



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.

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

For the Year Ended September 30, 2021

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.

TABLE OF CONTENTS

For the Year Ended September 30, 2021

	<u>Page</u>
INTRODUCTORY SECTION	
Table of Contents	i
Official Roster	ii
FINANCIAL SECTION	
Independent Auditor's Report	1-3
Management's Discussion and Analysis	4-6
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Net Position	8-9
Statement of Cash Flows	10
Notes to Financial Statements	11-19
COMPLIANCE SECTION	
Schedule of Expenditures of Federal Awards	20
Notes to the Schedule of Expenditures of Federal Awards	21
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	22-23
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required By the Uniform Guidance	24-25
Schedule of Findings and Questioned Costs	26-29

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
OFFICIAL ROSTER
As of September 30, 2021

Board of Directors

Donnie Garcia, Chairman	Jicarilla Apache Nation
Beverly J. Coho, Vice Chair	Ramah Band of Navajos
Jacqueline Platero, Secretary	To'hajiilee Band of Navajos
Linda Baker	Southern Ute Indian Tribe
Marjorie Barry	Southern Ute Indian Tribe
Dorlynn Simmons	Mescalero Apache Tribe
Selwyn Whiteskunk	Ute Mountain Ute Tribe

Administrative Officials

Ayn Whyte	Executive Director
Vernon Laughlin	Finance Director

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Albuquerque Area Indian Health Board, Inc.
Albuquerque, NM

Report on Financial Statements

We have audited the accompanying financial statements of the business-type activities of the Albuquerque Area Indian Health Board, Inc. (the AAIHB), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the AAIHB's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material 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 respective financial position of the business-type activities of the AAIHB, as of September 30, 2021, and the respective changes in financial position and cash flows thereof, for the year ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the AAIHB's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 12, 2022 on our consideration of the AAIHB's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the AAIHB's internal control over financial reporting and compliance.



Hinkle + Landers, P.C.

Albuquerque, NM

August 12, 2022

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

Management's Discussion and Analysis

Background

The Albuquerque Area Indian Health Board, Inc. (AAIHB) is a not-for-profit, 501(c)(3), consortium of six federally recognized tribes in New Mexico and Southern Colorado. AAIHB was incorporated in 1980 to provide direct health care services and to foster self-determination in health care delivery systems. Each tribe appoints a representative to the AAIHB board of directors. These representatives assess and advocate for the health care needs of 27 tribal communities within the greater Albuquerque southwest area.

Introduction

This section of the Albuquerque Area Indian Health Board's annual financial report introduces the basic financial statements and presents an analytical overview of the financial position and changes in financial position for the fiscal years ended September 30, 2021 and 2020. Management has prepared this information; it should be read in conjunction with the Independent Auditor's Report, audited financial statements and notes thereto. The information being presented provides additional information regarding the activities of the AAIHB and meets the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*.

Statement of Net Position

The Statement of Position is a list of the Assets and Liabilities of the AAIHB at September 30, with the difference being the net position. The net assets are categorized as "Invested in Capital Assets," "Restricted," or "Unrestricted." Net Assets Invested in Capital Assets are the fixed assets of the AAIHB reduced by accompanying debt and accumulated depreciation. Restricted Net Assets are those assets subject to externally imposed restrictions governing their use. All other net assets are categorized as Unrestricted.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
Assets				
Current assets	\$ 5,779,965	4,579,426	1,200,539	26%
Non-current assets	<u>1,019,114</u>	<u>1,057,977</u>	<u>(38,863)</u>	<u>-4%</u>
Total assets	<u>\$ 6,799,079</u>	<u>5,637,403</u>	<u>1,161,676</u>	<u>21%</u>
Liabilities				
Current liabilities	\$ 4,636,349	3,614,127	1,022,222	28%
Noncurrent liabilities	<u>739,798</u>	<u>762,835</u>	<u>(23,037)</u>	<u>-3%</u>
Total liabilities	<u>5,376,147</u>	<u>4,376,962</u>	<u>999,185</u>	<u>23%</u>
Net Position				
Net investment in capital assets	256,279	273,017	(16,738)	-6%
Restricted	653,328	564,842	88,486	16%
Unrestricted	<u>513,325</u>	<u>422,582</u>	<u>90,743</u>	<u>21%</u>
Total net position	<u>1,422,932</u>	<u>1,260,441</u>	<u>162,491</u>	<u>13%</u>
Total liabilities and net position	<u>\$ 6,799,079</u>	<u>5,637,403</u>	<u>1,161,676</u>	<u>21%</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

There was an increase of 13 percent in the AAIHB net position over the prior fiscal year. There was an increase in current assets (cash and equivalents, and investments) and an increase in current liabilities (unearned revenue). The substantial increase in deferred revenue is due to AAIHB receiving advanced funding from several funding sources. Non-current assets and non-current liabilities decreased from the prior year. Overall, the AAIHB was able to maintain a stable net position.

Statement of Revenues, Expenses and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Assets presents the AAIHB's results of operations for the years ended September 30. Below is the Condensed Statement of Revenues, Expenses, and Changes in Net Assets as of September 30, 2021 and 2020.

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

	<u>2021</u>	<u>2020</u>	<u>Change</u>	<u>% Change</u>
Operating revenues				
Program income	\$ 283,712	361,019	(77,307)	-21%
Governmental grants	8,484,100	7,105,418	1,378,682	19%
Private donations and grants	64,745	92,192	(27,447)	-30%
Other revenue	1,889	278	1,611	100%
Total operating revenues	<u>8,834,446</u>	<u>7,558,907</u>	<u>1,275,539</u>	<u>17%</u>
Operating expenses				
Direct program expenses	7,794,895	6,686,773	1,108,122	17%
Indirect cost expenses	974,733	866,787	107,946	12%
Total operating expenses	<u>8,769,628</u>	<u>7,553,560</u>	<u>1,216,068</u>	<u>16%</u>
Operating surplus/deficit	<u>64,818</u>	<u>5,347</u>	<u>59,471</u>	<u>1112%</u>
Nonoperating revenues (expenses)				
Investment income	98,988	32,896	66,092	201%
Gain on sale of assets	30,030	181	29,849	16491%
Interest on capital debt	(31,345)	(32,617)	1,272	-4%
Net nonoperating revenues/(expenses)	<u>97,673</u>	<u>460</u>	<u>95,941</u>	<u>20857%</u>
Change in net position	162,491	5,807	156,684	2698%
Total net position, beginning of year	<u>1,260,441</u>	<u>1,254,634</u>	<u>5,807</u>	<u>0%</u>
Total net position - end of year	<u>\$ 1,422,932</u>	<u>1,260,441</u>	<u>162,491</u>	<u>13%</u>

In fiscal year 2021, operating revenues and corresponding expenses experienced parallel increase of 16-17% due to expanded programmatic activities. The AAIHB investment portfolio gained value as the market experienced growth.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2021

Expenses Classified by Function

A comparative summary of the AAIHB's operating expenses by functional classification for the years ended September 30, 2021 and 2020 is included below:

	<u>2021</u>	<u>2020</u>
Audiology	\$ 975,912	933,387
HIV/AIDS/STI Prevention	608,704	628,222
Cancer Prevention	239,505	110,320
Covid Mitigation	2,495,887	1,003,681
Epidemiology/Research	2,305,966	3,030,772
Community Based Public Health Initiatives	1,151,315	973,963
Special Projects	17,606	33,892
Overhead/Administration	<u>974,733</u>	<u>871,940</u>
Total operating expenses	\$ <u>8,769,628</u>	<u>7,586,177</u>

During fiscal year 2021, the AAIHB's regular program services experienced greater fluctuation in expenses than in the prior year. Cancer prevention and covid mitigation each saw an increase in operating expenses of more than 50% with covid mitigation having an increase of 60%. As the covid 19 pandemic continued, several of AAIHB's non-covid programs experienced a decrease in program expenses. AAIHB continues to successfully adapt and provide program services to help with Covid-19 mitigation.

Future Outlook

The AAIHB anticipates continued incremental growth in programmatic services delivery and expects continued financial stability into the future.

Contacting the AAIHB's financial management personnel

This report intends to provide a general overview of the AAIHB's financial resources and commitments and to demonstrate the AAIHB's responsible stewardship of the funding it receives. Questions and requests for additional information can be addressed via email to vlaughlin@aaihb.org.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
STATEMENT OF NET POSITION
As of September 30, 2021

ASSETS

Current assets

Cash, restricted cash, and cash equivalents	\$ 1,299,522
Investments	3,203,018
Grants and contracts receivable	923,287
Accounts receivables, net	157,191
Other receivables	143,152
Prepaid expenses	<u>53,795</u>
<i>Total current assets</i>	<u>5,779,965</u>

Non-current assets

Capital assets, net of accumulated depreciation	<u>1,019,114</u>
<i>Total non-current assets</i>	<u>1,019,114</u>
Total assets	<u>\$ 6,799,079</u>

LIABILITIES

Current liabilities

Accounts payable	\$ 612,156
Salaries payable	85,192
Accrued payroll expenses	101,913
Mortgage payable	23,037
Compensated absences	144,341
Unearned revenue	<u>3,669,710</u>
<i>Total current liabilities</i>	<u>4,636,349</u>

Non-current liabilities

Mortgage payable	<u>739,798</u>
<i>Total non-current liabilities</i>	<u>739,798</u>
Total liabilities	<u>5,376,147</u>

NET POSITION

Net investment in capital assets	256,279
Restricted	653,328
Unrestricted	<u>513,325</u>
<i>Total net position</i>	<u>1,422,932</u>
Total liabilities and net position	<u>\$ 6,799,079</u>

The independent auditor's report and accompanying notes are an integral part of these financial statements.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended September 30, 2021

OPERATING REVENUES

Grant award income-IHS	\$ 2,940,810
Grant award income-CDC	3,765,586
Grant award income-SAMHSA	665,175
Grant award income-DHHS	341,632
Grant award income-NIH	209,091
Grant award income-State of NM	10,000
Private foundation grants	64,742
Sub award income	551,806
Program service fees	283,712
Private donations	3
Other revenue	<u>1,889</u>
<i>Total operating revenues</i>	<u>8,834,446</u>

OPERATING EXPENSES-DIRECT

Salaries	3,134,976
Benefits	501,212
Payroll taxes	237,514
Project supplies	671,173
Consultant fees	970,018
Tribal subawards	1,869,920
Travel	84,516
Occupancy costs	34,178
Training and certification	77,076
Depreciation	56,475
Equipment lease/maintenance	22,531
Communication	78,661
Late fees and interest	152
Dues, fees, subscriptions	42,040
Insurance	<u>14,453</u>
<i>Total operating expenses-direct</i>	<u>7,794,895</u>

The independent auditor's report and accompanying notes are an integral part of these financial statements.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION-CONT.
For the Year Ended September 30, 2021

OPERATING EXPENSES-INDIRECT

Salaries	598,225
Benefits	89,819
Payroll taxes	45,919
Board travel	16,963
Office supplies	52,778
Professional fees	46,202
Directors fees	32,600
Training	23,358
Depreciation	13,886
Staff travel	2,955
Equipment maintenance	11,976
Occupancy costs	8,199
Communication	7,178
Late fees and interest	34
Dues, fees, subscriptions	22,316
Insurance	2,325
<i>Total operating expenses-indirect</i>	<u>974,733</u>

Operating income/(loss)	<u>64,818</u>
-------------------------	---------------

NON-OPERATING REVENUES (EXPENSES)

Net investment gain/(loss)	98,988
Gain on sale of capital assets	30,030
Interest on capital debt	<u>(31,345)</u>
<i>Total non-operating revenues (expenses)</i>	<u>97,673</u>

Change in net position	162,491
Net position, beginning of year	<u>1,260,441</u>
Net position, end of year	<u>\$ 1,422,932</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2021

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts for program services	\$ 283,712
Receipts from grants/contracts	9,648,617
Receipts of private donations	3
Receipts of other revenue	1,889
Payments to employees for services	(4,264,286)
Payments to suppliers for goods or services	(4,394,653)
<i>Net cash provided (used) by operating activities</i>	<u>1,275,282</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal paid on capital debt	(22,125)
Interest paid on capital debt	(31,345)
Purchase of equipment	(13,386)
Improvements to building	(18,112)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(84,968)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Redemptions of bond fund shares	289,479
Purchases of bond fund shares	(1,111,700)
Dividend and interest received	64,358
<i>Net cash provided (used) by investing activities</i>	<u>(757,863)</u>

Net increase (decrease) in cash, restricted cash and cash equivalents 432,451

Balances-beginning of year 867,071

Balances-end of year \$ 1,299,522

Reconciliation of operating income to net cash provided/(used) by operating activities:

Operating income/(loss) \$ 64,818

Adjustments

Depreciation expense 70,361

Change in assets and liabilities:

(Increase) decrease in grants receivables (259,990)

(Increase) decrease in other receivables 425,013

(Increase) decrease prepaid expenses (46,380)

(Increase) decrease security deposits 150

Increase (decrease) in accounts payable 57,957

Increase (decrease) in unearned revenue 934,752

Increase (decrease) in accrued liabilities 42,211

Increase (decrease) in compensated absences (13,610)

Net cash provided (used) by operating activities \$ 1,275,282

The independent auditor's report and accompanying notes are an integral part of these financial statements.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 1. Summary of Significant Accounting Policies

A. Financial Reporting Entity

The Albuquerque Area Indian Health Board, Inc. (AAIHB) was incorporated as a nonprofit organization on February 4, 1980 and is primarily funded by the U.S Department of Health and Human Services (89.7%). For financial reporting purposes, the AAIHB is considered a government, because the AAIHB's board of directors is appointed by members of tribal governments. Members of the AAIHB's governing board are: The To'Hajilee Band of Navajos, the Ramah Band of Navajos, the Jicarilla Apache Nation, the Mescalero Apache Tribe, the Ute Mountain Ute Tribe and the Southern Ute Indian Tribe. The AAIHB's purpose is to promote the common welfare and well-being of the Indian communities through improved delivery of public health services and public health education outreach.

In accordance with the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASBS No. 39, 61, 80 and other applicable GASB standards, the financial statements must present the Board (the primary government) and its component units. Pursuant to this criterion, no component units were identified for inclusion in the accompanying financial statements.

B. Operations & Budgetary Data

The operations of the AAIHB encompass providing health related services and disbursing health information to tribal communities in the Albuquerque area. The operating revenues and expenses of the board are primarily financed as stated above through grants funded by the United States Department of Health and Human Services. Cash flows from financing and investing activities are considered non-operating activities and are classified as such. The AAIHB's grant budgets are subject to annual review and negotiation by their various funding sources. Annual budgets are not required to be legally adopted.

C. Basis of Presentation-Fund Financial Statements

The accounts of the AAIHB are organized on the basis of one fund that is considered a separate accounting entity. The AAIHB's activities are reported as business-type and as a result, are comprised of a single proprietary fund financial statement. The operations of the fund are accounted for with self-balancing accounts that comprise its assets, deferred outflows of resources (if applicable), liabilities, deferred inflows of resources (if applicable), net position, revenues and expenses. Government resources are allocated to and accounted for in the fund based upon the purpose for which spending activities are controlled. In this report, the fund is presented with the titles of Statement of Net Position, Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows.

Enterprise Fund

The enterprise fund (proprietary fund) is used to account for operations (a) that are financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

Measurement Focus

Proprietary funds are accounted for using the “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities, deferred inflows of resources (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position present increases (revenues) and decreases (expenses) in total Net Position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. Property taxes are recognized as revenues in the year for which they are levied.

Operating and Non-Operating Items

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the AAIHB are grants, program service fees and other contributions. Operating expenses include, administrative expenses, and depreciation on capital assets. All revenues, including investment gains and losses, and expenses not meeting this definition are reported as non-operating revenues and expenses.

Net Position is classified as follows:

Net investment in capital assets - represents the AAIHB’s total investment in capital assets, net of accumulated depreciation and outstanding debt obligations related to those capital assets.

Restricted net position - represents those operating funds on which external restrictions have been imposed that limit the purposes for which such funds can be used. The AAIHB is legally or contractually obligated to spend these funds in accordance with the restrictions imposed by external third parties. Restricted net position consist of grants, contributions, and program services fees net of related expenses.

Unrestricted net position - consists of those operating funds over which the Board of Directors retains full control to use in achieving any of its authorized purposes.

When an expense is incurred that can be paid using either restricted or unrestricted resources, the AAIHB’s policy is to first apply the expense toward restricted resources and then toward unrestricted resources.

D. Cash Equivalents

For the purpose of the statement of cash flows, the AAIHB considers all currency on hand and deposits held by financial institutions that can be readily withdrawn without limitation as cash and cash equivalents.

E. Investments

The AAIHB accounts for investments in accordance with GASB No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. The provisions of this standard require that investments in equity securities with readily determinable fair values and all investments in debt securities

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

be measured at fair value in the statement of Net Position. The unrealized gain or loss on investments is reflected in the statement of Revenues, Expenses, and Changes in Net Position and carried to the Statement of Net Position as unrestricted. Investments are carried at the quoted market value of the security. AAIHB's investments are also identified at their fair value measurement and application. See Note 3 for further information

F. Property, Equipment, and Depreciation

Property and equipment are stated at cost or estimated fair value at date of donation. Depreciation of property and equipment is provided over the estimated useful lives (see table below) of the respective assets using the straight-line method. Repairs and maintenance expenses are charged to operations when incurred and major betterments and replacements are capitalized. The current policy is to capitalize acquisitions with a cost in excess of \$5,000 with an estimated life of greater than one year.

Estimated useful lives are as follows:

<u>Asset Type</u>	<u>Years</u>
Buildings	20
Equipment	3-15

G. Receivables and Allowance for Doubtful Accounts

Grant receivables are stated at unpaid balances. As of September 30, 2021, management estimates all grant receivables to be fully collectible; therefore, no provision for an allowance for uncollectible grant receivables has been recorded. Contract and other receivables are stated at unpaid balances less an allowance amount. Management estimates the adequacy of the allowance amount based on historical experience. Receivables are charged off in the period in which management determines the receivable is uncollectible. As of September 30, 2021, the AAIHB's allowance for doubtful accounts was \$2,551.

H. Federal and State Grants

Contract and grant revenue is recognized when program expenditures are incurred, in accordance with program guidelines. The expenditures are subject to review by the funding agency and may result in disallowance in subsequent periods. Grants and contracts receivable represent funds receivable from grantors for program services expenses in excess of reimbursements. All grants receivable are considered collectible by the AAIHB. Unearned revenue reimbursements in excess of expenses are to be expended in a future period.

I. Compensated Absences

Each employee earns a certain number of vacation leave hours depending on years of service and four (4) hours of sick leave per pay period. Employees may carry forward up to a total of 80 hours of accumulated vacation leave for use in a succeeding calendar year. All unused sick leave can be carried forward to the next calendar year. Employees that are terminated or terminate employment are to be only compensated for annual leave at a maximum of 120 hours. Sick leave is not paid on termination.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

J. Income Tax Status

The AAIHB is exempt from federal income taxation under Section 501 (c)(3) of the Internal Revenue Code. Accordingly, no tax provision has been made.

K. Use of Estimates in Preparing Financial Statements

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

NOTE 2. Cash, Restricted Cash, and Cash Equivalents

The AAIHB's cash, restricted cash, and cash equivalents at September 30 were as follows:

<u>Institution</u>	<u>Type</u>	<u>2021</u>
U.S. Bank	Checking	\$ 118,139
Mutual of America	Money market	10,253
Morgan Stanley	Debit card	6,287
Morgan Stanley	Savings	198,198
Morgan Stanley	Money market	966,315
Petty cash	On-hand	330
Total		<u>\$ 1,299,522</u>

The AAIHB's bank deposits were fully insured at September 30, 2021 by Federal Deposit Insurance Corporation (FDIC) and Securities Investor Protection Corporation (SIPC). Cash and securities held in brokerage accounts are protected by the Securities Investor Protection Corporation (SIPC) in the event of a broker-dealer failure, up to \$500,000 on each account with a limit of \$250,000 of claims on uninvested cash balances, however, SIPC does not protect the value of the balances.

Restricted cash is made up deposits related to grants, contributions, and program services that are restricted by external parties who have imposed limitations on the purposes for which such funds can be used.

NOTE 3. Investments

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries).

Level 2

Are significant other observable inputs

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 - a. Interest rates and yield curves observable at commonly quoted intervals,
 - b. Implied volatilities, and
 - c. Credit spreads.
- d) Market-corroborated inputs. (Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap).

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

All of AAIHB investments are considered Level 1.

	Level 1	Level 2	Level 3	Fair Value	% of Total
Stocks	\$ 23,796	-	-	23,796	1%
Mutual funds	3,129,925	-	-	3,129,925	98%
Bonds	49,297	-	-	49,297	2%
Total	<u>\$ 3,203,018</u>	<u>-</u>	<u>-</u>	<u>3,203,018</u>	<u>100%</u>

NOTE 4. Grants and Contracts Receivable

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

U.S. Department of Health and Human Services

Indian Health Services (IHS)

Southwest Tribal Epidemiology Center	\$ 80,382
Southwest Tribal Epidemiology Center - COVID	31,954
IHS Demonstration Projects	4,048
IHS Injury Prevention	<u>3,899</u>
Total IHS	<u>120,283</u>

Centers for Disease Control and Prevention (CDC)

CDC Indian Wellness	222,278
CDC Capacity Building - COVID 19	189,227
CDC Capacity Building	101,752
CDC Infrastructure Development	58,468
CDC Strengthening Public Health - COVID 19	49,475
CDC STLT - COVID 19	24,138
CDC Community Health Workers - COVID 19	<u>1,447</u>
Total CDC	<u>646,785</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 4. Grants and Contracts Receivable, continued

Center for Mental Health Services Administration Substance Abuse and Mental Health Services (SAMHSA)	
HIV	36,083
Substance Abuse	34,091
Intergenerational	<u>8,234</u>
Total SAMHSA	<u>78,408</u>
Office of the Assistant Secretary for Health	
Health Equity	<u>11,377</u>
Total Office of Minority Health	<u>11,377</u>
National Institutes of Health (NIH)	
-Pass Through-University of Utah	
Drug Abuse and Addiction Research	2,225
-Pass Through-University of New Mexico	
21st Century Cures Act	17,814
Cancer Control	3,076
Biomedical Research and Training	2,619
Minority Health and Health Disparities	<u>9,791</u>
Total NIH	<u>35,525</u>
-Pass Through UNM Health Sciences Center	
Patient-Centered Outcomes Research Inst.	28,002
Patient-Centered Outcomes Research Inst. - COVID 19	<u>2,907</u>
Total UNM-HSC	<u>30,909</u>
Total	<u>\$ 923,287</u>

NOTE 5. Property, Equipment, and Depreciation

The AAIHB's property and equipment as of September 30, 2021 is composed of the following:

	2020	Additions	Deletions	2021
Non-depreciable capital assets				
Land	\$ 336,600	-	-	336,600
Total non-depreciable capital assets	<u>336,600</u>	<u>-</u>	<u>-</u>	<u>336,600</u>
Capital assets being depreciated				
Buildings	864,764	18,112	-	882,876
Equipment	<u>270,625</u>	<u>13,386</u>	<u>-</u>	<u>284,011</u>
Total capital assets being depreciated	<u>1,135,389</u>	<u>31,498</u>	<u>-</u>	<u>1,166,887</u>
Total capital assets	<u>1,471,989</u>	<u>31,498</u>	<u>-</u>	<u>1,503,487</u>
Less accumulated depreciation				
Buildings	(164,716)	(53,949)	-	(218,665)
Equipment	<u>(249,296)</u>	<u>(16,412)</u>	<u>-</u>	<u>(265,708)</u>
Total accumulated depreciation	<u>(414,012)</u>	<u>(70,361)</u>	<u>-</u>	<u>(484,373)</u>
Capital assets, net	<u>\$ 1,057,977</u>	<u>(38,863)</u>	<u>-</u>	<u>1,019,114</u>

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 6. Accrued Liabilities

The AAIHB's accrued liabilities consist of the following amounts that were payable as of September 30, 2021:

Salaries payable	\$ 85,192
Other accrued payable	58,020
Withholdings	20,277
F.I.C.A./Medicare	17,573
Workers' compensation	10,904
SUTA payable	684
Employee benefit payable	<u>(5,545)</u>
Total accrued liabilities	<u>\$ 187,105</u>

NOTE 7. Unearned Revenue

Unearned revenue represents the deficiency of expenditures over advances on federal, state or other award programs as follows:

U.S. Department of Health and Human Services:

Indian Health Service (IHS)

Indian Self-Determination	\$ 1,939,908
Indian Self-Determination-ARPA	875,482
Indian Self-Determination COVID-19	135,144
Indian Self-Determination-Nonrecurring	76,498
Indian Self-Determination-Nonrecurring COVID-19	69,035
Self-Determination Services	48,108
Tribal Planning Substance Abuse	<u>38,526</u>
Total IHS	<u>3,182,701</u>

Federal Sub-Contract

Office of Minority Health	<u>23,804</u>
Total U.S. Dept. of Health and Human Services	<u>3,206,505</u>

Non-Federal Grants and Contracts	<u>463,205</u>
Total Unearned Revenue	<u>\$ 3,669,710</u>

NOTE 8. Note Payable and Other Long-Term Liabilities

The AAIHB had one outstanding note payable as of September 30, 2021:

<u>Loan type</u>	<u>Interest rate</u>	<u>Maturity date</u>	<u>Original Amount</u>	<u>Balance 09/30/21</u>
Mortgage	3.990%	2023	\$ 840,000	\$ 762,835

In January 2018, the AAIHB sold its office building for \$475,000 and paid the balance on the mortgage, \$252,388. On the same day, the AAIHB purchased a new office building for \$1,050,000. The AAIHB financed the building in the amount of \$840,000. The amount owed is secured by the building. The note carries a fixed rate of 3.99% and

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

requires monthly payments of principal and interest in the amount of \$4,456. A balloon payment is due on January 5, 2023. The aggregated debt payments required on the outstanding debt is as follows:

Fiscal year ending September 30,	Principal	Interest	Total
2022	\$ 23,037	30,433	53,470
2023	739,798	9,963	749,761
2024	-	-	-
2025	-	-	-
2026	-	-	-
Thereafter	-	-	-
Total	<u>\$ 762,835</u>	<u>40,396</u>	<u>803,231</u>

The following summarizes the changes in notes payable and compensated absences for the period ended September 30, 2021:

	Balance 09/30/20	Additions	Reductions	Balance 09/30/21	Current Portion
Long-term liabilities					
Mortgage payable	\$ 784,960	-	(22,125)	762,835	23,037
Compensated absences	157,951	263,191	(276,801)	144,341	144,341
Total long-term liabilities	<u>\$ 942,911</u>	<u>263,191</u>	<u>(298,926)</u>	<u>907,176</u>	<u>167,378</u>

NOTE 9. Lease Commitments

The AAIHB leases its postage and copier machines under operating leases. The future remaining lease payments under these agreements are as follows:

Fiscal Year Ending Sept 30,	Amount
2022	\$ 12,116
2023	11,616
2024	9,680
2025	-
2026	-
Total	<u>\$ 33,412</u>

NOTE 10. Contingencies—Grantor Agencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures that may be disallowed by the grantor agencies cannot be determined at this time although the AAIHB expects such amounts, if any, to be immaterial.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2021

NOTE 11. Current Vulnerability Due to Concentrations

The AAIHB receives approximately 89.7% of its support for various program grants and contracts awarded by the U.S. Department of Health and Human Services. The AAIHB does not expect to lose this support from the U.S. Department of Health and Human Services in the near term. However, if funding were withdrawn or diminished, the AAIHB's continued operation would be impacted adversely.

NOTE 12. Retirement Plan

On August 14, 2020, the AAIHB changed its retirement plan options from a Simplified Employee Pension plan (SEP) and adopted a 403(b) Thrift Savings Plan. Eligible employees may contribute a portion of their salary (excluding bonus pay) up to the maximum amount allowable by the Internal Revenue Code. The AAIHB may elect to match a percentage of an employee's qualified salary, provided the employee is at least 21 years of age, through board resolution.

Employees are immediately fully vested in the amount of their own voluntary contributions. After being on the plan one full year, the employee is 20% vested in the AAIHB's matching contribution and is vested 20% for each additional full year employed thereafter, until the employee is fully vested. Total retirement plan contributions made by the AAIHB for the fiscal year 2021 were \$157,242 and \$144,326 for 2020.

NOTE 13. Risk Management and Litigation

The AAIHB is exposed to various risks of losses related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the AAIHB has obtained liability and other coverage from commercial insurance companies. The AAIHB has effectively managed risk through various employee education and prevention programs. Risk management expenses for the AAIHB are accounted for in operations. Any claims are processed through insurance agents and/or adjusters. There are no pending or threatened legal proceedings involving material matters to which the AAIHB is a party.

NOTE 14. Subsequent Events

The AAIHB has evaluated subsequent events through August 12, 2022, which is the date the financial statements were available to be issued.

Subsequent to September 30, 2021, as a result of the spread of the COVID-19 coronavirus, economic uncertainties remain which may impact the organization's funding sources and cash flows. Other financial impacts could occur though such potential impact is unknown at this time.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2021

Funding Source Contract/Grant Name	AL Number	Contract/Grant Number	Expenditures to Subrecipients	Expenditures
U.S. Department of Health & Human Services				
<u>Indian Health Services (IHS)</u>				
Indian Self- Determination	93.441	HHSI 242-2018-10008C	\$ - \$	933,600
Indian Self- Determination Nonrecurring Funds	93.441	HHSI XXX-XXXX-XXXXXX	-	90,686
Covid-19 Indian Self- Determination Nonrecurring Funds	93.441	HHSI 242-2018-10008C	-	18,459
Covid-19 Indian Self- Determination Nonrecurring Funds	93.441	HHSI 242-2018-10008C	-	21,874
Epidemiology Program for American Indian/Alaska Native Tribes and Urban Indian Communities	93.231 *	U1B1IHS0013-15-00	-	986,741
Covid-19 Epidemiology Program for American Indian/Alaska Native Tribes and Urban Indian Communities	94.231 *	U1B1IHS0013-14-03	-	754,593
Injury Prevention Program for American Indians and Alaskan Natives Cooperative Agreements	93.284	D261IHS0195-01-00	-	67,404
Demonstration Projects for Indian Health (AAIHB Community Opioid Intervention Pilot Project)	93.933	H1H5IHS0024-01-00	-	67,453
<u>Centers for Disease Control and Prevention (CDC)</u>				
COVID-19: Activities to Support State, Tribal, Local and Territorial (STLT) Health Department Response to Public Health or Healthcare Good Health and Wellness in Indian Country	93.391	6 NU1ROT000111-01-03	-	141,382
Covid-19: Community Health Workers for Public Health Response and Resilient	93.479 *	5 NU58DP006727-02-00	379,502	784,697
A Comprehensive Approach to Good Health and Wellness in Indian Country - financed solely by Prevention and Public Health	93.495	1 NU58DP007022-01-00		1,447
Tribal Public Health Capacity Building & Quality Improvement Umbrella Cooperative Agreement	93.762	6 NU58DP006380-04-02	60,358	587,494
Covid-19 Response Supplement: Tribal Public Health Capacity-Building and Quality Improvement Umbrella Cooperative Agreement	93.772 *	6 NU38OT000268-03-02	41,538	595,368
Covid 19: Strengthening Public Health Systems and Services through National Partnerships to Improve and Protect the Nation's Health	93.772 *	6 NU38OT000268-02-03	1,181,308	1,384,289
	93.772 *	6 NU380T000268-02-04	39,749	270,909
<u>Substance Abuse and Mental Health Services Administration</u>				
Intergenerational Intertribal (I2) Positive Directions for Native Health	93.243	5H79SM063500-05	-	170,107
AAIHB STD/HIV/Aids Prevn Prog Capacity Bldg. Initiative for SA and HIV Prevn Svcs	93.243	5H79SP021809-03	-	223,354
Prevention for Community Wellness: Positive Directions for Native Health	93.243	5H79SP081003-03	92,008	240,413
Covid-19: TBH COVID-19	93.243	1H79SM083543-01	-	31,301
<u>Office of the Assistant Secretary for Health</u>				
Community Programs to Improve Minority Health Grant Program	93.137	5A1AMP170017-04-00	-	334,354
<u>National Institutes of Health</u>				
<u>Direct</u>				
Minority Health and Health Disparities Research	93.307	5R21MD014662-02	-	86,423
<u>Research and Development Cluster</u>				
<u>Pass Through The University of Utah:</u>				
Drug Abuse and Addiction Research Programs	93.279	10054256-04	-	88,453
<u>Pass Through The University of New Mexico Health Sciences Center:</u>				
Cancer Control	93.399	3RAS2	-	90,485
21st Century Cures Act - Beau Biden Cancer Moonshot	93.353	3RY85	20,000	159,931
<u>Direct</u>				
Biomedical Research and Research Training	93.859	5S06GM127936-03	-	122,668
<u>Health Resources and Services Administration</u>				
<u>Pass Through Tulane University:</u>				
Affordable Care Act Public Health Training Centers Program	93.516	TUL-HSC-557370-19/20	-	7,278
Total Research and Development Cluster				468,815
Total U.S. Department of Health & Human Services			1,814,463	8,261,163
Total Expenditures of Federal Awards			\$ 1,814,463	\$ 8,261,163

* identifies major program

The independent auditor's report and accompanying notes are an integral part of these financial statements.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2021

Reconciliation of Schedule of Expenditures of Federal Awards to the Financial Statements

Grant income per the Statement of Revenues, Expenses, and Changes in Net Position	\$ 7,922,294
Federal subaward income included in the Statement of Revenues, Expenses, and Changes in Net Position	338,869
Total	8,261,163
Federal expenditures reported above	8,261,163
Difference	\$ -

Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Albuquerque Area Indian Health Board, Inc. (AAIHB). under programs of the federal government for the year ended September 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the AAIHB, it is not intended to and does not present the financial position, changes in net position or cash flows of the AAIHB.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The AAIHB has elected to not use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Albuquerque Area Indian Health Board, Inc.
Albuquerque, NM

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Albuquerque Area Indian Health Board, Inc. (the AAIHB) as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the AAIHB's basic financial statements, and have issued our report thereon dated August 12, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit, of the financial statements, we considered the AAIHB's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the AAIHB's internal control. Accordingly, we do not express an opinion on the effectiveness of the AAIHB's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

August 12, 2022

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS, continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the AAIHB's 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002.

The AAIHB's Response to Findings

The AAIHB's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The AAIHB's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hinkle + Landers, P.C.

Hinkle + Landers, PC

Albuquerque, NM

August 12, 2022

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

Board of Directors
Albuquerque Area Indian Health Board, Inc.
Albuquerque, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the AAIHB's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the AAIHB's major federal programs for the year ended September 30, 2021. The AAIHB's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the AAIHB's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal 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 the AAIHB's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the AAIHB's compliance.

Opinion on Each Major Federal Program

In our opinion, the AAIHB complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2021.

Report on Internal Control Over Compliance

Management of the AAIHB is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the AAIHB's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the AAIHB's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Hinkle + Landers, PC

Albuquerque, NM

August 12, 2022

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐Yes ☒No

Significant deficiency(ies) identified that are not considered to be a material weakness(es)? ☐Yes ☒No

Noncompliance material to the financial statements noted? ☐Yes ☒No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? ☐Yes ☒No

Significant deficiency(ies) identified that is/are not considered to be a material weakness(es)? ☐Yes ☒No

Type of auditor’s report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a) ☐Yes ☒No

Identification of major programs:

AL Number	Name of Federal Programs or Cluster	Funding Source
93.772	Tribal Public Health Capacity Building & Quality Improvement Umbrella Cooperative Agreement	U.S. Dept. of HHS
93.479	Good Health and Wellness in Indian Country	U.S. Dept. of HHS
93.231	Epidemiology Program for American Indian/Alaska Native Tribes and Urban Indian Communities	U.S. Dept. of HHS

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

Auditee qualified as low-risk auditee? ☐Yes ☒No

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

SECTION II—SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Reference #</u>	<u>Findings</u>	<u>Status of Prior and Current Year Findings</u>	<u>Type of Finding</u>
<u>Prior Year Findings</u>			
2019-003	Controls over Debit and Credit Cards	Resolved	C
2020-001	Accounts Receivable and Unearned Revenue Reconciliation to General Ledger	Resolved	B
<u>Current Year Findings</u>			
2021-001	Late Submittal of the Data Collection Form	Current	F
2021-002	Purchase Orders	Current	C

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters)
Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance Related to Federal Awards

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

PRIOR YEAR FINDINGS

NONE

CURRENT YEAR FINDINGS

2021—001—Late Submittal of the Data Collection Form

Type of Finding: (F) Instance of Noncompliance Related to Federal Awards

Funding Agency: All agencies

Title: All programs

AL #: All awards

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

Statement of Condition

The AAIHB did not submit its Data Collection Form by the required due date.

Criteria

Uniform Guidance requires that the audit be completed and the data collection form and reporting package be submitted by the earlier date of either 30 days after the receipt of the auditor's report(s), or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Effect

The AAIHB is not in compliance with Federal award requirements and could jeopardize future federal funding.

Cause

AAIHB could not complete the final trial balance and SEFA due to subwardees submiting invoices for reimbursement after December 31, 2021. Invoices were still be submitting as late as June 2002 for FY 2021 expenditures. Late submittals by subawardees were due to staff turnover and the Covid pandemic.

Recommendation

We recommend that the AAIHB implement procedures to ensure the completion of the data collection form in a timely manner.

View of Responsible Officials and Corrective Action Plan

The AAIHB has missed the filing deadline for the FY 2021 Data Collection Form. The AAIHB will file the FY 2021 Data Collection Form within 30 days. The AAIHB will create and adhere to a formal calendar of submission of due dates for all required federal reporting and creating a formal policy on submittal of invoices by AAIHB subawardees.

ALBUQUERQUE AREA INDIAN HEALTH BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended September 30, 2021

Corrective Action Plan Timeline

Corrective action plan timeline is to submit FY 2021 audit and data collection forms within 30 days.

Designation of Employee Position Responsible for Meeting Deadline

Executive Director and Finance Officer

2021—002—Purchase Orders

Type of Finding: (C) Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting

Statement of Condition

We noted several instances (20 out of 135) in which purchase orders were created after the invoice date.

Criteria

All commitments to purchase goods or services should be documented by a properly completed Purchase Order in advance for goods or services by an external supplier.

Effect

Inconsistent implementation of procurement policies results in an increased risk for personnel to bypass controls designed to ensure the proper expenditures of funds. It is important to note the by-pass of controls is not considered significant as there are several other controls in place to ensure procurement is reasonably controlled and monitored.

Cause

AAIHB employees are on a remote-hybrid schedule and may require office supplies or other materials they may require while working remotely, which may be of an urgent manner and will not notify staff responsible for entering purchase requisitions and obtaining the proper approvals in a timely manner after such purchases are made.

Recommendation

We recommend that purchase orders be requisitioned and approved prior to procurement of items from vendors.

View of Responsible Officials and Corrective Action Plan

Senior Management and Program Managers are aware of these purchases and will share audit findings and recommendations with AAIHB staff. The Executive Director and Finance Officer will create a task list (flow chart) of the purchasing and approval process and provide to AAIHB staff on proper approvals before making purchases.

Corrective Action Plan Timeline

Corrective action plan timeline is to provide approval process and present to all AAIHB staff by September 30, 2022.

Designation of Employee Position Responsible for Meeting Deadline

Finance Officer

Corrective Action Plan

<u>Reference #</u>	<u>Findings</u>	Status of Prior and Current Year Findings	Type of Finding
<u>Prior Year Findings</u>			
2019-003	Controls over Debit and Credit Cards	Resolved	C
2020-001	Accounts Receivable and Unearned Revenue Reconciliation to General Ledger	Resolved	B
<u>Current Year Findings</u>			
2021-001	Late Submittal of the Data Collection Form	Current	F
2021-002	Purchase Orders	Current	C

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters)
Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance Related to Federal Awards

PRIOR YEAR FINDINGS

NONE

CURRENT YEAR FINDINGS

2021—001—Late Submittal of the Data Collection Form

Type of Finding: (F) Instance of Noncompliance Related to Federal Awards

Funding Agency: All agencies

Title: All programs

AL #: All awards

Award #: All awards

Award Period: All periods

Estimated Questioned Costs: N/A

Statement of Condition

The AAIHB did not submit its Data Collection Form by the required due date.

Criteria

Uniform Guidance requires that the audit be completed and the data collection form and reporting package be submitted by the earlier date of either 30 days after the receipt of the auditor's report(s), or nine months after the end of the fiscal year end date, unless a longer period is agreed to in advance by the cognizant or oversight agency for audit.

Effect

The AAIHB is not in compliance with Federal award requirements and could jeopardize future federal funding.

Cause

AAIHB could not complete the final trial balance and SEFA due to subwardees submittnng invoices for reimbursement after December 31, 2021. Invoices were still be submitting as late as June 2002 for FY 2021 expenditures. Late submittals by subawardees were due to staff turnover and the Covid pandemic.

Recommendation

We recommend that the AAIHB implement procedures to ensure the completion of the data collection form in a timely manner.

View of Responsible Officials and Corrective Action Plan

The AAIHB has missed the filing deadline for the FY 2021 Data Collection Form. The AAIHB will file the FY 2021 Data Collection Form within 30 days. The AAIHB will create and adhere to a formal calendar of submission of due dates for all required federal reporting and creating a formal policy on submittal of invoices by AAIHB subawardees.

Corrective Action Plan Timeline

Corrective action plan timeline is to submit FY 2021 audit and data collection forms within 30 days.

Designation of Employee Position Responsible for Meeting Deadline

Executive Director and Finance Officer

2021—002—Purchase Orders

Type of Finding: (C) Finding That Does Not Rise to the Level of a Significant Deficiency (Other Matters) Involving Internal Control Over Financial Reporting

Statement of Condition

We noted several instances (20 out of 135) in which purchase orders were created after the invoice date.

Criteria

All commitments to purchase goods or services should be documented by a properly completed Purchase Order in advance for goods or services by an external supplier.

Effect

Inconsistent implementation of procurement policies results in an increased risk for personnel to bypass controls designed to ensure the proper expenditures of funds. It is important to note the by-pass of controls is not considered significant as there are several other controls in place to ensure procurement is reasonably controlled and monitored.

Cause

AAIHB employees are on a remote-hybrid schedule and may require office supplies or other materials they may require while working remotely, which may be of an urgent manner and will not notify staff responsible for entering purchase requisitions and obtaining the proper approvals in a timely manner after such purchases are made.

Recommendation

We recommend that purchase orders be requisitioned and approved prior to procurement of items from vendors.

View of Responsible Officials and Corrective Action Plan

Senior Management and Program Managers are aware of these purchases and will share audit findings and recommendations with AAIHB staff. The Executive Director and Finance Officer will create a task list (flow chart) of the purchasing and approval process and provide to AAIHB staff on proper approvals before making purchases.

Corrective Action Plan Timeline

Corrective action plan timeline is to provide approval process and present to all AAIHB staff by September 30, 2022.

Designation of Employee Position Responsible for Meeting Deadline

Finance Officer

A handwritten signature in black ink, appearing to read 'Vernon Laughlin', is written over a horizontal line.

Vernon Laughlin
Finance Officer