



American Indian
Science and
Engineering
Society and
Subsidiary

Consolidated Financial Statements
For the Year Ended December 31, 2016,
With Comparative Totals For 2015



AMERICAN INDIAN SCIENCE
AND ENGINEERING SOCIETY

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**American Indian Science and Engineering Society
and Subsidiary
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December 31, 2016, with Comparative Totals for 2015**

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Independent Auditors' Report

Board of Directors
American Indian Science and Engineering Society
Albuquerque, New Mexico

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of American Indian Science and Engineering Society and Subsidiary (collectively referred to as AISES, a nonprofit organization), which comprise the statement of financial position as of December 31, 2016, and the related consolidated statements of activities, cash flows and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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 financial position of American Indian Science and Engineering Society and Subsidiary as of December 31, 2016, 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.

Other Matters

Prior Period Financial Statements

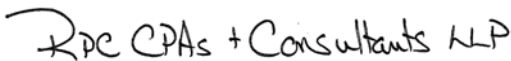
The financial statements of American Indian Science and Engineering Society as of December 31, 2015, were audited by other auditors whose report, dated October 26, 2016, expressed an unmodified opinion on those statements.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The consolidating statements of financial position, consolidating statement of activities and the schedule of functional expenses on pages 26-31 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 26, 2017 on our consideration of American Indian Science and Engineering Society and Subsidiary'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 American Indian Science and Engineering Society's internal control over financial reporting and compliance.



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
June 26, 2017

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**American Indian Science and Engineering Society
and Subsidiary**
Consolidated Statements of Financial Position
As of December 31, 2016, With Comparative Totals For 2015

| | 2016 | 2015 |
|---|--------------|--------------|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$ 407,032 | \$ 198,727 |
| Investments | 478,637 | 490,135 |
| Receivables: | | |
| Conference receivables, net | 152,470 | 104,797 |
| Pledges receivable | - | 165,000 |
| Contribution, and other | 352,962 | 449,014 |
| Inventory | 17,896 | 18,379 |
| Prepaid expenses | 38,075 | 19,574 |
| Total current assets | 1,447,072 | 1,445,626 |
| Noncurrent assets | | |
| Property and equipment, net | 8,669 | 9,950 |
| Deposits | 9,037 | 5,702 |
| Total noncurrent assets | 17,706 | 15,652 |
| <i>Total assets</i> | \$ 1,464,778 | \$ 1,461,278 |
| Liabilities and Net Assets | | |
| Liabilities | | |
| Accounts payable | \$ 15,741 | \$ 15,608 |
| Accrued payroll and related liabilities | 182,605 | 231,441 |
| Deferred revenue | 95,744 | 66,522 |
| <i>Total liabilities</i> | 294,090 | 313,571 |
| Net assets | | |
| Unrestricted: | | |
| AISES | (504,202) | (86,003) |
| Board designated | 58,500 | 58,500 |
| Noncontrolling interest in AISES Publishing, Inc. | 18,628 | 15,496 |
| Temporarily restricted | 1,091,076 | 638,551 |
| Permanently restricted | 506,686 | 521,163 |
| <i>Total net assets</i> | 1,170,688 | 1,147,707 |
| <i>Total liabilities and net assets</i> | \$ 1,464,778 | \$ 1,461,278 |

The accompanying notes are an integral part of these financial statements.

**American Indian Science and Engineering Society
and Subsidiary
Consolidated Statement of Activities
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> |
|--|---------------------|-----------------------------------|-----------------------------------|
| Revenues, gains and other support | | | |
| Conference registration | \$ 309,202 | \$ - | \$ - |
| Individual | 63,448 | - | - |
| Non-profit/Tribes | 64,987 | - | - |
| Corporate | 275,203 | 817,525 | - |
| Foundation | 267,775 | - | - |
| Grants-federal | 581,748 | - | - |
| State and other | 365,029 | - | - |
| Membership fees | 85,264 | - | - |
| Investment income | 3,456 | - | 20,256 |
| Subscription sales | - | - | - |
| Other, net | 369,392 | - | - |
| In-kind | 1,847,131 | - | - |
| Advertising income | 298,863 | - | - |
| Digital | 66,233 | - | - |
| Interest income | - | - | - |
| Net assets released from restrictions | 399,733 | (365,000) | (34,733) |
| <i>Total revenues, gains and other support</i> | <u>4,997,464</u> | <u>452,525</u> | <u>(14,477)</u> |
| Expenses | | | |
| Program services | | | |
| Conference | 746,923 | - | - |
| Training and development | 132,837 | - | - |
| Publishing | 310,480 | - | - |
| Scholarships | 418,765 | - | - |
| Other | 750,817 | - | - |
| Internships | 36,420 | - | - |
| In-kind | 1,847,131 | - | - |
| Education and outreach | 342,776 | - | - |
| <i>Total program services</i> | <u>4,586,149</u> | <u>-</u> | <u>-</u> |
| Supporting services | | | |
| Management and general | 670,879 | - | - |
| Fundraising | 155,503 | - | - |
| <i>Total supporting services</i> | <u>826,382</u> | <u>-</u> | <u>-</u> |
| <i>Total expenses</i> | <u>5,412,531</u> | <u>-</u> | <u>-</u> |
| Loss on disposition of assets (Note 16) | - | - | - |
| <i>Total expenses and losses</i> | <u>5,412,531</u> | <u>-</u> | <u>-</u> |
| Changes in net assets attributable to AISES | <u>(415,067)</u> | <u>452,525</u> | <u>(14,477)</u> |
| Net assets, beginning of the year | <u>(12,007)</u> | <u>638,551</u> | <u>521,163</u> |
| <i>Net assets, end of the year</i> | <u>\$ (427,074)</u> | <u>\$ 1,091,076</u> | <u>\$ 506,686</u> |

The accompanying notes are an integral part of these financial statements.

| Total 2016 | Total 2015 |
|-----------------------|-----------------------|
| \$ 309,202 | \$ 291,786 |
| 63,448 | 111,467 |
| 64,987 | 83,506 |
| 1,092,728 | 741,863 |
| 267,775 | 337,763 |
| 581,748 | 447,264 |
| 365,029 | 543,210 |
| 85,264 | 84,175 |
| 23,712 | (2,506) |
| - | 3,654 |
| 369,392 | 138,163 |
| 1,847,131 | - |
| 298,863 | 299,799 |
| 66,233 | 50,805 |
| - | 75 |
| - | - |
| 5,435,512 | 3,131,024 |
| 746,923 | 817,265 |
| 132,837 | 247,376 |
| 310,480 | 310,860 |
| 418,765 | 318,736 |
| 750,817 | 682,938 |
| 36,420 | 29,316 |
| 1,847,131 | - |
| 342,776 | 217,177 |
| 4,586,149 | 2,623,668 |
| 670,879 | 536,374 |
| 155,503 | 177,145 |
| 826,382 | 713,519 |
| 5,412,531 | 3,337,187 |
| - | - |
| 5,412,531 | - |
| 22,981 | (206,163) |
| 1,147,707 | 1,353,870 |
| \$ 1,170,688 | \$ 1,147,707 |

The accompanying notes are an integral part of these financial statements.

**American Indian Science and Engineering Society
and Subsidiary
Consolidated Statements of Cash Flows
For the Year Ended December 31, 2016, With Comparative Totals for 2015**

| | 2016 | 2015 |
|---|--------------|--------------|
| Cash Flows from Operating Activities: | | |
| Cash received from support and revenue funding source | \$ 5,644,255 | \$ 3,269,999 |
| Cash paid to employees and suppliers | (5,455,065) | (3,487,324) |
| Net cash provided (used) by operating activities | 189,190 | (217,325) |
| Cash Flows from Investing Activities: | | |
| Cash paid for investments | (4,597) | (31,906) |
| Proceeds from sale of investments | 23,712 | 25,461 |
| Net cash provided (used) by investing activities | 19,115 | (6,445) |
| Net increase (decrease) in cash and cash equivalents | 208,305 | (223,770) |
| Cash and cash equivalents, beginning of year | 198,727 | 422,497 |
| <i>Cash and cash equivalents, end of year</i> | \$ 407,032 | \$ 198,727 |
| Reconciliation of Change in Net Assets to Net Cash Provided (Used) by Operating Activities | | |
| Changes in Net Assets | \$ 22,981 | \$ (206,163) |
| Adjustments to reconcile change in net assets to cash provided (used) by operating activities: | | |
| Depreciation expense and amortization | 1,282 | 3,643 |
| Adjustment of fixed assets | - | 2,515 |
| Bad debt expense | 10,146 | 8,757 |
| Net realized and unrealized (gains) loss on sales of investments | (14,287) | 2,506 |
| (Increase) decrease in receivables | 203,233 | 115,831 |
| (Increase) decrease in prepaid expenses | (15,166) | 33,596 |
| (Increase) decrease in inventories | 482 | 1,892 |
| Increase (decrease) in accounts payable and accrued liabilities | (48,703) | (200,540) |
| Increase (decrease) in deferred revenue | 29,222 | 20,638 |
| <i>Net cash provided (used) by operating activities</i> | \$ 189,190 | \$ (217,325) |

The accompanying notes are an integral part of these financial statements.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 1. Organization and Significant Accounting Policies

Organization

American Indian Science and Engineering Society (AISES) is a not-for-profit organization located in Albuquerque, New Mexico. AISES was formed in 1977 to promote educational opportunities for Native American Indian youth in the science and engineering fields. In 1985, AISES created a majority-owned subsidiary called AISES Publishing, Inc. (API), a for-profit company, to print and circulate literature pertaining to the American Indian's position in society.

AISES's program service descriptions follow:

Training and Development—Through a variety of educational programs, AISES offers financial, academic and cultural support to American Indians and Alaska Natives from middle school through graduate school. AISES provides professional development activities to enable teachers to work effectively with Native American Indian and Alaska Native students. AISES builds partnerships with tribes, schools, and other not-for-profit organizations, corporations, foundations and government agencies to realize its goals.

Conference—The national conference is AISES's major event hosted every year for its constituents, and the Career Fair offers companies a unique forum for recruiting Native American Indian students and professionals. Approximately 1,200 people attend the conference each year, with more than half of those being Native American Indian high school and college students.

Scholarships—AISES scholarships are awarded to undergraduate and graduate students, who are members of AISES, for leadership and academic achievement. AISES administers six types of scholarships: the A.T. Anderson Memorial Scholarships; the Burlington Northern Santa Fe Foundation Scholarship; the INTEL Scholarship; the Google Scholarship; Leadership Travel Scholarships; and National Conference Travel Scholarships.

Publishing—AISES Publishing produces and distributes AISES's quarterly magazine, *Winds of Change*, and the Annual College Guide.

Internships—The AISES Internship Program is a summer program that provides qualified college students with internship opportunities to explore careers with non-governmental organizations and the federal service. AISES currently administers five internship programs to explore careers with non-governmental organizations and the federal service.

A summary of accounting policies consistently applied in the presentation of the accompanying consolidated financial statements follows:

Financial Statement Presentation

The consolidated financial statements include the accounts of AISES and its 88.8% owned subsidiary, AISES Publishing, Inc. (API). All material inter-organization transactions have been eliminated. The consolidated financial statements do not include the financial activities of AISES's various self-directed professional chapter organizations.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting. Under the accrual method of accounting, revenues are recognized when earned rather than received, and expense are recognized when the related liability is incurred rather than when paid.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 1. Organization and Significant Accounting Policies (Continued)

Basis of Presentation

AISES prepares financial statements in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958-205 and 958-605, and subsections. Under the guidance expressed in these statements, an organization's net assets and its revenues, expenses, gains and losses are classified based on whether they are restricted, temporarily restricted, and unrestricted, are required to be displayed in a statement of financial position and amounts of change in each of these classes of net assets are required to be displayed in a statement of activities. Recognition of the expiration of donor-imposed restrictions in the period in which the restrictions expire is required. Expirations or restrictions that simultaneously increase one class of net assets and decrease another (reclassifications) are reported separately from other transactions in the statement of activities.

Amounts of AISES's total assets, liabilities and net assets are to be reported in a statement of financial position; the change in AISES's net assets is reported in a statement of activities; and the change in its cash and cash equivalents is reported in a statement of cash flows.

Net Assets

Unrestricted net assets represent unrestricted contributions received from donors. They also arise from the expirations of existing temporary restrictions, or from revenues received in the course of on-going operations.

Temporarily restricted net asset are resources received from donor contributions and reinvested earnings on the related investments, which are designated to be expended for a specific purpose or within a specified time. Distributions are made pursuant to donor's requests.

Permanently restricted net assets are designated for endowment purposes pursuant to the Board of Director's resolution and monies that have been appropriated for expenditures but are retained in the investment portfolio to earn better returns.

Use of Estimates

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

Cash and Cash Equivalents

For purposes of consolidated statements of cash flows, AISES considers all restricted highly liquid investments with an original maturity of 90 days or less to be cash equivalents.

Investments

Investments consist primarily of equities, and fixed income securities, and are stated at quoted fair market value (FMV). Investment income, and realized and unrealized gains or losses are considered unrestricted, temporarily restricted, and permanently restricted income per donor restrictions or management spending policy. Management fees related to investment activities were \$5,386 and \$4,002 in 2016 and 2015, respectively.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 1. Organization and Significant Accounting Policies (Continued)

Contributions

All contributions are considered available for AISES's general programs unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor are reported as temporarily or permanently restricted support and increase the respective class of net assets. Contributions received with temporary restrictions that are met in the same reporting period are reported as unrestricted support and increase unrestricted net assets. Contributions receivable represent unconditional promises to give and are recognized as revenues or gains in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable are considered fully collectible at December 31, 2016 and 2015.

Conference Receivables

Conference receivables represent receivables for conference registration, sponsorship, and exhibitor fees. Bad debts are recognized on the direct write-off method based on management's evaluation of outstanding conference receivables. Bad debt expense was \$10,146 and \$8,757 as of December 31, 2016 and 2015, respectively.

Grant Receivables and Revenue

Grant revenue is recognized when earned. The earnings process is considered complete when the authorized expenditure has been made. Earned amounts in excess of collections are classified as grant receivables.

Inventories

Inventories consist mainly of blankets and apparel held as promotional items given away at the yearly National Conference. Purchased inventory is valued at the lower of cost or market (first in, first out). Contributed inventory is recorded at fair market value at the date of donation.

Prepays

Prepaid expenses consist of security deposits on Albuquerque office location and Longmont, CO office location.

Deferred Revenue

Revenue from membership dues is deferred and recognized in the period to which the dues related. Deferred revenue consists primarily of amounts for scholarships, national conference, science fair and leadership summit sponsorships received in advance of the awarding of the scholarship or date of the event.

Property and Equipment

Property and equipment are stated at cost. Depreciation of property and equipment is provided over the estimated useful lives (three to seven years) 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 \$1,000.

**American Indian Science and Engineering Society
and Subsidiary**
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015

Note 1. Organization and Significant Accounting Policies (Continued)

Donated Services and Materials

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America under Accounting for Contributions received and Contributions made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with this skills, and would otherwise be purchased by AISES. Donated materials are reflected as contributions at their estimated values at the date receipt.

Treasury Stock

Treasury stock is shown at cost, and as of December 31, 2016 and 2015, consists of 101 shares of common stock.

Advertising/Promotion

Advertising/promotion costs are expensed as incurred. For the years ended December 31, 2016 and 2015, advertising expenses incurred totaled \$35,500 and \$40,316, respectively.

Income Taxes

AISES is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is note classified as a private foundation. AISES has adopted accounting principles generally accepted in the United States of America, as they relate to uncertain tax positions. Management believes that all activities of AISES are within their tax-exempt purpose, and that there are no uncertain tax positions.

API is a for-profit corporation and is subject to state and federal income taxes. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due. There are no material deferred tax assets or liabilities. Income tax expenses related to API are included in expenses in the accompanying consolidated financial statements.

AISES files their Federal Form 990 tax return in the U.S. federal jurisdiction and the online charitable registration in the Office of the Attorney General for the State of New Mexico. AISES is generally no longer subject to examination by the Internal Revenue Service and the New Mexico Taxation and Revenue Department for fiscal years before 2013. The organization is not currently under audit nor has the organization been contacted by any of these jurisdictions.

AISES recognizes interest accrued related to unrecognized tax benefits in interest expenses and penalties in operating expenses, when applicable. No provision for the effects of uncertain tax positions has been recorded for the years ended December 31, 2016 or 2015.

Functional Allocation of Expenses

The costs of providing AISES's various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefits. Costs are allocated based on actual expense.

**American Indian Science and Engineering Society
and Subsidiary**
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015

Note 1. Organization and Significant Accounting Policies (Continued)

Summary of Fair Value Exposure

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 defines fair value and establishes a framework for measuring fair value. That framework provides 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 or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AISES has the ability to access.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- 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 maximize the use of observable inputs and minimize the use of unobservable inputs.

Financial Instruments

The carrying value of cash, receivables, payables, accrued expenses and other liabilities are not indicators of the risks associated with those instruments.

Reclassification

Certain prior year amounts may have been reclassified to be consistent with the current year presentation.

Note 2. Cash and Cash Equivalents

AISES maintains its cash balances with local financial institutions. These balances are insured by the Federal Deposit Insurance Corporation up to \$250,000 per financial institution. At times during fiscal years 2016 and 2015, AISES had bank deposits in excess of FDIC insurance limits. However, management felt the risks related to these balances were within an acceptable range. As of December 31, 2016, AISES's cash balances were fully insured.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 2. Cash and Cash Equivalents (Continued)

AISES had the following amounts in cash and cash equivalents as of December 31:

| | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------------|-------------------|
| Checking- Operating | \$ 258,484 | \$ 25,740 |
| Checking- National Conference | 4,008 | 6,219 |
| Checking- Development and Membership | 20,071 | 21,441 |
| Checking- API | 88,791 | 105,661 |
| Savings | 4,125 | 39,466 |
| Petty cash | 434 | 200 |
| Cash portion of investments | 31,119 | 51,742 |
| Total cash and cash equivalents | <u>\$ 407,032</u> | <u>\$ 250,469</u> |

The cash portion of investments is reported as investments on the Statement of Net Position for 2015. This balance was reclassified to cash and cash equivalents in 2016.

Note 3. Investments

The following table sets forth by level, within the fair value hierarchy, AISES's assets at fair value as of December 31, 2016 and 2015:

| | <u>2016</u> | <u>2015</u> |
|--------------|-------------------|-------------------|
| | Level I | |
| Fixed Income | \$ 243,891 | \$ 185,894 |
| Equities | 234,746 | 252,499 |
| | <u>\$ 478,637</u> | <u>\$ 438,393</u> |

The valuation methodologies used for assets measured at fair value are below. There have been no changes in the methodologies used at December 31, 2016.

Equities and fixed income securities: Valued at the closing price reported on the active market on which the individual securities are traded.

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.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 4. Receivables

Receivables at December 31 consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|-------------------------------|-------------------|-------------------|
| Conference, net | \$ 152,470 | \$ 104,797 |
| Contribution, trade and other | 352,962 | 449,014 |
| Pledges receivables | - | 165,000 |
| Total accounts receivable | <u>\$ 505,432</u> | <u>\$ 718,811</u> |

AISES performs a periodic review of accounts, contributions, and bequests receivable to verify collectability. When conference receivables are deemed to be potentially uncollectible they are charged off as bad debt expense and an allowance for the doubtful accounts is established. When management determines that collection will not be pursued further, both the receivable and the corresponding allowance for doubtful accounts are removed from the books. As of June 30, 2016 and 2015, an allowance of \$10,146 and \$8,757, respectively has been recorded.

Note 5. Pledges Receivable

Pledges receivable are discounted and recorded at the net present value of estimated future cash flows, unless this discount is determined by management to be immaterial. At December 31, 2016 management did determine that this discount would be immaterial. Pledges receivable were \$0 at December 31, 2016 and \$165,000 at December 31, 2015.

Note 6. Property and Equipment

Property and equipment consisted of the following at December 31, 2016:

| | <u>2015</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>2016</u> |
|--------------------------------|------------------|-------------------|------------------|--------------------|------------------|
| Art Collection | \$ 6,500 | \$ - | \$ - | \$ - | \$ 6,500 |
| Leasehold Improvements | 15,681 | - | - | - | 15,681 |
| Intangible | 30,471 | - | - | - | 30,471 |
| Office | 14,410 | - | - | - | 14,410 |
| Furniture | 17,934 | - | - | - | 17,934 |
| Computer | 146,621 | - | - | - | 146,621 |
| Total property and equipment | <u>231,617</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>231,617</u> |
| Less: Accumulated Depreciation | <u>(221,667)</u> | <u>(1,281)</u> | <u>-</u> | <u>-</u> | <u>(222,948)</u> |
| Property and equipment, net | <u>\$ 9,950</u> | <u>\$ (1,281)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 8,669</u> |

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 6. Property and Equipment (Continued)

Property and equipment consisted of the following at December 31, 2015:

| | <u>2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Adjustments</u> | <u>2015</u> |
|--------------------------------|------------------|-------------------|------------------|--------------------|------------------|
| Art Collection | \$ 149,136 | \$ - | \$ - | \$ (2,515) | \$ 146,621 |
| Leasehold Improvements | 17,934 | - | - | - | 17,934 |
| Intangible | 14,410 | - | - | - | 14,410 |
| Office | 30,471 | - | - | - | 30,471 |
| Furniture | 15,681 | - | - | - | 15,681 |
| Computer | 6,500 | - | - | - | 6,500 |
| Total property and equipment | <u>234,132</u> | <u>-</u> | <u>-</u> | <u>(2,515)</u> | <u>231,617</u> |
| Less: Accumulated Depreciation | <u>(218,023)</u> | <u>(3,644)</u> | <u>-</u> | <u>-</u> | <u>(221,667)</u> |
| Property and equipment, net | <u>\$ 16,109</u> | <u>\$ (3,644)</u> | <u>\$ -</u> | <u>\$ (2,515)</u> | <u>\$ 9,950</u> |

Depreciation expense for the years ended December 31, 2016 and 2015 were \$1,281 and \$3,644, respectively.

Note 7. Retirement Plan

AISES has established a simple IRA retirement plan (the Plan) covering all full-time employees. The Plan allows eligible employees to contribute up to \$10,000 of their annual salary. In addition, AISES will match 100% of each employee's contribution, up to a limit of 3% of each employee's compensation. All such matching contributions are immediately fully vested. AISES contributed \$10,943 and \$5,462 to the Plan during 2016 and 2015, respectively.

Note 8. Commitments and Contingencies

Operating Leases

AISES leases its office facilities in Albuquerque, NM and Longmont, CO under two non-cancelable operating lease which will expire in July 2017.

Minimum future lease payments follow:

| | <u>2017</u> |
|--------------------|------------------|
| Albuquerque Office | \$ 51,021 |
| Longmont Office | 10,173 |
| | <u>\$ 61,195</u> |

Legal Matters

AISES, in the normal course of business, is subject to claims and litigations. Management believes there are no outstanding claims or assessments which would be subject to a material unfavorable outcome and not covered by insurance.

**American Indian Science and Engineering Society
and Subsidiary
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 8. Commitments and Contingencies (Continued)

Capital Leases

AISES has no capital lease obligations for the year ended December 31, 2016.

Note 9. Temporarily Restricted Net Assets

Contributions have been temporarily restricted for the following purposes:

| <u>Program</u> | <u>2015</u> | <u>Restricted Contributions</u> | <u>Released</u> | <u>2016</u> |
|------------------------------|-------------------|-------------------------------------|-------------------|---------------------|
| Scholarships | \$ 638,551 | \$ 817,525 | \$ 365,500 | \$ 1,090,576 |
| Total Temporarily Restricted | <u>\$ 638,551</u> | <u>\$ 817,525</u> | <u>\$ 365,500</u> | <u>\$ 1,090,576</u> |

Net assets were released from restriction by incurring expenditures satisfying donor intent, or by the expiration of time restrictions.

Note 10. Permanently Restricted Net Assets

In 2013, \$585,000 of permanently restricted net assets associated with one fund were released from restriction based on a legal opinion from AISES legal counsel that this fund was not permanently restricted but Board Designated. The Board has elected to keep 10% of this fund or \$58,500 as Board Designated going forward and earn income on the account. The balance of the account in 2015 and 2016 was \$59,662 and \$65,627, respectively.

**American Indian Science and Engineering Society
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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 11. Endowments

AISES's endowment funds include donor-restricted assets. 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.

Endowment Net Assets Composition by Type of Fund as of December 31, 2016

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | \$ - | \$ - | \$ 506,686 | \$ 506,686 |
| Total funds | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 506,686</u> | <u>\$ 506,686</u> |

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2016

| | | | | |
|---|-------------|-------------|-------------------|-------------------|
| Endowment net assets, beginning of year | \$ (14,792) | \$ - | \$ 521,163 | \$ 506,371 |
| Investment return | | | | |
| Interest and dividends, net of management fees | - | - | - | - |
| Net realized and unrealized gains | - | - | - | - |
| Total investment return | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Contributions | - | - | 20,256 | 20,256 |
| Administrative | - | - | - | - |
| Withdrawals | - | - | (19,941) | (19,941) |
| Reclassification of temporarily restricted investment return | 14,792 | - | (14,792) | - |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 506,686</u> | <u>\$ 506,686</u> |

**American Indian Science and Engineering Society
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Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

Note 11. Endowments (Continued)

Endowment Net Assets Composition by Type of Fund as of December 31, 2015

| | <u>Unrestricted</u> | <u>Temporarily Restricted</u> | <u>Permanently Restricted</u> | <u>Total</u> |
|----------------------------------|---------------------|-----------------------------------|-----------------------------------|-------------------|
| Donor-restricted endowment funds | \$ (14,792) | \$ - | \$ 521,163 | \$ 506,371 |
| Total funds | <u>\$ (14,792)</u> | <u>\$ -</u> | <u>\$ 521,163</u> | <u>\$ 506,371</u> |

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2015

| | | | | |
|---|--------------------|----------------|-------------------|-------------------|
| Endowment net assets, beginning of year | \$ - | \$ 12,997 | \$ 487,829 | \$ 500,826 |
| Investment return | | | | |
| Interest and dividends, net | | | | |
| of management fees | - | 4,565 | - | 4,565 |
| Net realized and unrealized gains | - | (11,009) | - | (11,009) |
| Total investment return | <u>-</u> | <u>(6,444)</u> | <u>-</u> | <u>(6,444)</u> |
| Contributions | - | - | 33,334 | 33,334 |
| Administrative | - | - | - | - |
| Withdrawals | (21,345) | - | - | (21,345) |
| Reclassification of temporarily restricted investment return | 6,553 | (6,553) | - | - |
| | <u>\$ (14,792)</u> | <u>\$ -</u> | <u>\$ 521,163</u> | <u>\$ 506,371</u> |

Return Objectives and Risk Parameters

AISES has adopted investment and spending policies for endowment assets that attempt to provide moderate growth over time with the consistency of total portfolio returns of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which provide for a long-term rate of return on assets that is at least 9%, which is greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for AISES has been based upon the assumption that future real returns will approximate the long-term rates or return experienced for each asset class in AISES's Investment Policy Statement. AISES recognizes the need to accept the inherent risk of various investments, including the diminution of principal during periodic market fluctuations. The Finance Committee will assess the portfolio as a whole in measuring risk, not discipline by discipline. Risk shall be measured and assessed in standard deviation – means of diversification and non-correlation between asset classes.

Strategies Employed for Achieving Objectives

The Board believes that AISES's risk and liquidity posture is, in large part, a function of asset class mix. The Board has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. In order to achieve the desired investment performance and meet the target return of AISES, it is important that AISES's assets are invested across all available asset classes to create a well-diversified portfolio. The Board believes that including alternative assets such as real estate, private equity and hedge funds is important to the long-term performance of the endowment funds, provided these asset classes are managed prudently.

**American Indian Science and Engineering Society
and Subsidiary**
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015

Note 11. Endowments (Continued)

Spending Policy and How the Investment Objectives Relate to Spending Policy

In 2012, AISES adopted a policy of appropriating bi-annual distributions, as approved by the Board of Directors, 5% of the prior three years' average end-of-fiscal-year balance. In establishing this policy, AISES considered the long-term expected return on its endowment. This is consistent with AISES's objective to maintain the purchasing power of the endowment assets held in perpetuity.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or accounting standard requires AISES to retain as a fund in perpetuity. In accordance with accounting policies generally accepted in the United States of America, the deficiencies are reported as unrestricted net assets. There was such a deficiency as of December 31, 2015, there was not a deficiency as of December 31, 2016 as shown in the following table.

Deficit Endowment Corpus

Deficit endowment corpus was as follows:

| <u>Endowment Investments</u> | <u>2016</u> | <u>2015</u> |
|--------------------------------------|-------------------|--------------------|
| Cash equivalents | \$ 31,119 | \$ 51,742 |
| Fixed income | 243,891 | 185,894 |
| Equity securities | 234,746 | 252,499 |
| Total endowment investments | <u>\$ 509,756</u> | <u>\$ 490,135</u> |
| Permanently restricted endowment | \$ 506,686 | \$ 521,163 |
| Investment accounts ending balance | <u>509,756</u> | <u>490,135</u> |
| Excess (deficit) in endowment corpus | <u>\$ 3,070</u> | <u>\$ (31,028)</u> |

Note 12. Line-of-Credit

In April 2012, AISES entered into an unsecured line-of-credit with a financial institution that allows for up to \$500,000 to be drawn upon as needed. In November 2014, the agreement was amended to allow for up to \$300,000 to be drawn upon as needed. The line-of-credit bears variable interest at prime (5.00% at December 31, 2016) plus 1.00% with a floor of 5.00% and required monthly payments of interest only. The balance was \$50,000 and \$0 at December 31, 2016 and 2015, respectively. The line-of-credit matures October 2017. Management intends to renew the line of credit under similar terms and conditions.

Note 13. Service Agreement

During 2011, API entered into a contract with an editorial company to provide editorial and managerial services for AISES's magazine, Winds of Change, and AISES's annual College Guide. The contract stipulates payments will be based on net revenues for the publication where the editorial company is to receive 40% of net revenues.

**American Indian Science and Engineering Society
and Subsidiary**
Notes to Consolidated Financial Statements
For the Year Ended December 31, 2016, With Comparative Totals For 2015

Note 14. Loss on Investment

AISES holds 88% ownership interest in API. In 2013, API made a loan of \$100,000 to AISES for operating capital. In 2015, AISES paid off the note to API effectively reducing AISES' investment in API and increasing the loss on investment to \$101,067. It should be noted that both the investment in API and the loss on investment were eliminated in the consolidated statement of activities.

Note 15. Subsequent Events

The date to which events occurring after December 31, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statement or disclosures is June 23, 2017, which is the date the financial statements were issued. No subsequent events.

Note 16. Subsequent Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenues and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and require separate accounting (performance obligations), how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price.

In February 2016, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update No. 2016-02, *Leases (Topic 842)*. The amendments in this update were issued to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The main difference between previous GAAP and Topic 842 is the recognition of lease assets and lease liabilities for those leases classified as operating leases under previous GAAP. The amendments in this update are effective for fiscal years beginning after December 15, 2019. Early application is permitted, however, AISES has not yet adopted.

In August 2016, the Financial Accounting Standards Board (FASB), issued Accounting Standards Update No. 2016-14, *Presentation of Financial Statements of Not-for-Profit Entities (Topic 958)*. The amendments in this update were issued to improve the current net asset classification requirements and the information presented in Not-for-Profit financial statements and notes. The update simplifies the Statement of Net Position by requiring only two net asset classifications: net assets with donor restrictions and net assets without donor restrictions. The amendments in this update are effective for fiscal years beginning after December 15, 2017. Early application is permitted. Management has evaluated the amendments in this update and has determined that they will not have a significant impact on the Organization's financial statements.

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SUPPLEMENTARY INFORMATION

**American Indian Science and Engineering Society
and Subsidiary**
Consolidating Statements of Financial Position
As of December 31, 2016, With Comparative Totals For 2015

| | <u>AISES</u> | <u>AISES Publishing Inc.</u> | <u>Consolidation</u> |
|---|---------------------|----------------------------------|----------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 318,241 | \$ 88,791 | \$ - |
| Investments | 478,637 | - | - |
| Receivables: | | | |
| Conference receivables, net | 152,470 | - | - |
| Pledged receivables | - | - | - |
| Contribution | 318,909 | 34,053 | - |
| Inventory | 17,896 | - | - |
| Prepaid expenses | 36,676 | 1,399 | - |
| Total current assets | <u>1,322,829</u> | <u>124,243</u> | <u>-</u> |
| Noncurrent assets | | | |
| Investment in API | 105,302 | - | (105,302) |
| Property and equipment, net | 8,669 | - | - |
| Deposits | 9,037 | - | - |
| <i>Total assets</i> | <u>\$ 1,445,837</u> | <u>\$ 124,243</u> | <u>\$ (105,302)</u> |
| Liabilities and Net Assets | | | |
| Current liabilities | | | |
| Accounts payable | \$ 15,428 | \$ 5,699 | \$ (5,386) |
| Accrued payroll and related liabilities | 182,605 | - | - |
| Deferred revenue | 95,744 | - | - |
| Total current liabilities | <u>293,777</u> | <u>5,699</u> | <u>(5,386)</u> |
| <i>Total liabilities</i> | <u>293,777</u> | <u>5,699</u> | <u>(5,386)</u> |
| Net assets | | | |
| Unrestricted: | | | |
| AISES | (504,202) | - | - |
| Board designated | 58,500 | - | - |
| Noncontrolling interest in AISES Publishing, Inc. | - | - | 18,628 |
| Temporarily restricted | 1,091,076 | - | - |
| Permanently restricted | 506,686 | - | - |
| Common Stock | - | 101 | (101) |
| (Less) Treasury Stock, 101 common shares at cost | - | (101) | 101 |
| Retained Earnings | - | 118,544 | (118,544) |
| <i>Total net assets</i> | <u>1,152,060</u> | <u>118,544</u> | <u>(99,916)</u> |
| <i>Total liabilities and net assets</i> | <u>\$ 1,445,837</u> | <u>\$ 124,243</u> | <u>\$ (105,302)</u> |

The accompanying notes are an integral part of these financial statements.

| <u>2016</u> | <u>2015</u> |
|--------------|--------------|
| \$ 407,032 | \$ 198,727 |
| 478,637 | 490,135 |
| 152,470 | 104,797 |
| - | 165,000 |
| 352,962 | 449,014 |
| 17,896 | 18,379 |
| 38,075 | 19,574 |
| 1,447,072 | 1,445,626 |
| - | - |
| 8,669 | 9,950 |
| 9,037 | 5,702 |
| \$ 1,464,778 | \$ 1,461,278 |
| \$ 15,741 | \$ 15,608 |
| 182,605 | 231,441 |
| 95,744 | 66,522 |
| 294,090 | 313,571 |
| 294,090 | 313,571 |
| (504,202) | (86,003) |
| 58,500 | 58,500 |
| 18,628 | 15,496 |
| 1,091,076 | 638,551 |
| 506,686 | 521,163 |
| - | - |
| - | - |
| - | - |
| 1,170,688 | 1,147,707 |
| \$ 1,464,778 | \$ 1,461,278 |

The accompanying notes are an integral part of these financial statements.

**American Indian Science and Engineering Society
and Subsidiary**
Consolidating Statements of Activities and Changes in Net Assets
For the Year Ended December 31, 2016, With Comparative Totals For 2015

| | <u>AISES</u> | <u>AISES Publishing Inc.</u> | <u>Consolidation</u> |
|--|---------------------|----------------------------------|----------------------|
| Revenues, gains and other support | | | |
| Conference registration | \$ 309,202 | \$ - | \$ - |
| Individual | 63,448 | - | - |
| Non-profit/Tribes | 64,987 | - | - |
| Corporate | 1,170,728 | - | (78,000) |
| Foundation | 267,775 | - | - |
| Grants-federal | 581,748 | - | - |
| State and other | 365,029 | - | - |
| Membership fees | 85,264 | - | - |
| Investment income | 23,712 | - | - |
| Subscription sales | - | - | - |
| Other, net | 365,145 | 4,378 | - |
| In-kind | 1,847,131 | - | - |
| Advertising income | - | 298,863 | - |
| Digital | - | 66,233 | - |
| Interest income | (131) | - | - |
| (Loss) Gain on investment in subsidiary | (17,923) | - | 17,923 |
| <i>Total revenues, gains and other support</i> | <u>5,126,115</u> | <u>369,474</u> | <u>(60,077)</u> |
| Expenses | | | |
| Program services | | | |
| Conference | 746,923 | - | - |
| Training and development | 132,837 | - | - |
| AISES Publishing Inc. | - | 388,480 | (78,000) |
| Scholarships | 418,765 | - | - |
| Other | 750,817 | - | - |
| In-kind | 1,847,131 | - | - |
| Internships | 36,420 | - | - |
| Education and outreach | 342,776 | - | - |
| <i>Total program services</i> | <u>4,275,669</u> | <u>388,480</u> | <u>(78,000)</u> |
| Supporting services | | | |
| Management and general | 675,094 | - | (4,215) |
| Fundraising | 155,503 | - | - |
| <i>Total supporting services</i> | <u>830,597</u> | <u>-</u> | <u>(4,215)</u> |
| <i>Total expenses</i> | <u>5,106,266</u> | <u>388,480</u> | <u>(82,215)</u> |
| Change in net assets | <u>19,849</u> | <u>(19,006)</u> | <u>22,138</u> |
| Net assets, beginning of the year | <u>1,132,211</u> | <u>138,721</u> | <u>(123,225)</u> |
| <i>Net assets, end of the year</i> | <u>\$ 1,152,060</u> | <u>\$ 119,715</u> | <u>\$ (101,087)</u> |

The accompanying notes are an integral part of these financial statements.

| Total 2016 | Total 2015 |
|-----------------------|-----------------------|
| \$ 309,202 | \$ 291,786 |
| 63,448 | 111,467 |
| 64,987 | 83,506 |
| 1,092,728 | 741,863 |
| 267,775 | 337,763 |
| 581,748 | 447,264 |
| 365,029 | 543,210 |
| 85,264 | 84,175 |
| 23,712 | (2,506) |
| - | 3,654 |
| 369,523 | 138,163 |
| 1,847,131 | - |
| 298,863 | 299,799 |
| 66,233 | 50,805 |
| (131) | 75 |
| - | - |
| 5,435,512 | 3,131,024 |
| 746,923 | 817,265 |
| 132,837 | 247,376 |
| 310,480 | 310,860 |
| 418,765 | 318,736 |
| 750,817 | 682,938 |
| 1,847,131 | - |
| 36,420 | 29,316 |
| 342,776 | 217,177 |
| 4,586,149 | 2,623,668 |
| 670,879 | 536,374 |
| 155,503 | 177,145 |
| 826,382 | 713,519 |
| 5,412,531 | 3,337,187 |
| 22,981 | (206,163) |
| 1,147,707 | 1,353,870 |
| \$ 1,170,688 | \$ 1,147,707 |

The accompanying notes are an integral part of these financial statements.

**American Indian Science and Engineering Society
and Subsidiary
Consolidating Statements of Functional Expenses
For the Year Ended December 31, 2016, With Comparative Totals For 2015**

| | Program Services | | | | | |
|----------------------------------|-------------------------|-------------------------------------|-------------------|--------------------|---------------------|-----------------------------------|
| | Conference | Training and Development | API | Internships | Scholarships | Education and Outreach |
| Salaries | \$ 99,182 | \$ 67,313 | \$ - | \$ 18,816 | \$ - | \$ 127,434 |
| Payroll taxes | 9,661 | 6,037 | - | 1,256 | - | 13,424 |
| Employee Benefits | 10,650 | 8,568 | - | - | - | 15,565 |
| Bank service charges | 24,064 | - | 3,212 | - | - | 15,608 |
| Professional fees | 118,396 | 3,620 | 90,401 | - | - | 40,631 |
| Convention costs | 317,600 | - | - | - | - | 7,000 |
| Awards/gifts and scholarships | 34,033 | - | 78,000 | - | 362,084 | 1,679 |
| Printing and copying | 24,775 | 6,482 | 149,669 | - | - | 2,643 |
| Participant costs and stipends | 12,922 | - | - | - | 5,980 | - |
| Office expense | - | - | - | - | - | - |
| Travel | 30,272 | 6,391 | 1,521 | 1,732 | 20,057 | 21,208 |
| Occupancy | - | 26,783 | - | 14,616 | 25,361 | 69,221 |
| Computer service and related | 10,246 | 3,250 | - | - | 4,583 | 19,499 |
| Postage and shipping | 2,402 | 1,594 | 15,416 | - | - | 1,468 |
| Bad debt expense | - | - | - | - | - | - |
| Material and supplies | 2,759 | - | - | - | - | 26 |
| Telephone and communications | - | 847 | - | - | - | 937 |
| Meals and entertainment | 1,960 | - | - | - | - | 1,909 |
| Contributions and donations | - | - | - | - | - | - |
| Dues and subscriptions | 4,450 | 1,900 | - | - | 700 | 36 |
| Advertising | 35,388 | - | - | - | - | 2,033 |
| In-kind | - | - | - | - | - | 1,847,131 |
| Meeting expense | 8,163 | 52 | - | - | - | 2,455 |
| Interest Expense | - | - | - | - | - | - |
| Depreciation | - | - | - | - | - | - |
| Profit sharing | - | - | 50,261 | - | - | - |
| <i>Total functional expenses</i> | <u>\$ 746,923</u> | <u>\$ 132,837</u> | <u>\$ 388,480</u> | <u>\$ 36,420</u> | <u>\$ 418,765</u> | <u>\$ 2,189,907</u> |

The accompanying notes are an integral part of these financial statements.

| Program Services | | Support Services | | | | | | |
|-------------------------|---------------------------------------|-----------------------------------|--------------------|---------------------------------------|---------------------|---------------------|---------------------|--|
| Other | Total Program Services | Management and General | Fundraising | Total Support Services | Eliminations | 2016 | 2015 | |
| \$ 151,307 | \$ 464,052 | \$ 178,375 | \$ 88,528 | \$ 266,903 | \$ - | \$ 730,955 | \$ 660,142 | |
| 13,422 | 43,800 | 18,060 | 8,882 | 26,942 | - | 70,742 | 61,497 | |
| 15,905 | 50,688 | 116,255 | 10,254 | 126,509 | - | 177,197 | 96,285 | |
| - | 42,884 | 13,594 | - | 13,594 | - | 56,478 | 48,880 | |
| 40,971 | 294,019 | 96,934 | 2,268 | 99,202 | - | 393,221 | 593,274 | |
| (1,365) | 323,235 | 8,894 | - | 8,894 | - | 332,129 | 410,477 | |
| - | 475,796 | 463 | - | 463 | (78,000) | 398,259 | 345,884 | |
| 328 | 183,897 | 10,045 | 2,953 | 12,998 | - | 196,895 | 175,804 | |
| 307,245 | 326,147 | - | - | - | - | 326,147 | 272,357 | |
| - | - | 6,741 | - | 6,741 | - | 6,741 | 6,743 | |
| 81,518 | 162,699 | 14,647 | 8,479 | 23,126 | - | 185,825 | 232,546 | |
| 74,227 | 210,208 | 125,310 | 31,401 | 156,711 | - | 366,919 | 123,170 | |
| 10,493 | 48,071 | 34,699 | 1,404 | 36,103 | - | 84,174 | 94,492 | |
| 418 | 21,298 | 2,522 | 527 | 3,049 | - | 24,347 | 20,179 | |
| - | - | 10,146 | - | 10,146 | - | 10,146 | 8,757 | |
| 15,697 | 18,482 | 7,514 | - | 7,514 | - | 25,996 | 20,349 | |
| 1,088 | 2,872 | 13,283 | 37 | 13,320 | - | 16,192 | 13,248 | |
| 1,780 | 5,649 | 897 | - | 897 | - | 6,546 | 8,475 | |
| - | - | 50 | - | 50 | - | 50 | 5,857 | |
| 25,265 | 32,351 | 1,830 | - | 1,830 | - | 34,181 | 12,599 | |
| - | 37,421 | - | 112 | 112 | - | 37,533 | 40,316 | |
| - | 1,847,131 | - | - | - | - | 1,847,131 | - | |
| 12,518 | 23,188 | 6,455 | 658 | 7,113 | - | 30,301 | 31,194 | |
| - | - | 7,099 | - | 7,099 | (4,215) | 2,884 | - | |
| - | - | 1,281 | - | 1,281 | - | 1,281 | 3,643 | |
| - | 50,261 | - | - | - | - | 50,261 | 51,019 | |
| <u>\$ 750,817</u> | <u>\$ 4,664,149</u> | <u>\$ 675,094</u> | <u>\$ 155,503</u> | <u>\$ 830,597</u> | <u>\$ (82,215)</u> | <u>\$ 5,412,531</u> | <u>\$ 3,337,187</u> | |

The accompanying notes are an integral part of these financial statements.

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COMPLIANCE SECTION



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 Science and Engineering Society
Albuquerque, New Mexico

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 consolidated financial statements of American Indian Science and Engineering Society and Subsidiary (collectively referred to as AISES, a nonprofit organization), as of and for the year ended December 31, 2016, and the related notes to the consolidated financial statements, which collectively comprise American Indian Science and Engineering Society and Subsidiary’s basic financial statements, and have issued our report thereon dated June 26, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Indian Science and Engineering Society and Subsidiary’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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of American Indian Science and Engineering Society and Subsidiary’s internal control. Accordingly, we do not express an opinion on the effectiveness of American Indian Science and Engineering Society and Subsidiary’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.

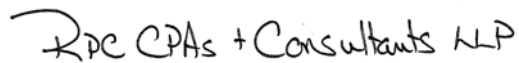
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies 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. We did identify a deficiency in internal control that we consider to be a significant deficiency and which is described in the accompanying schedule of findings and questioned costs as item FS 2016-001.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Indian Science and Engineering Society and Subsidiary's financial statements are free of 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 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 American Indian Science and Engineering Society and Subsidiary's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering American Indian Science and Engineering Society and Subsidiary's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, NM
June 26, 2017

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**American Indian Science and Engineering Society
and Subsidiary
Schedule of Findings and Responses
December 31, 2016**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

**American Indian Science and Engineering Society
and Subsidiary
Schedule of Findings and Responses
December 31, 2016**

SECTION II – FINANCIAL STATEMENT FINDINGS

FS 2016-001 – Control Deficiency- Internal Controls over Journal Entries – Significant Deficiency

Condition: During our journal entry testwork, we tested three months of journal entries, and noted 181 journal entries that were prepared, by the Chief Finance Officer with no evidence of review or approval from another party was noted. Additionally several journal entries did not have adequate support to validate the need for the journal entry.

Criteria: There are five elements of internal control that must be present in order to establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded, and that transactions are executed in accordance with management's authorization and recorded properly. Because certain internal controls have weaknesses, AISES may not be able to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Effect: Without a policy for the journal entry review process someone with access and permission to post into the system has the ability to post erroneous or fraudulent transactions.

Cause: AISES does not have a policy in place for the process over review of journal entries.

Auditors' Recommendations: We recommend that all journal entries are reviewed and posted by a person other than the preparer of the journal entry to ensure the accuracy and validity of the journal entries and that supporting documentation is filed with each journal entry. Additionally, AISES should put a policy for the review of journal entries in place and adhere to it.

Agency's Response: AISES has used the same process for journal entries for several years without any findings reported in previous year's audits. And while there were no significant or material audit adjustments for 2016 stemming from its current process, AISES has agreed to implement a new process for secondary review and approval of all journal entries beginning in 2017.

**American Indian Science and Engineering Society
and Subsidiary
Schedule of Findings and Responses
December 31, 2016**

SECTION III – PRIOR YEAR AUDIT FINDINGS

Prior Year Financial Statements Findings

None