,443 in 2017 and 2016, respectively.

Property and Equipment

Property and equipment are stated at cost. Depreciation is recorded on the straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from two to five years. The Organization capitalizes acquisitions in excess of \$500. Contributed property and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Depreciation expense was \$18,058 and \$28,104 in 2017 and 2016, respectively.

**American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred Revenue

Deferred revenue represents scholarship receipts for which the Organization has not yet provided all services associated with the placement of a scholarship. Revenue is recognized by the Organization upon completion of all grantor requirements.

Scholarships Payable

Scholarships payable represents scholarship awards that are due by the Organization to identified, qualified recipients but have not yet been disbursed.

Donated Assets

Donated assets are recorded at their estimated fair values as of the date of contribution.

Net Assets

Unrestricted net assets represent resources whose use is not limited or restricted by donors. Unrestricted net assets have arisen from exchange transactions, receipt of unrestricted contributions and expirations of existing restrictions. Temporarily restricted contributions are recorded as unrestricted to the extent the restrictions expire in the same reporting period.

Board-designated net assets represent unrestricted net assets for which the Organization's Board of Directors has designated for a specific use.

Temporarily restricted net assets represent resources whose use is limited by donors to specified purposes. Temporarily restricted net assets are reclassified as unrestricted when the related purpose requirements are satisfied.

Permanently restricted net assets represent resources that are maintained permanently, according to donor-imposed restrictions.

Functional Classification of Expenses

Expenses are presented on a functional basis allocated among its various programs, including management and general. Expenses and support services related to a specific program are allocated directly according to their natural expenditure classification. Other expenditures that are common to several programs are allocated based on various relationships, such as square footage or direct labor or periodic time and expense studies.

**American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Fundraising Activity

The Organization accounts for the allocation of joint costs between program activities and fund raising as provided for by accounting principles generally accepted in the United States of America surrounding the accounting for costs of activities of not-for-profit organizations that include fundraising.

Federal Contract

The Organization performs services under a contract with the Bureau of Indian Education. Revenue from this contract is recognized as the services are performed, to the extent of expenses pursuant to applicable federal laws and regulations and the terms and conditions of the contract. Receipts in excess of expenses are recorded as deferred revenue in the accompanying combined financial statements.

United Negro College Fund (UNCF) Grant Agreement

Revenue from the grant agreement with UNCF is segregated into administrative support and scholarship support.

Administrative Support

Administrative support is considered to be an unconditional promise to give. However, since the donor specified the period for which the funds are to be used, it is recognized as temporarily restricted for time. The support is subsequently released to unrestricted during the period to which the support was intended.

Scholarship Support

Receipts related to scholarship support are not considered to be promises to give, but rather exchange transactions for services rendered by the Organization. Therefore, any funding related to the activity, which may be received in advance, is deferred until the Organization has provided the services associated with the placement of a scholarship.

Actual scholarship awards granted to the Organization are made only after the actual recipient has been identified and pre-qualified by the Organization. Therefore, all such awards are recognized as unrestricted revenue when awarded since all requirements of the award have been met. An increase in disbursement and program support is also recognized at this time. Amounts are then carried as a scholarship payable until disbursement is made.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses, and other liabilities approximate fair value due to short maturity periods of these instruments.

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**June 30, 2017
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Advertising

Advertising costs (\$13,019 and \$5,669 in 2017 and 2016, respectively) are expensed as incurred.

Income Taxes

AIGC and AIGC Scholars are both exempt from income taxes under Internal Revenue Code Section 501(c)(3). The Organization has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions. Any interest and penalties recognized associated with a tax position are classified as current in the Organization's combined financial statements. Currently, the 2014, 2015, and 2016 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, the Organization is not currently under audit nor been contacted by any of these jurisdictions. Management believes that they are operating within their tax-exempt purpose. Therefore, no provision for the effects of uncertain tax positions has been recorded for the years ended June 30, 2017 and 2016, respectively. Income from magazine advertising, not directly related to the Organization's purpose, is subject to taxation as unrelated business income. However, unrelated business activities do not generally generate taxable income.

Fair Value Measurements

Accounting Standards Codification Topic 820 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets and liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical investments that the Organization has the ability to access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the investment, either directly or indirectly. These inputs may include quoted prices for the identical instrument in an inactive market, inputs other than observable quoted prices, or inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
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NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Subsequent Events

The Organization has evaluated all events occurring subsequent to June 30, 2017 and through December 4, 2017, which is the date that the combined financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying combined financial statements.

NOTE 3 – RECEIVABLES

Receivables consisted of the following at June 30, 2017 and 2016:

	<u>2017</u>	<u>2016</u>
Gates Millennium Scholars program	\$ 577,885	\$ 1,068,567
Bureau of Indian Education	462,087	327,371
Gates Foundation	418,638	-
Wells Fargo Grant	-	790,000
Pledge – Accenture Corp	<u>48,000</u>	<u>48,000</u>
	<u>\$ 1,506,610</u>	<u>\$ 2,233,938</u>

NOTE 4 – PROPERTY AND EQUIPMENT

	<u>2017</u>	<u>2016</u>
Computer equipment and software	\$ 206,812	\$ 202,052
Furniture and fixtures	115,893	114,692
Leasehold improvements	<u>1,036</u>	<u>1,036</u>
	323,741	317,780
Less accumulated depreciation	<u>(278,341)</u>	<u>(260,283)</u>
	<u>\$ 45,400</u>	<u>\$ 57,497</u>

**American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
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NOTE 5 – INVESTMENTS

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2017:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 318,407	\$ 318,407	\$ -	\$ -
Equities	759,150	759,150	-	-
Exchange traded funds	1,683,406	1,683,406	-	-
Government securities	236,358	236,358	-	-
Mutual funds	837,137	837,137	-	-
	<u>\$ 3,834,458</u>	<u>\$ 3,834,458</u>	<u>\$ -</u>	<u>\$ -</u>

The following table presents investments that are measured at fair value on a recurring basis as of June 30, 2016:

<u>Description</u>	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Money market funds	\$ 302,875	\$ 302,875	\$ -	\$ -
Equities	670,325	670,325	-	-
Exchange traded funds	1,552,741	1,552,741	-	-
Government securities	208,964	208,964	-	-
Mutual funds	800,322	800,322	-	-
	<u>\$ 3,535,227</u>	<u>\$ 3,535,227</u>	<u>\$ -</u>	<u>\$ -</u>

The classifications of different types of investments in the preceding tables are determined by evaluating each fund or investment within general investment type parameters.

The following is a description of the valuation methodologies used for assets and liabilities measured at fair value.

Money market funds: Valued based on stated values.

**American Indian Graduate Center, Inc.
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NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 5 – INVESTMENTS – CONTINUED

Equities, mutual funds, exchange traded funds and governmental securities: Valued at the closing price of the traded security at the statement of financial position date.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NOTE 6 – RESTRICTED NET ASSETS

Temporarily Restricted Net Assets

Various contributions have been temporarily restricted by the donor:

	2017	2016
Post-graduate Educational Assistance	\$ 656,635	\$ 534,131
Gates Foundation Marketing Grant	949,514	-
Know Before You Go Program	427,293	1,114,211
Gates Millennium Scholars program	577,884	1,068,567
	\$ 2,611,326	\$ 2,716,909

Net assets released are as follows:

	2017	2016
Post-graduate Educational Assistance	\$ 322,645	\$ 182,997
Know Before You Go Program	686,918	70,789
Gates Millennium Scholars program	1,418,438	857,765
	\$ 2,428,001	\$ 1,111,551

Permanently Restricted Net Assets

Permanently restricted net assets consist of two scholarship funds and six permanent endowments totaling \$1,684,831 and \$1,629,831 at June 30, 2017 and 2016, respectively. Income generated from these assets is recorded as either unrestricted or temporarily restricted, depending on each donor's stipulations.

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 7 – ENDOWMENTS

The Uniform Prudent Management of Institutional Funds Act (UPMIFA) provides industry guidance to organizations similar to the Organization. The State of New Mexico adopted UPMIFA effective July 1, 2009. The Organization has determined that certain temporarily restricted net assets and all permanently restricted net assets meet the definition of endowment funds under UPMIFA.

Endowment Investment and Spending Policies

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

In determining the prudent amount to distribute in a given year, the Organization considers the donor's intent, the purpose of the fund as stated in the fund agreement, and relevant economic factors. The Organization's current spending policy with regards to its endowments is determined annually by the Board of Directors.

The investment policies establish a return objective through diversification of asset classes. The current long-term return objective is the rate of inflation plus spending, net of any investment fees. To satisfy its long-term rate of return objectives, the Organization relies on a total return strategy in which investment returns may be achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk parameters.

The Organization's endowment funds consist entirely of donor-restricted funds. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars
NOTES TO COMBINED FINANCIAL STATEMENTS**

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 7 – ENDOWMENTS – CONTINUED

Changes in Endowment Net Assets for the Years Ending June 30, 2017 and 2016:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, June 30, 2015	\$ 555,604	\$ 1,589,830	\$ 2,145,434
Investment return			
Interest income	51,567	-	51,567
Unrealized gain on investment	30,983	-	30,983
Investment fees	<u>(37,023)</u>	<u>-</u>	<u>(37,023)</u>
Total investment return	45,527	-	45,527
Contributions	9,999	40,001	50,000
Distributions	<u>(83,000)</u>	<u>-</u>	<u>(83,000)</u>
Endowment net assets, June 30, 2016	528,130	1,629,831	2,157,961
Investment return			
Interest income	53,662	-	53,662
Unrealized gain on investment	135,535	-	135,535
Investment fees	<u>(8,138)</u>	<u>-</u>	<u>(8,138)</u>
Total investment return	181,059	-	181,059
Contributions	66,080	55,000	121,080
Distributions	<u>(118,634)</u>	<u>-</u>	<u>(118,634)</u>
Endowment net assets, June 30, 2017	<u>\$ 656,635</u>	<u>\$ 1,684,831</u>	<u>\$ 2,341,466</u>

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Operating Leases

The Organization rents its operating facility under an operating lease, which expires in December 2018. The Organization also rents small operational equipment under month-to-month lease arrangements. Total rent expense under these leases was \$97,204 and \$96,230 in 2017 and 2016, respectively.

Future minimum fiscal year lease payments are as follows:

2018	\$ 96,300
2019	<u>48,150</u>
	<u>\$ 144,450</u>

Concentrations of Risk

The Organization has investments with financial institutions (principally banks), brokerage firms, and individual mutual funds. Investments with banks consist principally of cash on deposit. These monies are subject to federal insurance limits and the Organization's balances frequently exceed amounts insured by the federal government. Investments (consisting principally of marketable equities, money market, and marketable debt instruments) with investment brokerage firms and mutual funds, while subject to certain conditions where there can be defined insurance coverage for certain situations are nevertheless, subject to declines in principal value principally due to movements in the stock and bond markets. The Organization attempts to minimize this risk through diversification and allocation strategies.

The Organization maintains cash balances, which at times may exceed federally insured limits.

Concentration of Revenues

The Organization received approximately 70% and 66% of its revenue in 2017 and 2016, respectively, from a grant agreement with UNCF. Management has been informed that this program will sunset and that the final cohort of Scholars will be selected in 2017. At that time, All Scholars currently enrolled in degree programs will continue to receive full benefits of the program through the completion of their eligible programs, and no new Scholars will be awarded

Additionally, the Organization received approximately 16% and 23% of its revenue in 2017 and 2016, respectively, from a grant agreement with the Bureau of Indian Affairs. This grant is scheduled to end September 31, 2021.

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

NOTES TO COMBINED FINANCIAL STATEMENTS

**June 30, 2017
(With Comparative Totals for 2016)**

NOTE 8 – COMMITMENTS AND CONTINGENCIES – CONTINUED

Questioned Costs

The Organization receives grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could result in a request for reimbursement by the grantor agencies for expenditures disallowed under the terms and conditions of the appropriate agency. The Organization has not experienced questioned costs in the past. In the opinion of the Organization's management, such disallowances, if any, would not be significant.

Benefit Plan

The Organization maintains a defined contribution 401(k) profit sharing plan (the Plan) for its eligible employees. To be eligible, employees must have completed one month of service and be at least 21 years of age. The Plan allows the Organization a maximum 6% match for employees completing 1,000 hours of service during the Plan year. Contributions were \$45,004 and \$39,315 in 2017 and 2016, respectively.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
U.S. DEPARTMENT OF INTERIOR BUREAU OF INDIAN EDUCATION:			
Indian Graduate Student Scholarships (Special Higher Education Scholarships)	15.059	A11PC00247/001	\$ <u>2,431,637</u>
Total federal expenditures			\$ <u>2,431,637</u>

NOTE 1- The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

NOTE 2- The Organization has elected not to use the 10% de minimis indirect cost rate as permitted by the Uniform Guidance.

**INDEPENDENT AUDITORS' 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***

Board of Directors
American Indian Graduate Center, 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 of America, the combined financial statements of American Indian Graduate Center (AIGC), a nonprofit organization, which comprise the combined statement of financial position as of June 30, 2017, and the related combined statements of activities and changes in net assets, cash flows and functional expenses for the year then ended and the related notes to the combined financial statements and have issued our report thereon dated December 4, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the combined financial statements, we considered AIGC'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 combined financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIGC's internal control. Accordingly, we do not express an opinion on the effectiveness of the AIGC'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 AIGC's combined 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 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 AIGC's combined financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of combined 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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 AIGC's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIGC's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 4, 2017


Pulakos CPAs, PC

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

Board of Directors
American Indian Graduate Center, Inc.

Report on Compliance for Each Major Federal Program

We have audited American Indian Graduate Center, Inc.'s (AIGC) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of AIGC's major federal programs for the year ended June 30, 2017. AIGC's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of AIGC'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 Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for 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 AIGC'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 AIGC's compliance.

Opinion on Each Major Federal Program

In our opinion, AIGC 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 June 30, 2017.

Report on Internal Control over Compliance

Management of AIGC 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 AIGC'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 AIGC'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.

December 4, 2017


Pulakos CPAs, PC

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: **Unmodified**

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X No

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency(ies) identified? _____ Yes X No

Type of auditors' report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 *CFR* section 200.516(a)? _____ Yes X No

Identification of major programs:

**CFDA Numbers(s)
Cluster**

Name of Federal Program or

15.059

Indian Graduate Student Scholarships (Special Higher Education Scholarships)

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

Auditee qualified as low-risk auditee? _____ X Yes _____ No

**American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

SECTION II - FINANCIAL STATEMENT AUDIT FINDINGS

NONE

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

NONE

SECTION IV - SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

NONE

SUPPLEMENTARY INFORMATION

American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars

COMBINING STATEMENTS OF FINANCIAL POSITION

June 30, 2017

<u>Assets</u>	<u>AIGC</u>	<u>AIGC Scholars</u>	<u>Combination</u>	<u>Total</u>
Current assets				
Cash	\$ 5,194,611	\$ 1,541,224	\$ -	\$ 6,735,835
Investments	1,492,992	-	-	1,492,992
Receivables	998,784	577,884	(70,058)	1,506,610
Other current assets	10,963	-	-	10,963
	7,697,350	2,119,108	(70,058)	9,746,400
Property and equipment, net	45,400	-	-	45,400
Long term receivable	-	-	-	-
Temporarily restricted investments	656,635	-	-	656,635
Permanently restricted investments	1,684,831	-	-	1,684,831
	\$ 10,084,216	\$ 2,119,108	\$ (70,058)	\$ 12,133,266
	\$ 10,084,216	\$ 2,119,108	\$ (70,058)	\$ 12,133,266
<u>Liabilities and Net Assets</u>				
Current liabilities				
Accounts payable and accrued liabilities	\$ 55,737	65,211	\$ (70,058)	\$ 50,890
Scholarships payable, current portion	207,704	-	-	207,704
Deferred revenue	2,792,952	-	-	2,792,952
	3,056,393	65,211	(70,058)	3,051,546
Scholarships payable, net of current	-	-	-	-
	3,056,393	65,211	(70,058)	3,051,546
Net assets				
Unrestricted				
Undesignated	2,559,550	1,476,013	-	4,035,563
Board designated	750,000	-	-	750,000
Temporarily restricted	2,033,442	577,884	-	2,611,326
Permanently restricted	1,684,831	-	-	1,684,831
	7,027,823	2,053,897	-	9,081,720
	\$ 10,084,216	\$ 2,119,108	\$ (70,058)	\$ 12,133,266

American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars

COMBINING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year Ended June 30, 2017

	<u>AIGC</u>	<u>AIGC Scholars</u>	<u>Combination</u>	<u>Total</u>
Revenues, support and gains				
Contributions and grants	3,047,155	\$ 12,433,895	\$ (163,897)	\$ 15,317,153
Federal grant	2,431,637	-	-	2,431,637
Other program revenue	9,251	-	-	9,251
Investment income	68,940	367	-	69,307
Realized and unrealized gains on investments	213,465	-	-	213,465
Total revenues, support and gains	<u>5,770,448</u>	<u>12,434,262</u>	<u>(163,897)</u>	<u>18,040,813</u>
Expenses				
Program	3,457,651	12,298,550	(163,897)	15,592,304
Management	180,100	170,703	-	350,803
Fundraising	94,145	45,861	-	140,006
Total expenses	<u>3,731,896</u>	<u>12,515,114</u>	<u>(163,897)</u>	<u>16,083,113</u>
Change in net assets	2,038,552	(80,852)	-	1,957,700
Net assets, beginning of year	<u>4,989,271</u>	<u>2,134,749</u>	<u>-</u>	<u>7,124,020</u>
Net assets, end of year	<u>\$ 7,027,823</u>	<u>\$ 2,053,897</u>	<u>\$ -</u>	<u>\$ 9,081,720</u>

American Indian Graduate Center, Inc.
and
American Indian Graduate Center Scholars

**BUDGET-TO-ACTUAL COMPARISON - HIGHER EDUCATION
SCHOLARSHIPS GRANT (UNAUDITED)**

June 30, 2017

	<u>Approved Budget</u>	<u>June 30, 2017</u>	<u>Remaining Budget</u>
Support			
Department of Interior			
Bureau of Indian Education	\$ 2,930,000	\$ 2,431,637	\$ 498,363
BIE expenses			
Student support	2,416,800	1,918,437	498,363
Salaries	285,764	284,604	1,160
Payroll taxes and employee benefits	48,190	69,502	(21,312)
Office rent and utilities	39,400	35,688	3,712
Staff travel	25,712	23,737	1,975
Professional services	35,940	35,268	672
Software support	13,200	13,159	41
Telephone	16,352	13,331	3,021
Equipment expense	5,500	2,905	2,595
Board of Director meetings	7,622	3,047	4,575
Postage	5,100	4,608	492
Consumeable supplies	10,400	4,649	5,751
Insurance	2,200	1,169	1,031
Marketing	2,050	3,313	(1,263)
Printing	12,900	13,742	(842)
Meetings and conferences	400	1,173	(773)
Miscellaneous	2,470	3,305	(835)
Total BIA expenditures	<u>\$ 2,930,000</u>	<u>\$ 2,431,637</u>	<u>\$ 498,363</u>