



**AMERICAN INDIAN  
HIGHER EDUCATION CONSORTIUM**

**AUDIT REPORT**

**FINANCIAL AND FEDERAL AWARD  
COMPLIANCE EXAMINATION**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

# AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

## CONTENTS

	<b>PAGE NO.</b>
I. Financial Section	
Consolidated Financial Statements, for the Year Ended September 30, 2015, with Summarized Financial Information for 2014, Including the American Indian Higher Education Consortium's Schedule of Expenditures of Federal Awards and Schedule of Findings and Questioned Costs	I-(1 - 22)
II. 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	II-(1 - 2)
III. Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133	III-(1 - 2)

**CONSOLIDATED FINANCIAL STATEMENTS**



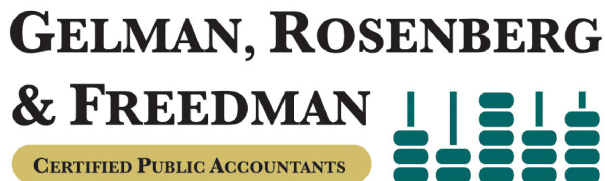
**AMERICAN INDIAN HIGHER EDUCATION  
CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015  
WITH SUMMARIZED FINANCIAL  
INFORMATION FOR 2014**

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONTENTS**

	<b>PAGE NO.</b>
INDEPENDENT AUDITOR'S REPORT	I-(3 - 4)
EXHIBIT A - Consolidated Statement of Financial Position, as of September 30, 2015, with Summarized Financial Information for 2014	I-5
EXHIBIT B - Consolidated Statement of Activities and Change in Net Assets, for the Year Ended September 30, 2015, with Summarized Financial Information for 2014	I-6
EXHIBIT C - Consolidated Statement of Functional Expenses, for the Year Ended September 30, 2015, with Summarized Financial Information for 2014	I-(7 - 8)
EXHIBIT D - Consolidated Statement of Cash Flows, for the Year Ended September 30, 2015, with Summarized Financial Information for 2014	I-9
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS	I-(10 - 15)
SUPPLEMENTAL INFORMATION	
SCHEDULE 1 - Consolidating Schedule of Financial Position, as of September 30, 2015	I-16
SCHEDULE 2 - Consolidating Schedule of Activities, for the Year Ended September 30, 2015	I-17
SCHEDULE 3 - Consolidating Schedule of Change in Net Assets, for the Year Ended September 30, 2015	I-18
SCHEDULE 4 - Schedule of Expenditures of Federal Awards, for the Year Ended September 30, 2015	I-(19 - 20)
SCHEDULE 5 - Schedule of Findings and Questioned Costs, for the Year Ended September 30, 2015	I-(21 - 22)



## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
American Indian Higher Education Consortium  
Alexandria, Virginia

To the Board of Trustees  
American Indian Higher Education Consortium Real Estate Investment Trust  
Alexandria, Virginia

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the American Indian Higher Education Consortium (AIHEC) and the American Indian Higher Education Consortium Real Estate Investment Trust (the Trust), collectively, "the Entities", which comprise the consolidated statement of financial position as of September 30, 2015, and the related consolidated statements of activities and change in net assets, 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.

### Auditor's 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 auditor's 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.

(301) 951-9090 • FAX (301) 951-3570 • WWW.GRF CPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Entities as of September 30, 2015, and the consolidated change in their net assets and their consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Report on Summarized Comparative Information

We have previously audited the Entities' consolidated 2014 financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated February 25, 2015. In our opinion, the consolidated summarized comparative information presented herein as of and for the year ended September 30, 2014, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

## Other Matter

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The Consolidating Schedule of Financial Position, Consolidating Schedule of Activities and Consolidating Schedule of Change in Net Assets on pages I-(16 - 18), and the Schedule of Expenditures of Federal Awards on pages I-(19 - 20), as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2016 on our consideration of AIHEC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering AIHEC's internal control over financial reporting and compliance.



June 30, 2016

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

<b>ASSETS</b>		<u>2015</u>	<u>2014</u>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	\$	2,401,604	\$ 2,611,307
Accounts receivable		9,220	17,178
Grants receivable		462,692	481,632
Prepaid expenses		<u>36,937</u>	<u>35,946</u>
Total current assets		<u>2,910,453</u>	<u>3,146,063</u>
<b>BUILDING, LAND AND EQUIPMENT</b>			
Land		335,204	335,204
Buildings		541,296	541,296
Equipment		<u>71,454</u>	<u>71,454</u>
		947,954	947,954
Less: Accumulated depreciation		<u>(420,765)</u>	<u>(398,347)</u>
Net building, land and equipment		<u>527,189</u>	<u>549,607</u>
<b>OTHER ASSETS</b>			
		<u>-</u>	<u>4,015</u>
<b>TOTAL ASSETS</b>		<b><u>\$ 3,437,642</u></b>	<b><u>\$ 3,699,685</u></b>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$	290,260	\$ 329,873
Accrued salaries and related benefits		186,900	153,170
Deferred revenue:			
Member dues		558,933	541,668
Contract		136,011	30,838
Subscription and advertising		31,891	38,044
Refundable advance		<u>32,359</u>	<u>460,338</u>
Total current liabilities		<u>1,236,354</u>	<u>1,553,931</u>
<b>NET ASSETS</b>			
Unrestricted:			
Undesignated		1,380,453	1,266,540
Board designated		372,456	356,035
Non-controlling interest		<u>132,686</u>	<u>131,887</u>
Total unrestricted		1,885,595	1,754,462
Temporarily restricted		60,693	136,292
Permanently restricted		<u>255,000</u>	<u>255,000</u>
Total net assets		<u>2,201,288</u>	<u>2,145,754</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>		<b><u>\$ 3,437,642</u></b>	<b><u>\$ 3,699,685</u></b>

See accompanying notes to consolidated financial statements.

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>			<u>2014</u>	
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>	<u>Total</u>
<b>REVENUE</b>					
Federal grant	\$ 2,485,377	\$ -	\$ -	\$ 2,485,377	\$ 2,409,579
Member dues	814,336	-	-	814,336	803,419
Contributions	477,877	-	-	477,877	534,087
Tribal Journal income	371,355	-	-	371,355	373,369
Registration and sponsorship	7,701	18,500	-	26,201	21,238
Interest income	770	-	-	770	567
Other income	2,133	-	-	2,133	-
Net assets released from donor restrictions	<u>94,099</u>	<u>(94,099)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenue	<u>4,253,648</u>	<u>(75,599)</u>	<u>-</u>	<u>4,178,049</u>	<u>4,142,259</u>
<b>EXPENSES</b>					
Program Services:					
BIA Technical Assistance	590,870	-	-	590,870	541,661
NASA Programs	209,037	-	-	209,037	163,816
Other Federal Programs	727,868	-	-	727,868	253,930
National Science Foundation Programs	412,628	-	-	412,628	521,646
Indian Health Service Program	590,299	-	-	590,299	928,344
Private and Other Contracts	<u>957,529</u>	<u>-</u>	<u>-</u>	<u>957,529</u>	<u>1,311,975</u>
Total program services	3,488,231	-	-	3,488,231	3,721,372
Administrative and General	<u>634,284</u>	<u>-</u>	<u>-</u>	<u>634,284</u>	<u>719,280</u>
Total expenses	<u>4,122,515</u>	<u>-</u>	<u>-</u>	<u>4,122,515</u>	<u>4,440,652</u>
Change in net assets	131,133	(75,599)	-	55,534	(298,393)
Net assets at beginning of year	<u>1,754,462</u>	<u>136,292</u>	<u>255,000</u>	<u>2,145,754</u>	<u>2,444,147</u>
<b>NET ASSETS AT END OF YEAR</b>	<b><u>\$ 1,885,595</u></b>	<b><u>\$ 60,693</u></b>	<b><u>\$ 255,000</u></b>	<b><u>\$ 2,201,288</u></b>	<b><u>\$ 2,145,754</u></b>



**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<b>2015</b>			
	<b>Program Services</b>			
	<b>BIA Technical Assistance</b>	<b>NASA Programs</b>	<b>Other Federal Programs</b>	<b>National Science Foundation Programs</b>
Salaries and fringe benefits	\$ 309,173	\$ 125,807	\$ 134,174	\$ 134,309
Consultants and sub-contractors	39,126	33,565	39,763	99,105
Advertising and promotion	-	-	-	-
Contracts	-	-	426,457	90,600
Occupancy	-	-	-	-
Professional services and insurance	28,674	4,417	4,899	4,534
Depreciation	-	-	-	-
Telecommunications	3,684	1,012	1,050	142
Travel	38,154	16,332	5,712	1,038
Administrative expenses	26,982	3,596	6,130	4,434
Equipment and software	2,192	-	-	-
Meetings	33,946	974	280	2,982
Participants costs	53,782	817	21,060	29,516
Taxes	-	-	-	-
Other expenses	-	-	23,240	2,634
	<u>535,713</u>	<u>186,520</u>	<u>662,765</u>	<u>369,294</u>
Sub-total				
Indirect expense allocation	<u>55,157</u>	<u>22,517</u>	<u>65,103</u>	<u>43,334</u>
<b>TOTAL</b>	<b><u>\$ 590,870</u></b>	<b><u>\$ 209,037</u></b>	<b><u>\$ 727,868</u></b>	<b><u>\$ 412,628</u></b>

<b>2014</b>					
<b>Indian Health Service Program</b>	<b>Private and Other Contracts</b>	<b>Total Program Services</b>	<b>Administrative and General</b>	<b>Total Expenses</b>	<b>Total Expenses</b>
\$ 108,914	\$ 381,190	\$ 1,193,567	\$ 582,398	\$ 1,775,965	\$ 1,628,198
37,381	59,841	308,781	103,603	412,384	547,691
-	62,311	62,311	-	62,311	63,212
368,567	234,449	1,120,073	-	1,120,073	1,051,864
-	12,376	12,376	2,056	14,432	15,538
3,763	20,136	66,423	57,528	123,951	133,086
-	-	-	22,418	22,418	24,722
116	4,055	10,059	13,288	23,347	26,294
1,615	20,823	83,674	21,106	104,780	97,765
1,932	71,423	114,497	53,338	167,835	233,149
-	6,845	9,037	12,800	21,837	11,407
-	19,985	58,167	2,800	60,967	40,091
40,846	6,425	152,446	(15)	152,431	323,696
-	-	-	5,887	5,887	20,296
811	6,950	33,635	20,262	53,897	223,643
563,945	906,809	3,225,046	897,469	4,122,515	4,440,652
26,354	50,720	263,185	(263,185)	-	-
<b>\$ 590,299</b>	<b>\$ 957,529</b>	<b>\$ 3,488,231</b>	<b>\$ 634,284</b>	<b>\$ 4,122,515</b>	<b>\$ 4,440,652</b>

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015  
WITH SUMMARIZED FINANCIAL INFORMATION FOR 2014**

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ 55,534	\$ (298,393)
Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:		
Depreciation	22,418	24,722
(Increase) decrease in:		
Accounts receivable	7,958	69,524
Grants receivable	18,940	(170,618)
Prepaid expenses	(991)	(710)
Other assets	4,015	(4,015)
Increase (decrease) in:		
Accounts payable	(39,613)	(15,181)
Accrued salaries and related benefits	33,730	36,914
Deferred revenue	116,285	447,633
Refundable advance	<u>(427,979)</u>	<u>460,338</u>
Net cash (used) provided by operating activities	<u>(209,703)</u>	<u>550,214</u>
Net (decrease) increase in cash and cash equivalents	(209,703)	550,214
Cash and cash equivalents at beginning of year	<u>2,611,307</u>	<u>2,061,093</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b><u>\$ 2,401,604</u></b>	<b><u>\$ 2,611,307</u></b>

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION**

Organization -

The American Indian Higher Education Consortium (AIHEC) was established in 1972 to maintain commonly held standards of quality in American Indian education; to support the development of new tribally controlled colleges; to promote and assist in the development of legislation to support American Indian higher education; and to encourage greater participation by American Indians in the development of higher education policy.

The American Indian Higher Education Consortium Real Estate Investment Trust (the Trust) is a business trust established under the Virginia Business Trust Act. It was formed for the purpose of purchasing and investing in real property. The Trust owns the building occupied by AIHEC.

Basis of presentation -

The accompanying consolidated financial statements are presented on the accrual basis of accounting, and in accordance with FASB ASC 958-810, *Not-for-Profit Entities, Consolidation*.

The consolidated financial statements reflect the activity of AIHEC and the Trust, collectively, "the Entities". All significant intercompany balances and transactions have been eliminated in consolidation.

The consolidated financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Entities' consolidated financial statements for the year ended September 30, 2014, from which the summarized information was derived.

Cash and cash equivalents -

The Entities consider all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

Bank deposit accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to a limit of \$250,000. At times during the year, the Entities maintain cash balances in excess of the FDIC insurance limits. Management believes the risk in these situations to be minimal.

Building, land and equipment -

Building, land and equipment are stated at cost. Building, land and equipment are depreciated over the estimated useful lives of the related assets, generally five to thirty-five years, using the straight-line method for financial reporting purposes. Certain expenditures for maintenance and repairs are charged to expense as incurred.

Grants and accounts receivable -

Grants and accounts receivable approximate fair value. Management considers all amounts to be fully collectible within one year. Accordingly, an allowance for doubtful accounts has not been established. Grants and accounts receivable are expected to be collected within one year.

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Deferred revenue -

Deferred revenue consists of member dues, contract revenue, subscriptions and advertising. The Entities recognize member dues on a pro-rata basis over the annual membership period. The Entities recognize contract and other revenues when earned.

Income taxes -

AIHEC is exempt from Federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the accompanying consolidated financial statements. AIHEC is not a private foundation. AIHEC does have advertising income subject to unrelated business income tax. AIHEC does not have material net income from this activity.

The Trust is not formed as a "Real Estate Investment Trust" as that term is defined in the Internal Revenue Code. For tax purposes, the Trust files a partnership return, whereby the income or losses from the trust flow through to the Trust's equity shareholders in accordance with their ownership percentage. Consequently, there is no provision for income taxes for the Trust.

Uncertain tax positions -

For the year ended September 30, 2015, the Entities have documented their consideration of FASB ASC 740-10, *Income Taxes*, that provides guidance for reporting uncertainty in income taxes and have determined that no material uncertain tax positions qualify for either recognition or disclosure in the consolidated financial statements.

Net asset classification -

The net assets are reported in three self-balancing groups as follows:

- **Unrestricted net assets** include unrestricted revenue and contributions received without donor-imposed restrictions. These net assets are available for the operation of the Entities and include both internally designated and undesignated resources.
- **Temporarily restricted net assets** include revenue and contributions subject to donor-imposed stipulations that will be met by the actions of AIHEC and/or the passage of time. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions.
- **Permanently restricted net assets** represent funds restricted by the donor to be maintained in-perpetuity by AIHEC.

Grants and contributions -

Unrestricted and temporarily restricted grants and contributions are recorded as revenue in the year notification is received from the donor.

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND GENERAL INFORMATION  
(Continued)**

Grants and contributions (continued) -

Temporarily restricted grants and contributions are recognized as unrestricted support only to the extent of actual expenses incurred in compliance with the donor-imposed restrictions and satisfaction of time restrictions. Such grants and contributions received in excess of expenses incurred are shown as temporarily restricted net assets in the accompanying consolidated financial statements.

AIHEC receives funding under grants and contracts from the U.S. Government and other grantors for direct and indirect program costs. This funding is subject to contractual restrictions, which must be met through incurring qualifying expenses for particular programs. Accordingly, such grants are considered exchange transactions and are recorded as unrestricted income to the extent that related expenses are incurred in compliance with the criteria stipulated in the grant agreements.

Grants and grants receivable represents amounts due from funding organizations for reimbursable expenses incurred in accordance with the grant agreements. Grant funding received in advance of incurring the related expenses is recorded as a refundable advance.

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 at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Functional allocation of expenses -

The costs of providing the various programs and other activities have been summarized on a functional basis in the Consolidated Statement of Activities and Change in Net Assets. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**2. BOARD DESIGNATED UNRESTRICTED NET ASSETS**

On October 20, 2008, the Finance and Audit Committee members came to a consensus that AIHEC should establish a Reserve Fund with the goal of building a reserve equal to 15-20 percent of AIHEC's annual general revenue.

In 2013, the Board of Directors amended the policy to ensure a minimum of 25% of any unrestricted funds are available each year. In 2015, 30% of unrestricted funds were added to the Reserve Fund.

It was determined that the reserve should be built with surplus funds. The Reserve Fund is intended to provide a safety net in times of economic downturn.

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**3. TEMPORARILY RESTRICTED NET ASSETS**

Temporarily restricted net assets consisted of the following at September 30, 2015:

American Indian Higher Education Consortium Student Congress	\$ 37,124
BNSF Railway Foundation National Building Initiative	303
San Manuel Band of Mission Indians	<u>23,266</u>
	<u><b>\$ 60,693</b></u>

**4. NET ASSETS RELEASED FROM RESTRICTIONS**

The following temporarily restricted net assets were released from donor restrictions by incurring expenses, which satisfied the restricted purposes specified by the donors:

American Indian Higher Education Consortium Student Congress	\$ 18,086
BNSF Railway Foundation National Building Initiative	53,513
San Manuel Band of Mission Indians	<u>22,500</u>
	<u><b>\$ 94,099</b></u>

**5. LEASE COMMITMENT**

The Entities entered into a month-to-month lease agreement for office space in Colorado. Payments of \$700 per month are required. Under the terms of the lease agreement, the Entities are also responsible for all utilities used in or on the premises.

Rent expense, including utilities and janitorial expenses, for the year ended September 30, 2015 totaled \$14,432.

**6. CONTINGENCY**

AIHEC receives grants from various agencies of the United States Government. Such grants are subject to audit under the provisions of OMB Circular A-133. The ultimate determination of amounts received under the United States Government grants is based upon the allowance of costs reported to and accepted by the United States Government as a result of the audits. Audits in accordance with the provisions of OMB Circular A-133 have been completed for all required fiscal years through 2015. Until such audits have been accepted by the United States Government, there exists a contingency to refund any amount received in excess of allowable costs. Management is of the opinion that no material liability will result from such audits.

**7. RETIREMENT PLAN**

The Entities sponsor a defined contribution retirement plan under IRS Code Section 403(b), which covers substantially all full-time salaried employees. Under a salary reduction agreement, eligible employees may contribute a portion of their compensation to the plan, on a tax-deferred basis. The Entities match employee contributions up to 6% of annual compensation. The Entities' contributions to the plan for the year ended September 30, 2015 totaled \$63,279.

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**8. PERMANENTLY RESTRICTED NET ASSETS**

AIHEC's endowment consists of donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, AIHEC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, AIHEC considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds.

- The duration and preservation of the fund;
- The purpose of the organization and the donor-restricted endowment fund;
- General economic conditions and the possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments; and
- Investment policies of the organization.

Endowment net asset composition by type of fund as of September 30, 2015:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>American Indian Higher Education Consortium Student Congress</b>	\$ -	\$ -	\$ 255,000	\$ 255,000

**9. CHANGE IN NET ASSETS**

As of September 30, 2015, AIHEC has 78.11% interest in the Trust. The change in net assets for the year ended September 30, 2015 was attributable to:

	<b>Unrestricted</b>	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
American Indian Higher Education Consortium (AIHEC)	\$ 130,334	\$ (75,599)	\$ -	\$ 54,735
Non-controlling interest	799	-	-	799
<b>CHANGE IN NET ASSETS</b>	<b>\$ 131,133</b>	<b>\$ (75,599)</b>	<b>\$ -</b>	<b>\$ 55,534</b>



**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015**

**10. ADVERTISING**

Included in Tribal College Journal program expenses in the Consolidated Statement of Activities and Change in Net Assets are direct advertising costs for the Tribal College Journal in the amount of \$62,311 for the year ended September 30, 2015.

**11. SUBSEQUENT EVENTS**

In preparing these financial statements, AIHEC has evaluated events and transactions for potential recognition or disclosure through June 30, 2016, the date the financial statements were issued.

## **SUPPLEMENTAL INFORMATION**

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATING SCHEDULE OF FINANCIAL POSITION  
AS OF SEPTEMBER 30, 2015**

	ASSETS				
	AIHEC	The Trust	Non- Controlling Interest	Eliminations	Total
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	\$ 2,401,604	\$ -	\$ -	\$ -	\$ 2,401,604
Accounts receivable	9,220	-	-	-	9,220
Grants receivable	462,692	-	-	-	462,692
Due from AIHEC	-	78,976	-	(78,976)	-
Prepaid expenses	36,937	-	-	-	36,937
Total current assets	2,910,453	78,976	-	(78,976)	2,910,453
<b>BUILDING, LAND AND EQUIPMENT</b>					
Land	-	335,204	-	-	335,204
Buildings	-	541,296	-	-	541,296
Equipment	-	71,454	-	-	71,454
Less : Accumulated depreciation	-	(947,954)	-	-	(947,954)
Net building, land and equipment	-	527,189	-	-	527,189
<b>OTHER ASSETS</b>					
Investment in affiliate	473,479	-	-	(473,479)	-
<b>TOTAL ASSETS</b>	<b>\$ 3,383,932</b>	<b>\$ 606,165</b>	<b>\$ -</b>	<b>(552,455)</b>	<b>\$ 3,437,642</b>
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES</b>					
Accounts payable	\$ 290,260	\$ -	\$ -	\$ -	\$ 290,260
Accrued salaries and related benefits	186,900	-	-	-	186,900
Due to the Trust	78,976	-	-	(78,976)	-
Deferred revenue:					
Member dues	558,933	-	-	-	558,933
Contract	136,011	-	-	-	136,011
Subscription and advertising	31,891	-	-	-	31,891
Refundable advance	32,359	-	-	-	32,359
Total current liabilities	1,315,330	-	-	(78,976)	1,236,354
<b>NET ASSETS</b>					
Unrestricted:					
Undesignated	1,380,453	606,165	(132,686)	(473,479)	1,380,453
Board designated	372,456	-	-	-	372,456
Non-controlling interest	-	-	132,686	-	132,686
Total unrestricted	1,752,909	606,165	-	(473,479)	1,885,595
Temporarily restricted	60,693	-	-	-	60,693
Permanently restricted	255,000	-	-	-	255,000
Total net assets	2,068,602	606,165	-	(473,479)	2,201,288
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 3,383,932</b>	<b>\$ 606,165</b>	<b>\$ -</b>	<b>(552,455)</b>	<b>\$ 3,437,642</b>

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATING SCHEDULE OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	AIHEC	The Trust	Non- Controlling Interest	Eliminations	Total
<b>UNRESTRICTED REVENUE</b>					
Federal grant	\$ 2,485,377	\$ -	\$ -	\$ -	\$ 2,485,377
Member dues	814,336	-	-	-	814,336
Contributions	477,877	-	-	-	477,877
Tribal Journal income	371,355	-	-	-	371,355
Rental income	-	60,000	-	(60,000)	-
Registration and sponsorship	7,701	-	-	-	7,701
Interest income	770	-	-	-	770
Other income	2,133	-	-	-	2,133
Net assets released from donor restrictions	94,099	-	-	-	94,099
Total unrestricted revenue	4,253,648	60,000	-	(60,000)	4,253,648
<b>EXPENSES</b>					
Program Services:					
BIA Technical Assistance	590,870	-	-	-	590,870
NASA Programs	209,037	-	-	-	209,037
Other Federal Programs	727,868	-	-	-	727,868
National Science Foundation Programs	412,628	-	-	-	412,628
Indian Health Service Program	590,299	-	-	-	590,299
Private and Other Contracts	957,529	-	-	-	957,529
Total program services	3,488,231	-	-	-	3,488,231
Administrative and General	637,934	56,350	-	(60,000)	634,284
Total expenses	4,126,165	56,350	-	(60,000)	4,122,515
Change in unrestricted net assets before AIHEC's equity loss in the Trust and non-controlling interest	127,483	3,650	-	-	131,133
Equity loss in the Trust	2,851	-	-	(2,851)	-
Non-controlling interest	-	-	799	(799)	-
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	<b>\$ 130,334</b>	<b>\$ 3,650</b>	<b>\$ 799</b>	<b>\$ (3,650)</b>	<b>\$ 131,133</b>
<b>TEMPORARILY RESTRICTED REVENUE</b>					
Registration and sponsorship	\$ 18,500	\$ -	\$ -	\$ -	\$ 18,500
Net assets released from donor restrictions	(94,099)	-	-	-	(94,099)
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	<b>\$ (75,599)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (75,599)</b>

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM  
AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM REAL ESTATE INVESTMENT TRUST**

**CONSOLIDATING SCHEDULE OF CHANGE IN NET ASSETS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

	AIHEC	The Trust	Non- Controlling Interest	Eliminations	Total
<b>UNRESTRICTED NET ASSETS</b>					
Net assets at beginning of year	\$ 1,622,575	\$ 602,515	\$ 131,887	\$ (602,515)	\$ 1,754,462
Change in unrestricted net assets	130,334	3,650	799	(3,650)	131,133
<b>UNRESTRICTED NET ASSETS AS END OF YEAR</b>	<b>\$ 1,752,909</b>	<b>\$ 606,165</b>	<b>\$ 132,686</b>	<b>\$ (606,165)</b>	<b>\$ 1,885,595</b>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>					
Net assets at beginning of year	\$ 136,292	\$ -	\$ -	\$ -	\$ 136,292
Change in temporarily restricted net assets	(75,599)	-	-	-	(75,599)
<b>TEMPORARILY RESTRICTED NET ASSETS AT END OF YEAR</b>	<b>\$ 60,693</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 60,693</b>
<b>PERMANENTLY RESTRICTED NET ASSETS</b>					
Net assets at beginning of year	\$ 255,000	\$ -	\$ -	\$ -	\$ 255,000
Change in permanently restricted net assets	-	-	-	-	-
<b>PERMANENTLY RESTRICTED NET ASSETS AT END OF YEAR</b>	<b>\$ 255,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 255,000</b>

## AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Federal Granting Agency and Program Title	Program or Grant Identification #	CFDA Number	Expenditures
<b>U.S. Department of Interior:</b>			
Indian Education Higher Education Grant Program	A15AP00094	15.027	\$ 582,163
Bureau of Indian Education Enrichment	A15AC00022	15.028	<u>149</u>
<b>Subtotal U.S. Department of Interior</b>			<b><u>582,312</u></b>
<b>National Aeronautics and Space Administration (NASA):</b>			
One Stop Shopping Initiative (OSSI) for NASA Internship/ Fellowship Opportunities	NNX10AG69A	43.188	<u>209,037</u>
<b>U.S. Department of Education:</b>			
International Research and Studies	P107A110096	84.017	<u>16,543</u>
<b>U.S. Department of Energy:</b>			
Minority Educational Institution Assistance - American Indian Research and Education Initiative (AIREI)	DE-ED0000129	81.094	<u>319,337</u>
<b>U.S. Department of Health and Human Services:</b>			
Indian Health Service Program	U261IHS0083-02-00	93.933	590,299
Pass-Through Entity - National Indian Health Board: Health Information Technology Information	90RC0060/01-00	93.718	<u>9,384</u>
<b>Subtotal U.S. Department of Health and Human Services</b>			<b><u>599,683</u></b>
<b>U.S. Department of Agriculture:</b>			
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers - American Indian Sustainable Land Practice Network	59-2501-14-008	10.443	175,556
Natural Resources Conservation Service	69-3A75-14-302	10.902	<u>195,368</u>
<b>Subtotal U.S. Department of Agriculture</b>			<b><u>370,924</u></b>
<b>National Science Foundation (NSF):</b>			
Early-concept Grants for Exploratory Research Program (EAGER)	HRD-1352270	47.076	33,694
Widening Implementation & Demonstration of Evidence-Based Reforms (WIDER)	DUE-1347778	47.076	176,499
Indigenous Evaluation Framework	DRL-1337347	47.076	164,619
Climate Adaptation Mitigation E-Learning (CAMEL): Pass- Through Entity - National Council for Science and Environment	DUE-0950396	47.076	<u>12,729</u>
<b>Subtotal NSF</b>			<b><u>387,541</u></b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ <u>2,485,377</u></b>

**AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**NOTES TO SCHEDULE**

**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the Federal grant activity of AIHEC under programs of the Federal government for the year ended September 30, 2015. The information in the Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of AIHEC, it is not intended to and does not present the financial position, change in net assets or cash flows of AIHEC.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3. Subrecipients**

Of the Federal expenditures presented in the Schedule, AIHEC provided Federal awards to sub-recipients as follows:

<u>Program Name</u>	<u>CFDA/Grant Number</u>	<u>Amount Provided to Subrecipients</u>
Minority Educational Institution Assistance - American Indian Research and Education Initiative (AIREI)	81.094	\$ 277,172
Indian Health Service Program	93.933	\$ 368,567
Pass-Through Entity - National Indian Health Board: Health Information Technology Information	93.718	\$ 4,000
Outreach and Assistance for Socially Disadvantaged Farmers and Ranchers - American Indian Sustainable Land Practice Network	10.443	\$ 1,000
Natural Resources Conservation Service	10.902	\$ 144,285
Widening Implementation & Demonstration of Evidence-Based Reforms (WIDER)	47.076	\$ 90,600

AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

- 1). Type of auditor's report issued: Unmodified
- 2). Internal control over financial reporting:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 3). Noncompliance material to financial statements noted?  Yes  No

Federal Awards

- 4). Internal control over major programs:
- Material weakness(es) identified?  Yes  No
  - Significant deficiency(ies) identified that are not considered to be material weakness(es)?  Yes  None Reported
- 5). Type of auditor's report issued on compliance for major programs: Unmodified
- 6). Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

7). Identification of major programs:

<u>Federal Program Title</u>	<u>Program or Grant Identification #</u>	<u>CFDA Number</u>	<u>Expenditures</u>
<b>U.S. Department of Interior:</b>			
Indian Education Higher Education Grant Program	A15AP00094	15.027	\$ 582,163
<b>U.S. Department of Energy:</b>			
Minority Educational Institution Assistance - American Indian Research and Education Initiative (AIREI)	DE-ED0000129	81.094	\$ 319,337
<b>U.S. Department of Health and Human Services:</b>			
Indian Health Service Program	U261IHS0083-02-00	93.933	\$ 590,299
<b>National Science Foundation (NSF):</b>			
Early-concept Grants for Exploratory Research Program (EAGER)	HRD-1352270	47.076	\$ 33,694
Widening Implementation & Demonstration of Evidence-Based Reforms (WIDER)	DUE-1347778	47.076	\$ 176,499
Indigenous Evaluation Framework	DRL-1337347	47.076	\$ 164,619
Climate Adaptation Mitigation E-Learning (CAMEL): Pass-Through Entity - National Council for Science and Environment	DUE-0950396	47.076	\$ 12,729



AMERICAN INDIAN HIGHER EDUCATION CONSORTIUM

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

**Federal Awards(Continued)**

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

\$300,000

9). Auditee qualified as a low-risk auditee?

Yes

No

**Section II - Financial Statement Findings**

There were no reportable deficiencies.

**Section III - Federal Award Findings and Questioned Costs (Circular A-133, Section .510)**

There were no reportable deficiencies.

**Section IV - Prior Year Findings**

There were no prior year audit findings.

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### 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

#### Independent Auditor's Report

To the Board of Directors  
American Indian Higher Education Consortium  
Alexandria, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the American Indian Higher Education Consortium (AIHEC) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise AIHEC's basic financial statements, and have issued our report thereon dated June 30, 2016.

#### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered AIHEC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances, for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of AIHEC's internal control. Accordingly, we do not express an opinion on the effectiveness of AIHEC'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 AIHEC'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. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether AIHEC'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*.

## 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.

A handwritten signature in cursive script that reads "Gelman Rosenberg & Friedman".

June 30, 2016

# GELMAN, ROSENBERG

## & FREEDMAN

CERTIFIED PUBLIC ACCOUNTANTS



### REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

#### Independent Auditor's Report

To the Board of Directors  
American Indian Higher Education Consortium  
Alexandria, Virginia

#### **Report on Compliance for Each Major Federal Program**

We have audited the American Indian Higher Education Consortium'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 AIHEC's major federal programs for the year ended September 30, 2015. AIHEC's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### **Management's Responsibility**

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

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of AIHEC'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 AIHEC'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 AIHEC's compliance.

#### **Opinion on Each Major Federal Program**

In our opinion, AIHEC complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

4550 MONTGOMERY AVENUE · SUITE 650 NORTH · BETHESDA, MARYLAND 20814  
(301) 951-9090 · FAX (301) 951-3570 · WWW.GRFCPA.COM

---

MEMBER OF CPAMERICA INTERNATIONAL, AN AFFILIATE OF HORWATH INTERNATIONAL  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS' PRIVATE COMPANIES PRACTICE SECTION

## Report on Internal Control Over Compliance

Management of AIHEC 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 AIHEC'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 OMB Circular A-133, 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 AIHEC's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



June 30, 2016