

AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY

**CONSOLIDATED FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018



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**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
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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 consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of American Indian Science and Engineering Society as of December 31, 2018, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information – Schedule of Expenditures of Federal Awards

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

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating financial statements are presented for purposes of additional analysis and are not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 consolidated financial statements as a whole.

Board of Directors
American Indian Science and Engineering Society

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 12, 2019, on our consideration of American Indian Science and Engineering Society'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 solely 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 effectiveness of American Indian Science and Engineering Society's 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.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 12, 2019

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS

CURRENT ASSETS

Cash and Cash Equivalents	\$	722,325
Receivables:		
Trade Receivables		303,492
Grants and Other		183,799
Inventory		16,130
Prepaid Expenses		26,548
Total Current Assets		1,252,294

NONCURRENT ASSETS

Investments		498,360
Property and Equipment, Net		7,069
Deposits		19,291
Total Noncurrent Assets		524,720

Total Assets	\$	1,777,014
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LIABILITIES AND NET ASSETS

LIABILITIES

Accounts Payable	\$	64,702
Accrued Payroll and Related Liabilities		64,848
Deferred Revenue		131,456
Total Current Liabilities		261,006

NET ASSETS

Without Donor Restrictions:		
AISES		(169,486)
Board Designated		62,278
Noncontrolling Interest in AISES Publishing, Inc.		10,426
Total Without Donor Restrictions		(96,782)
With Donor Restrictions:		
Perpetual in Nature		399,976
Subject to Appropriation		93,869
Purpose Restrictions		1,118,945
Total With Donor Restrictions		1,612,790
Total Net Assets		1,516,008
Total Liabilities and Net Assets	\$	1,777,014

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2018**

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUE, SUPPORT, AND GAINS			
Conference Registration	\$ 360,949	\$ -	\$ 360,949
Nonprofit / Tribes	1,018,308	-	1,018,308
Corporate	666,777	326,000	992,777
Foundation	346,598	486,000	832,598
Grants - Federal	768,864	-	768,864
State and Other	429,368	-	429,368
Individual	60,184	10,320	70,504
Educational Institute	125,840	-	125,840
Membership Fees	109,489	-	109,489
Job Board	58,070	-	58,070
Investment Income	6,860	(31,364)	(24,504)
Subscription Sales	88,812	-	88,812
Other	117,572	-	117,572
In-Kind	1,762,479	-	1,762,479
Advertising Income	98,613	-	98,613
Digital	297,446	-	297,446
Net Assets Released from Restrictions	559,313	(559,313)	-
Total Revenue, Support, and Gains	<u>6,875,542</u>	<u>231,643</u>	<u>7,107,185</u>
EXPENSES AND LOSSES			
Program Services Expense	6,046,352	-	6,046,352
Supporting Services Expense:			
Management and General	407,571	-	407,571
Fundraising	429,294	-	429,294
Total Supporting Services Expenses	<u>836,864</u>	<u>-</u>	<u>836,864</u>
Total Expenses	<u>6,883,216</u>	<u>-</u>	<u>6,883,216</u>
CHANGE IN NET ASSETS	(7,674)	231,643	223,969
Net Assets - Beginning of Year	<u>(89,110)</u>	<u>1,381,147</u>	<u>1,292,037</u>
NET ASSETS - END OF YEAR	<u>\$ (96,784)</u>	<u>\$ 1,612,790</u>	<u>\$ 1,516,006</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services						
	Conference	Training and Development	Publishing	Internships	Scholarships	Education and Outreach	Pre-College Programs
Salaries	\$ 172,625	\$ 75,860	\$ -	\$ 31,574	\$ -	\$ 81,758	\$ 226,047
Payroll Taxes	14,197	6,539	-	2,976	-	7,184	18,065
Employee Benefits	3,771	973	-	458	-	1,433	5,811
Bank Service Charges	29,459	21,941	5,593	-	-	-	-
Professional Fees	261,527	238	283,638	-	-	6,811	33,458
Convention Costs	360,607	-	-	-	-	-	-
Awards/Gifts and Scholarships	32,509	3,059	-	-	540,750	-	1,500
Printing and Copying	22,505	-	30,677	-	-	5,928	2,823
Participant Costs and Stipends	11,442	-	-	2,300	5,691	-	142,852
Office Expense	-	-	-	-	-	-	-
Travel	85,992	23,083	3,926	2,600	10,491	7,933	59,268
Occupancy	-	-	-	16,586	-	200	-
Computer Service and Related	13,732	16,394	-	-	-	1,329	209
Postage and Shipping	3,263	199	18,739	-	-	1,521	330
Bad Debt Expense	-	-	-	-	-	-	-
Material and Supplies	6,453	20	2,936	-	-	3,112	187,189
Telephone and Communications	-	-	-	-	-	1,125	-
Meals and Entertainment	-	-	174	-	-	-	-
Contributions and Donations	-	-	-	-	-	3,450	550
Dues and Subscriptions	899	3,459	-	-	-	1,075	2,020
Advertising	83,507	231	4,770	-	-	2,677	-
In-Kind	-	-	-	-	-	-	881,240
Meeting Expense	3,002	20,600	150	-	-	493	10,783
Interest Expense	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Profit Sharing	-	-	75,000	-	-	-	-
Indirect Costs	-	55,714	-	2,811	-	40,398	164,935
Total Functional Expenses	\$ 1,105,490	\$ 228,307	\$ 425,603	\$ 59,304	\$ 556,931	\$ 166,426	\$ 1,737,078

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Program Services				Support Services			
College Programs	Strategic Initiatives and Research		Total Program Services	Management and General	Fundraising	Total Support Services	Total
		Other					
\$ 72,800	\$ 155,163	\$ 85,421	\$ 901,248	\$ 266,055	\$ 145,591	\$ 411,645	\$ 1,312,893
6,134	12,646	5,157	72,898	23,235	12,188	35,422	108,320
1,699	3,552	1,051	18,748	156,919	2,810	159,729	178,477
-	-	-	56,993	14,477	10	14,487	71,480
450	20,837	-	606,957	189,809	101,196	291,005	897,962
22	1,077	31,102	392,808	-	151	151	392,959
2,300	31	-	580,149	5,490	207	5,698	585,847
276	-	-	62,209	10,140	506	10,646	72,855
2,486	266,871	1,347	432,988	-	-	-	432,988
-	-	-	-	-	-	-	-
2,022	14,155	12,172	221,641	21,218	33,124	54,342	275,983
-	-	-	16,786	150,988	-	150,988	167,774
45	424	558	32,691	35,285	990	36,275	68,966
532	1,302	215	26,101	2,409	6,193	8,602	34,703
-	-	-	-	6,269	-	6,269	6,269
32	1,418	5	201,164	15,003	251	15,254	216,418
-	1,700	-	2,825	15,009	75	15,084	17,909
-	-	-	174	-	-	-	174
-	-	-	4,000	1,500	-	1,500	5,500
2,500	-	270	10,223	3,182	3,609	6,791	17,014
1,200	-	-	92,385	231	25,152	25,383	117,769
881,239	-	-	1,762,479	-	-	-	1,762,479
950	3,077	8,445	47,500	9,776	257	10,033	57,533
-	-	-	-	5,303	39	5,341	5,341
-	-	-	-	601	-	601	601
-	-	-	75,000	-	-	-	75,000
42,560	91,542	30,425	428,385	(525,330)	96,945	(428,385)	-
<u>\$ 1,017,247</u>	<u>\$ 573,797</u>	<u>\$ 176,169</u>	<u>\$ 6,046,352</u>	<u>\$ 407,570</u>	<u>\$ 429,294</u>	<u>\$ 836,863</u>	<u>\$ 6,883,215</u>

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Support and Revenue Funding Source	\$ 7,142,508
Cash Paid to Employees and Suppliers	<u>(6,979,904)</u>
Net Cash Provided by Operating Activities	162,604

CASH FLOWS FROM FINANCING ACTIVITIES

Contributions Restricted for Investment in Perpetual Endowment	10,000
Principal Payment on Line of Credit	<u>(60,000)</u>
Net Cash Used by Investing Activities	<u>(60,000)</u>

NET CHANGE IN CASH AND CASH EQUIVALENTS

102,604

Cash and Cash Equivalents - Beginning of Year

619,721

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 722,325

See accompanying Notes to Consolidated Financial Statements.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1977, the American Indian Science and Engineering Society (AISES) is a national nonprofit organization focused on substantially increasing the representation of American Indians, Alaska Natives, Native Hawaiians, Pacific Islanders, First Nations, and other indigenous peoples of North America in science, technology, engineering, and math (STEM) studies and careers. In 1985, AISES created a majority-owned subsidiary called AISES Publishing, Inc. (API). API (1) publishes *Winds of Change*, a nationally distributed magazine with a focus on STEM educational and career advancement for Native people; (2) administers STEM related projects for Native Students; and (3) provides educational support services to Natives in STEM.

Program Service Descriptions

Training and Development

AISES utilizes a variety of programs to support STEM education and career training and development through financial, academic, professional, and cultural support to American Indians, Alaska Natives, Native Hawaiians, Pacific Islanders, First Nations, and other indigenous peoples of North America; and builds and leverages partnerships with Tribes, schools, nonprofits, corporations, foundations, and government agencies to support these programs.

Education and Outreach

AISES utilizes an array of communications strategies and resources to educate the general public, Tribes, schools, nonprofits, corporations, foundations, and government agencies about the need for increased STEM education and career opportunities for Native people. AISES also conducts outreach to Native people and Tribes to promote the importance of STEM.

Pre-College Programs

The focus of AISES's pre-college programs is to build awareness and increase retention in K-12 STEM by providing Native K-12 students, parents, and educators exposure and access to quality curriculum, programs, and opportunities to interest and engage them STEM.

College Programs

The focus of AISES's college programs is to increase access to and success in STEM higher education by providing financial and academic support and opportunities to Native college students to increase the numbers of successful Native STEM majors.

Strategic Initiatives and Research

The focus of AISES' strategic initiatives and research is to identify and leverage strategic partnerships and conduct research in STEM issues specific to Native people by identifying the challenges and successes in Native STEM education and workforce development through research, data collection, and partnerships with other key STEM stakeholders.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program Service Descriptions (Continued)

National Conference

The national conference is AISES's major event hosted every year for its constituents. The college and career fair held during the conference offers a unique forum for academic and professional recruitment of American Indians, Alaska Natives, Native Hawaiians, Pacific Islanders, First Nations, and other indigenous students and professionals. Approximately 2,300 people attend the conference annually.

Scholarships

AISES scholarships are awarded to undergraduate and graduate students, who are members of AISES, for leadership and academic achievement. AISES administers the following scholarships: ExxonMobil Geosciences Summer Fieldwork Scholarship, National Conference Travel Scholarships, Leadership Summit Travel Scholarships, A.T. Anderson Scholarship) Advancing Agricultural Science Opportunities for Native Americans, Burlington North Santa Fe (BNSF) Foundation Scholarship, Chevron Scholarship, Intel Growing The Legacy Scholarship Program, Naval Sea Systems Command (NAVSEA) Scholarship, Oracle Academy Scholarship, and VGT, an Aristocrat Company scholarship.

Internships

The AISES internship program is a summer program that provides qualified college students with internship opportunities to explore careers with corporations and federal agencies.

Publishing

AISES Publishing produces and distributes AISES's quarterly magazine, *Winds of Change*, and the Annual College Guide, and administers the Energy Challenge project – a science fa for students to design projects focused on solving energy challenges in their communities.

Principles of Consolidation

The consolidated financial statements include the accounts of AISES and its 88.8% owned subsidiary, API. All significant intercompany accounts and transactions have been eliminated. The consolidated financial statements do not include the financial activities of AISES' various self-directed professional chapter organizations.

Basis of Accounting

The accompanying consolidated financial statements have been prepared using the accrual method of accounting, in accordance with accounting principles generally accepted in the United States of America. 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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The governing board has designated, from net assets without donor restrictions, net assets for a board-designated endowment.

Net Assets With Donor Restrictions – Net assets subject to donor- (or certain grantor-) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions and Unconditional Promises to Give

Contributions are recognized when the donor makes a promise to give to AISES, that is, in substance, unconditional. AISES follows Financial Accounting Services Board (FASB) Accounting Standards Codification (ASC) 958-605-25, *Revenue Recognition*. In accordance with the codification standard, contributions received are recorded as with or without donor restriction depending on the existence or nature of any donor restrictions.

Revenue With and Without Donor Restriction

Contributions that are restricted by the donor are reported as increases in net assets without donor restriction if the restrictions expire in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases net assets with donor restrictions. When a restriction expires, net assets with donor restriction are reclassified to net assets without donor restriction and reported in the consolidated statement of activities as Net Assets Released from Restrictions.

Use of Net Assets With Donor Restrictions

When AISES incurs an expense for which it may use either net assets with or without donor restriction, it uses net assets with restriction first.

Cash and Cash Equivalents

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

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

Investments consist primarily of equities, and fixed income securities, and are stated at quoted fair market value in the consolidated statement of financial position. Net investment return (loss) is reported at fair value in the consolidated statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external investment expenses. Net investment return (loss) is reported as increase/decrease to net assets with or without donor restriction per donor restrictions and management spending policy. External investment expenses related to investment activities were \$7,911 in 2018.

Trade Receivables

Trade receivables represent receivables for conference registration, sponsorship, exhibitor fees due to AISES and subscriptions, digital revenue, and advertisement due to API.

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 net realizable value (first in, first out). Contributed inventory is recorded at fair market value at the date of donation.

Prepaid Expenses

Prepaid expenses consist of rent and security deposit on the Albuquerque office location and the Longmont, Colorado office location, as well as insurance for employee benefits.

Fee for Service Revenue

Revenue from fee for service includes subscriptions, digital revenue, and advertisement and is recorded in the period the service is provided.

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
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY 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 nonfinancial 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 of receipt.

Advertising/Promotion

Advertising/promotion costs are expensed as incurred. For the year ended December 31, 2018, advertising expenses incurred totaled \$117,769.

Income Taxes

AISES is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private organization. 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. 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 year ended December 31, 2018.

Functional Allocation of Expenses

The costs of providing AISES' various programs and supporting services have been summarized on a functional basis in the consolidated statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted as indirect costs. Indirect costs are primarily made up of occupancy, salaries and wages, and professional fees, which were allocated using the following methodology: actual usage, square footage, time and effort, and percentage of direct costs.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 1 PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements and Disclosures

AISES reports certain assets at fair value in the consolidated financial statements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset or liability. In these situations, inputs are developed using the best information available in the circumstances.

All of the AISES investment assets are classified within Level 1 because they comprise equities and fixed income securities with readily determinable fair values based on daily redemption values.

Estimates

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

In-Kind Contributions

Contributed goods and services are recorded at fair value at the date of donation. The value of goods received was \$1,762,479 for the year ended December 31, 2018. This amount consisted solely of two programmatic public service announcements (PSAs), aired by a national television broadcasting company. These PSAs are utilized to enhance pre-college and college education programs.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 (FDIC) up to \$250,000 per financial institution. At times during fiscal year 2018, AISES had bank deposits in excess of FDIC insurance limits. However, management felt the risks related to these balances were within an acceptable range and have not experienced losses in any of these accounts to date.

AISES had the following amounts in cash and cash equivalents as of December 31, 2018:

Checking - Operating	\$ 315,663
Checking - National Conference	1,980
Checking - Development and Membership	48,015
Checking - API	141,897
Savings	187,067
Petty Cash	375
Cash Portion of Investments	27,328
Total Cash and Cash Equivalents	<u>\$ 722,325</u>

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, 2018:

	<u>Fair Value Measurements at Report Date Using</u>			Total
	<u>Quoted Prices in Active Markets for Identical Assets (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>	
Fixed Income	\$ 274,533	\$ -	\$ -	\$ 274,533
Equities	223,828	-	-	223,828
Total	<u>\$ 498,361</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,361</u>

NOTE 4 RECEIVABLES

AISES performs a period review of accounts, grants, contributions, and bequests receivable to verify collectability. When trade 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 are removed from the books. As of December 31, 2018, there was no allowance for doubtful accounts.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 5 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at December 31:

	2017	Additions	Deletions	2018
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	231,617	-	-	231,617
Less: Accumulated Depreciation	(223,947)	(601)	-	(224,548)
Property and Equipment, Net	<u>\$ 7,670</u>	<u>\$ (601)</u>	<u>\$ -</u>	<u>\$ 7,069</u>

NOTE 6 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 \$23,218 to the Plan during 2018.

NOTE 7 COMMITMENTS AND CONTINGENCIES

Operating Leases

AISES leases its office facilities in Albuquerque, New Mexico and Boulder, Colorado under two noncancelable operating leases. The Albuquerque office lease will expire in 2020, while the Boulder office lease was extended through 2023.

Furthermore, AISES leases a copier and related equipment on a noncancelable operating lease, which will expire in 2020.

Minimum future lease payments follow:

<u>Year Ending December 31,</u>	<u>Office Space</u>	<u>Equipment</u>	<u>Total</u>
2019	\$ 85,643	\$ 2,839	\$ 88,482
2020	73,687	2,129	75,816
2021	55,320	-	55,320
2022	57,533	-	57,533
2023	14,570	-	14,570
Total	<u>\$ 286,753</u>	<u>\$ 4,968</u>	<u>\$ 291,721</u>

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 7 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Capital Leases

AISES has no capital lease obligations for the year ended December 31, 2018.

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.

NOTE 8 NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to Expenditure for Specified Purpose:	
Scholarships	\$ 1,018,945
Native Financial Cents	100,000
Total	<u>1,118,945</u>
Subject to Appropriation:	
Endowment Earnings	93,869
Not Subject to Appropriation:	
Endowment Funds	399,976
Total Net Assets with Donor Restrictions	<u>\$ 1,612,790</u>

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

Satisfaction of Purpose Restrictions	
Scholarships	\$ 540,750
Withdrawal from Perpetual Endowment	18,563
Total	<u>\$ 559,313</u>

In 2013, \$585,000 of net assets with donor restrictions in perpetuity associated with one fund were released from restriction based on a legal opinion from AISES legal counsel that this fund was not with donor restriction, but rather 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.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 ENDOWMENTS

AISES' endowment fund (the Endowment) consists of approximately 5 individual funds established by donors with donor restriction to provide annual funding for scholarship awards and general operations. The Endowment also includes certain net assets without donor restrictions that have been designated for endowment by the board of directors.

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' 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 noncorrelation between asset classes.

Strategies Employed for Achieving Objectives

The board believes that AISES' 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' 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.

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' objective to maintain the purchasing power of the endowment assets held in perpetuity.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 9 ENDOWMENTS (CONTINUED)

**Spending Policy and How the Investment Objectives Relate to Spending Policy
(Continued)**

As of December 31, 2018, AISES had the following endowment net asset composition by type of fund:

December 31, 2018	Without Donor Restriction	With Donor Restrictions	Total
Board-Designated Endowment Funds	\$ 62,278	\$ -	\$ 62,278
Donor Restricted Endowment Funds:			
Original Donor-Restricted Gift Amount	-	399,976	399,976
Accumulated Investment Gains	-	93,869	93,869
Total Funds	<u>\$ 62,278</u>	<u>\$ 493,845</u>	<u>\$ 556,123</u>

Changes in endowment net assets for the years ended December 31 are as follows:

	Without Donor Restriction	With Donor Restrictions	Total
Endowment Net Assets - Beginning of Year	\$ 66,113	\$ 533,772	\$ 599,885
Net Investment Return	(3,835)	(31,364)	(35,199)
Contributions	-	10,000	10,000
Withdrawals	-	(18,563)	(18,563)
Endowment Net Assets - End of Year	<u>\$ 62,278</u>	<u>\$ 493,845</u>	<u>\$ 556,123</u>

NOTE 10 LIQUIDITY NOTE

AISES has a goal to maintain financial assets, which consist of cash, net realizable value of receivables, short-term investments, and prepaid expenses to meet at a minimum of 60 days of normal operating expenses, which are, on average, approximately \$1,150,000. For purposes of analyzing resources available to meet general expenditures over a 12-month period, AISES considers all expenditures related to ongoing activities including governance, facilities, regulatory programs, member services, and publications. AISES includes in its consideration those expenditures covered by donor-restricted resources. As part of its liquidity management, excess cash will be invested in liquid income-producing instruments, to the extent that it is allowed by funding agencies.

Current Assets at December 31	\$ 1,209,616
Less: Board-Designated Cash	<u>(62,278)</u>
Financial Assets Available to Meet General Expenditures Over the Next 12 Months	<u>\$ 1,147,338</u>

NOTE 11 SUBSEQUENT EVENTS

The organization has evaluated subsequent events through July 12, 2019, the date on which the consolidated financial statements were available to be issued. There were no subsequent events necessary for disclosure.

AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 12 CHANGE IN ACCOUNTING PRINCIPLES

The organization changed accounting policies related to presentation of consolidated financial statements and notes about liquidity and financial performance by adopting FASB Accounting Standards Update 2016-14, *Not-For-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*, in 2018.

NOTE 13 ACCOUNTING STANDARDS CHANGES

In May 2014, FASB issued amended guidance to clarify the principles for recognizing revenue from contracts with customers. The guidance requires an entity to recognize revenue to depict the transfer of goods or services to customers in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services. The guidance also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. Additionally, qualitative and quantitative disclosures are required regarding customer contracts, significant judgments and changes in judgments, and assets recognized from the costs to obtain or fulfill a contract. The guidance will initially be applied retrospectively using one of two methods. The standard will be effective for AISES for annual periods beginning after December 15, 2018. Management is currently evaluating the impact of the amended revenue recognition guidance on its consolidated financial statements.

In June 2018, the FASB issued amended guidance to clarify and improve the scope and the accounting guidance for contributions received and contributions made. This amended guidance distinguishes between contributions and exchange transactions and assists in determining which guidance to apply. For contributions, the guidance in Subtopic 958-605, *Not-for-Profit Entities-Revenue Recognition*, should be followed. For exchange transactions, Topic 606, *Revenue from Contracts with Customers*, should be followed. In addition, once a transaction is deemed to be a contribution, this amended guidance assists in determining whether a contribution is conditional or unconditional, and if unconditional, whether the transaction is donor-restricted for a limited purposes or timing. The guidance should be applied on a modified prospective basis. As a resource recipient, the guidance will be effective for AISES the year ending December 31, 2019.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATING STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2018**

ASSETS	<u>AISES</u>	<u>AISES Publishing, Inc. (API)</u>	<u>Consolidation</u>	<u>Total</u>
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 580,428	\$ 141,897	\$ -	\$ 722,325
Receivables:				
Trade and Other	238,992	112,308	(47,808)	303,492
Grants	282,760	-	(98,961)	183,799
Inventory	16,130	-	-	16,130
Prepaid Expenses	26,402	146	-	26,548
Total Current Assets	<u>1,144,712</u>	<u>254,351</u>	<u>(146,769)</u>	<u>1,252,294</u>
NONCURRENT ASSETS				
Investments	581,030	-	(82,669)	498,361
Property and Equipment, Net	7,069	-	-	7,069
Deposits	19,291	-	-	19,291
Total Assets	<u>\$ 1,752,102</u>	<u>\$ 254,351</u>	<u>\$ (229,438)</u>	<u>\$ 1,777,015</u>
LIABILITIES AND NET ASSETS				
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 61,270	\$ 150,201	\$ (146,769)	\$ 64,702
Accrued Payroll and Related Liabilities	64,848	-	-	64,848
Deferred Revenue	120,401	11,055	-	131,456
Total Current Liabilities	<u>246,519</u>	<u>161,256</u>	<u>(146,769)</u>	<u>261,006</u>
Noncurrent Liabilities:				
Line of Credit	-	-	-	-
Total Liabilities	<u>246,519</u>	<u>161,256</u>	<u>(146,769)</u>	<u>261,006</u>
NET ASSETS				
Without Donor Restrictions:				
AISES	(169,485)	-	-	(169,485)
Board-Designated	62,278	-	-	62,278
Noncontrolling Interest in AISES Publishing, Inc.	-	-	10,426	10,426
Total Without Donor Restrictions	<u>(107,207)</u>	<u>-</u>	<u>10,426</u>	<u>(96,781)</u>
With Donor Restrictions:				
Perpetual in Nature	493,845	-	-	493,845
Purpose Restrictions	1,118,945	-	-	1,118,945
Retained Earnings	-	93,095	(93,095)	-
Total With Donor Restrictions	<u>1,612,790</u>	<u>93,095</u>	<u>(93,095)</u>	<u>1,612,790</u>
Total Net Assets	<u>1,505,583</u>	<u>93,095</u>	<u>(82,669)</u>	<u>1,516,009</u>
Total Liabilities and Net Assets	<u>\$ 1,752,102</u>	<u>\$ 254,351</u>	<u>\$ (229,438)</u>	<u>\$ 1,777,015</u>

AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2018

	AISES	AISES Publishing, Inc. (API)	Consolidation	Total
REVENUE, SUPPORT, AND GAINS				
Conference Registration	\$ 360,949	\$ -	\$ -	\$ 360,949
Nonprofit / Tribes	1,018,308	-	-	1,018,308
Corporate	1,084,627	-	(91,850)	992,777
Foundation	832,598	-	-	832,598
Grants - Federal	768,864	-	-	768,864
State and Other	429,368	-	-	429,368
Individual	70,504	-	-	70,504
Educational Institute	125,840	-	-	125,840
Membership Fees	109,489	-	-	109,489
Job Board	58,070	-	-	58,070
Investment Income	(24,504)	-	-	(24,504)
Subscription Sales	-	88,812	-	88,812
Other	117,572	-	-	117,572
In-Kind	1,762,479	-	-	1,762,479
Advertising Income	-	98,613	-	98,613
Digital	-	297,446	-	297,446
Gain (Loss) on Investment in Subsidiary	(29,035)	-	29,035	-
Total Revenue, Support, and Gains	<u>6,685,129</u>	<u>484,871</u>	<u>(62,815)</u>	<u>7,107,185</u>
EXPENSES AND LOSSES				
Program Services Expense	5,620,749	513,237	(87,634)	6,046,352
Supporting Services Expense:				
Management and General	407,569	-	-	407,569
Fundraising and Development	429,294	-	-	429,294
Total Supporting Services Expense	<u>836,862</u>	<u>-</u>	<u>-</u>	<u>836,862</u>
Total Expenses and Losses	<u>6,457,612</u>	<u>513,237</u>	<u>(87,634)</u>	<u>6,883,214</u>
CHANGE IN NET ASSETS	227,517	(28,366)	24,819	223,971
Net Assets - Beginning of Year	<u>1,278,065</u>	<u>121,461</u>	<u>(107,489)</u>	<u>1,292,037</u>
NET ASSETS - END OF YEAR	<u>\$ 1,505,582</u>	<u>\$ 93,095</u>	<u>\$ (82,670)</u>	<u>\$ 1,516,008</u>

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2018**

	Program Services						
	Conference	Training and Development	Publishing	Internships	Scholarships	Education and Outreach	Pre-College Programs
Salaries	\$ 172,625	\$ 75,860	\$ -	\$ 31,574	\$ -	\$ 81,758	\$ 226,047
Payroll Taxes	14,197	6,539	-	2,976	-	7,184	18,065
Employee Benefits	3,771	973	-	458	-	1,433	5,811
Bank Service Charges	29,459	21,941	5,593	-	-	-	-
Professional Fees	261,527	238	371,272	-	-	6,811	33,458
Convention Costs	360,607	-	-	-	-	-	-
Awards/Gifts and Scholarships	32,509	3,059	-	-	540,750	-	1,500
Printing and Copying	22,505	-	30,677	-	-	5,928	2,823
Participant Costs and Stipends	11,442	-	-	2,300	5,691	-	142,852
Office Expense	-	-	-	-	-	-	-
Travel	85,992	23,083	3,926	2,600	10,491	7,933	59,268
Occupancy	-	-	-	16,586	-	200	-
Computer Service and Related	13,732	16,394	-	-	-	1,329	209
Postage and Shipping	3,263	199	18,739	-	-	1,521	330
Bad Debt Expense	-	-	-	-	-	-	-
Material and Supplies	6,453	20	2,936	-	-	3,112	187,189
Telephone and Communications	-	-	-	-	-	1,125	-
Meals and Entertainment	-	-	174	-	-	-	-
Contributions and Donations	-	-	-	-	-	3,450	550
Dues and Subscriptions	899	3,459	-	-	-	1,075	2,020
Advertising	83,507	231	4,770	-	-	2,677	-
In-Kind	-	-	-	-	-	-	881,240
Meeting Expense	3,002	20,600	150	-	-	493	10,783
Interest Expense	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Profit Sharing	-	-	75,000	-	-	-	-
Indirect cost	-	55,714	-	2,811	-	40,398	164,935
Total Functional Expenses	<u>\$ 1,105,490</u>	<u>\$ 228,307</u>	<u>\$ 513,237</u>	<u>\$ 59,304</u>	<u>\$ 556,931</u>	<u>\$ 166,426</u>	<u>\$ 1,737,078</u>

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
CONSOLIDATING STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018**

Program Services				Support Services					
College Programs	Strategic Initiatives and		Total Program Services	Management and General	Fundraising	Total Support Services	Eliminations	Total	
	Research	Other							
\$ 72,800	\$ 155,163	\$ 85,421	\$ 901,248	\$ 266,055	\$ 145,591	\$ 411,645	\$ -	\$ 1,312,893	
6,134	12,646	5,157	72,898	23,235	12,188	35,422	-	108,320	
1,699	3,552	1,051	18,748	156,919	2,810	159,729	-	178,477	
-	-	-	56,993	14,477	10	14,487	-	71,480	
450	20,837	-	694,591	189,809	101,196	291,005	(87,634)	897,962	
22	1,077	31,102	392,808	-	151	151	-	392,959	
2,300	31	-	580,149	5,490	207	5,698	-	585,847	
276	-	-	62,209	10,140	506	10,646	-	72,855	
2,486	266,871	1,347	432,988	-	-	-	-	432,988	
-	-	-	-	-	-	-	-	-	
2,022	14,155	12,172	221,641	21,218	33,124	54,342	-	275,983	
-	-	-	16,786	150,988	-	150,988	-	167,774	
45	424	558	32,691	35,285	990	36,275	-	68,966	
532	1,302	215	26,101	2,409	6,193	8,602	-	34,703	
-	-	-	-	6,269	-	6,269	-	6,269	
32	1,418	5	201,164	15,003	251	15,254	-	216,418	
-	1,700	-	2,825	15,009	75	15,084	-	17,909	
-	-	-	174	-	-	-	-	174	
-	-	-	4,000	1,500	-	1,500	-	5,500	
2,500	-	270	10,223	3,182	3,609	6,791	-	17,014	
1,200	-	-	92,385	231	25,152	25,383	-	117,769	
881,239	-	-	1,762,479	-	-	-	-	1,762,479	
950	3,077	8,445	47,500	9,776	257	10,033	-	57,533	
-	-	-	-	5,303	39	5,341	-	5,341	
-	-	-	-	601	-	601	-	601	
-	-	-	75,000	-	-	-	-	75,000	
42,560	91,542	30,425	428,385	(525,330)	96,945	(428,385)	-	-	
<u>\$ 1,017,247</u>	<u>\$ 573,797</u>	<u>\$ 176,169</u>	<u>\$ 6,133,986</u>	<u>\$ 407,570</u>	<u>\$ 429,294</u>	<u>\$ 836,863</u>	<u>\$ (87,634)</u>	<u>\$ 6,883,215</u>	

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/Pass through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
U.S. National Science Foundation				
Research and Development Cluster				
Engineering Grants	47.041		\$ -	\$ 68,688
Computer and Information Science and Engineering	47.070		-	4,978
Biological Sciences	47.074		-	319,036
Education and Human Services	47.076		-	674
Total Research and Development Cluster			<u>-</u>	<u>393,376</u>
 Total U.S. National Science Foundation			-	393,376
Department of Energy				
Passed Through the Bonneville Power Administration Cooperative Agreement	81.U01	75742	<u>-</u>	<u>51,719</u>
 Total Department of Energy			-	51,719
Department of Education				
Indian Education - Special Programs for Indian Children	84.299		<u>-</u>	<u>207,286</u>
 Total Department of Education			-	207,286
U.S. Department of Health and Human Services				
Demonstration Projects for Indian Health	93.933		<u>-</u>	<u>102,656</u>
 Total U.S. Department of Health and Human Services			-	102,656
U.S. Department of Commerce				
Minority Business Development	11.U01		<u>-</u>	<u>13,827</u>
 Total U.S. Department of Commerce			<u>-</u>	<u>13,827</u>
 Total Expenditures of Federal Awards			<u>\$ -</u>	<u>\$ 768,864</u>

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2018**

NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of AISES and is presented on the accrual basis of accounting, which is the same basis used to prepare the consolidated financial statements. The information in this schedule is presented in accordance with the requirements of Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance).

NOTE 2 10% DE MINIMUS INDIRECT COST RATE

AISES did not elect to use the 10% indirect cost rate

NOTE 3 LOANS

AISES did not expend federal awards related to loans or loan guarantees during the year. In addition, the organization did not have a loan balance outstanding.

NOTE 4 FEDERAL FUNDED INSURANCE

The organization has no federally funded insurance.



**REPORT OF INDEPENDENT AUDITORS 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 financial statements of American Indian Science and Engineering Society, which comprise the consolidated statement of financial position as of December 31, 2018, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated July 12, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered American Indian Science and Engineering Society'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's internal control. Accordingly, we do not express an opinion on the effectiveness of American Indian Science and Engineering Society'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 have not been 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-005 and 2018-006 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether American Indian Science and Engineering Society’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 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*.

American Indian Science and Engineering Society’s Response to Findings

American Indian Science and Engineering Society’s response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Indian Science and Engineering Society’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 results 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.



CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 12, 2019



REPORT OF INDEPENDENT AUDITORS ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited American Indian Science and Engineering Society'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 American Indian Science and Engineering Society's major federal programs for the year ended December 31, 2018. American Indian Science and Engineering Society's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of American Indian Science and Engineering Society'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 American Indian Science and Engineering Society'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 American Indian Science and Engineering Society's compliance.

Opinion on Each Major Federal Program

In our opinion, American Indian Science and Engineering Society 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 December 31, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-004. Our opinion on each major federal program is not modified with respect to these matters.

American Indian Science and Engineering Society's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Indian Science and Engineering Society's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of American Indian Science and Engineering Society 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 American Indian Science and Engineering Society'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 American Indian Science and Engineering Society'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 a 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-004 that we consider to be significant deficiencies.

American Indian Science and Engineering Society's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. American Indian Science and Engineering Society's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Directors
American Indian Science and Engineering Society

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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Albuquerque, New Mexico
July 12, 2019

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditors’ report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
3. Noncompliance material to financial statements noted? _____ yes x no

Federal Awards

1. Internal control over major federal programs:
- Material weakness(es) identified? _____ yes x no
 - Significant deficiency(ies) identified that are not considered to be material weakness(es)? x yes _____ none reported
2. Type of auditors’ report issued on compliance for major federal programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) x yes _____ no

Identification of Major Federal Programs

CFDA Number(s)

47.041, 47.070, 47.074, 47.076

Name of Federal Program or Cluster

Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee pursuant to Uniform Guidance

_____ yes x no

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings

2018–005 – Control Deficiency – Major Program Determination

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: The schedule of expenditures of Federal awards for the year ended December 31, 2017 did not properly identify the Research & Development (R&D) cluster. As such, not all awards for NSF were considered one program and tested accordingly.

Criteria or specific requirement: According to §200.508 Auditee responsibilities, the auditee must prepare appropriate financial statements, including the schedule of expenditures of Federal awards in accordance with §200.510 Financial statements. According to §200.510 Financial statements, the schedule must provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name. For R&D, total Federal awards expended must be shown either by individual Federal award or by Federal agency and major subdivision within the Federal agency. According to Appendix VII of the 2017 Compliance Supplement, effective for proposals due on or after January 14, 2013, all awards issued by the National Science Foundation (NSF) meet the definition of “Research and Development” at 2 CFR section 200.87. As such, auditees must identify NSF awards as part of the R&D cluster on the Schedule of Expenditures of Federal Awards (SEFA) and the auditor must use the Research and Development cluster in Part 5 when testing any of those awards.

Context: For the year ended December 31, 2017, the schedule of expenditures of Federal awards did not identify a R&D cluster and excluded two of the three programs considered part of the R&D cluster. The two excluded programs are CFDA numbers 47.041 Engineering Grants and 47.076 Education and Human Services with Federal expenditures of \$58,546 and \$20,239, respectively.

Effect: Noncompliance with Federal requirement.

Cause: Management oversight.

Recommendation: We recommend management implement a process to ensure the schedule of expenditures of Federal awards properly identifies clusters of programs.

Views of responsible officials and planned corrective actions: In 2017, management was not aware of the requirement to cluster federal grants by programs on the schedule of expenditures. Additionally, the audit firm retained for the 2017 audit did not alert management to the requirement. Management will implement a process to ensure the schedule of expenditures properly identifies clusters of programs.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section II – Financial Statement Findings (Continued)

2018 – 006 Net Assets with Donor Restriction

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Condition: Misclassification of net assets.

Criteria or specific requirement: According to ASU No. 2016-14, the auditee is responsible for presenting net assets with and without donor restriction and provide enhanced disclosures about composition of net assets with donor restrictions.

Context: During testwork over net asset rollforwards:

- Beginning balance per the rollforward was overstated by \$37,000 compared to prior year audited financial statements.
- Restricted contributions and subsequent releases per the rollforward did not agree to supporting documentation. The ending balance was reduced by \$65,000.
- Restricted contributions of \$100,000 had not been identified as restricted or included on the net asset rollforward.

Effect: Understatement of net assets with donor restriction.

Cause: Management oversight.

Recommendation: We recommend management reconcile net asset rollforwards to audited financial statements, agree restricted contributions and subsequent releases to underlying records, and evaluate contributions (under new revenue recognition standards) for inclusion in net assets with donor restrictions.

Views of responsible officials and planned corrective actions: As to the issue identified with beginning balance per the rollforward being overstated by \$37,000 compared to prior year - The tracking sheet used internally to manage scholarships was not updated to reflect additional funds received for one of the scholarships prior to the audit. As to the issue identified with restricted contributions and subsequent releases per the rollforward not agreeing to supporting documentation – As noted previously, the tracking sheet used internally to manage scholarships was not updated to reflect additional funds received for one of the scholarships prior to the audit and the tracking sheet did not match the GL detail (variances occurred in November and December of 2018). As to the issue of not identifying one contribution as restricted – AISES identified this particular contribution as conditional but did not additionally categorize it as restricted. Management will reconcile net asset rollforwards to audited financial statements, agree restricted contributions and subsequent releases to underlying records, and evaluate contributions (under new revenue recognition standards) for inclusion in net assets with donor restrictions.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs

2018–001 – Control Deficiency – Procurement

Federal agency: National Science Foundation

Federal program: Research and Development (R&D) Cluster

CFDA Number: 47.041, 47.070, 47.074, and 47.076

Award Period: August 15, 2014 – September 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance; Compliance

Criteria or specific requirement: According to §200.318 General procurement standards of 2 CFR Part 200, the non-Federal entity must use its own documented procurement procedures which reflect applicable State, local, and tribal laws and regulations, provided that the procurements conform to applicable Federal law and the standards identified in this part.

Condition: No written procedures for procurement transactions exist.

Questioned costs: None

Context: Nonexistence of written procedure for procurement transactions as well as management's statement.

Cause: Management oversight

Effect: Noncompliance with Federal requirement

Recommendation: We recommend management adopt formal written procedures for procurement transactions.

Views of responsible officials and planned corrective actions: AISES has procedures for procurement but does not have a written policy. Management will draft written policy reflecting procedures for procurement.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will draft written policy reflecting procedures for procurement.

Responsible party: Chief Executive Officer and Chief Operations Officer

Planned completion date for corrective action plan: August 31, 2019

Plan to monitor completion of corrective action plan: The finance committee will monitor the completion of the corrective action plan.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2018–002 – Control Deficiency – Cash Management and Allowable Costs/Cost Principles

Federal agency: National Science Foundation

Federal program: Research and Development (R&D) Cluster

CFDA Number: 47.041, 47.070, 47.074, and 47.076

Award Period: August 15, 2014 – September 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance; Compliance

Criteria or specific requirement: According to §200.302 Financial management of 2 CFR Part 200, the financial management system of each non-Federal entity must provide for written procedures to implement the requirements of §200.305 Payment. Also, according to §200.303 Internal controls of 2 CFR Part 200, the non-Federal must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. According to the AISES Manual of Accounting Policies and Procedures Adopted 2001 Revised 2018, the AISES CEO, or a designee authorized by the agency, will approve the drawdown request prior to submission to the agency.

Condition: No approval of the drawdown request prior to submission to the agency. Also, exclusion of telephone costs from the direct base to calculate indirect costs.

Questioned costs: None

Context: During our cash management testing, we noted 7 out of 7 drawdown requests did not have an approval prior to submission to the agency. During our indirect costs testing, we noted 6 out of 6 drawdown requests did not have an approval prior to submission to the agency. Also, during our indirect costs testing, we noted 2 out of 6 drawdown requests excluded allowable telephone costs from the direct costs subject to the indirect cost rate.

Cause: Management oversight

Effect: Noncompliance with Federal requirement

Recommendation: We recommend management follow its written procedures for payment and approve drawdown requests prior to submission to the agency.

Views of responsible officials and planned corrective actions: AISES does have a process for administering and monitoring federal grant drawdowns; however, the process utilized does not follow every aspect of the written policy. Management will revise and comply with the written policy.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will revise and comply with the written policy.

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2018–002 – Control Deficiency – Cash Management and Allowable Costs/Cost Principles (Continued)

Responsible party: Chief Executive Officer and Chief Operations Officer

Planned completion date for corrective action plan: August 31, 2019

Plan to monitor completion of corrective action plan: The finance committee will monitor the completion of the corrective action plan.

2018–003 – Control Deficiency – Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Federal agency: National Science Foundation

Federal program: Research and Development (R&D) Cluster

CFDA Number: 47.041, 47.070, 47.074, and 47.076

Award Period: August 15, 2014 – September 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance; Compliance

Criteria or specific requirement: According to §200.430 Compensation-personal services of 2 CFR Part 200, budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:

(A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;

(B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and

(C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.

Condition: No written policies or procedures related to the budget estimates used to allocate charges to the grants nor the after-the-fact review processes.

Questioned costs: Unknown

Context: Nonexistence of written policies or procedures for compensation transactions related to the use of budget estimates and the after-the-fact review processes as well as management's statement.

Cause: Management oversight

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

2018–003 – Control Deficiency – Activities Allowed or Unallowed and Allowable Costs/Cost Principles (Continued)

Effect: Noncompliance with Federal requirement

Recommendation: We recommend management adopt formal written policies and procedures for compensation transactions related to the budget estimates used to allocate charges to the grants and the after-the-fact review processes.

Views of responsible officials and planned corrective actions: AISES does have procedures for ensuring that staff time charged to grants is tracked, allocated, and reviewed; however, there is no written policy for after-the-fact review. Management will draft and implement a policy for after-the-fact review.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will draft and implement a policy for after-the-fact review.

Responsible party: Chief Executive Officer and Chief Operations Officer

Planned completion date for corrective action plan: August 31, 2019

Plan to monitor completion of corrective action plan: The finance committee will monitor the completion of the corrective action plan.

2018–004 – Control Deficiency – Cash Management and Allowable Costs/Cost Principles

Federal agency: National Science Foundation

Federal program: Research and Development (R&D) Cluster

CFDA Number: 47.041 and 47.074

Award Period: August 15, 2014 – September 30, 2019

Type of Finding: Significant Deficiency in Internal Control over Compliance; Compliance

Criteria or specific requirement: According to §200.303 Internal controls of 2 CFR Part 200, the non-Federal must establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Condition: No supporting documentation of request total at the time of the draw. Also, no supporting documentation of total direct base at the time of the draw.

Questioned costs: None

**AMERICAN INDIAN SCIENCE AND ENGINEERING SOCIETY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2018**

Section III – Findings and Questioned Costs – Major Federal Programs (Continued)

**2018–004 – Control Deficiency – Cash Management and Allowable Costs/Cost Principles
(Continued)**

Context: During our cash management testing, 1 of 7 drawdown requests did not have supporting documentation showing the costs at the time of request were paid prior to the date of the reimbursement request. During our indirect costs testing, 2 out of 6 drawdown requests did not have supporting documentation at a level of detail at the time of request to be able to easily trace the direct costs subject and not subject to the indirect cost rate.

Cause: Management oversight

Effect: Noncompliance with Federal requirement

Recommendation: We recommend management implement a process to ensure documentation from the financial system supports the requested amount at the time of the draw.

Views of responsible officials and planned corrective actions: AISES has a process to ensure that costs are paid prior to the date of the reimbursement request; however, management needs to develop a process to ensure clear documentation of the process.

Explanation of disagreement with audit finding: There is no disagreement with the audit finding.

Actions planned in response to finding: Management will develop a process to ensure clear documentation showing that costs at the time of a drawdown request were paid prior to the reimbursement request.

Responsible party: Chief Executive Officer and Chief Operations Officer

Planned completion date for corrective action plan: August 31, 2019

Plan to monitor completion of corrective action plan: The finance committee will monitor the completion of the corrective action plan.

