

**ALASKA NATIVE TRIBAL  
HEALTH CONSORTIUM**

Financial Statements  
and Supplementary Information

Years Ended September 30, 2012 and 2011

(With Independent Auditor's Report Thereon)

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# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

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## Independent Auditor's Report

Board of Directors  
Alaska Native Tribal Health Consortium  
Anchorage, Alaska

We have audited the accompanying statements of financial position of Alaska Native Tribal Health Consortium as of September 30, 2012 and 2011, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of Alaska Native Tribal Health Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Alaska Native Tribal Health Consortium as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 23, 2013, on our consideration of Alaska Native Tribal Health Consortium's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors  
Alaska Native Tribal Health Consortium

Our audits were conducted for the purpose of forming an opinion on the basic financial statements. The accompanying schedules on pages 23 through 24 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 23, 2013

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Statements of Financial Position

September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
	<u>Assets</u>	
Assets:		
Current assets:		
Cash and cash equivalents	\$ 98,269,892	116,088,606
Investments	129,502,095	123,529,654
Receivables:		
Grantors	37,248,374	27,756,959
Patient accounts, net	28,555,448	17,536,541
Central warehouse	5,626,857	5,487,658
Southcentral Foundation receivable	6,380,925	7,713,106
Other receivables	4,136,848	2,175,680
Inventory	5,611,562	4,539,858
Prepaid expenses	<u>1,199,920</u>	<u>1,317,305</u>
Total current assets	316,531,921	306,145,367
Long-term receivables	5,313,386	5,542,797
Property and equipment, net	<u>93,218,645</u>	<u>69,757,633</u>
Total assets	\$ <u>415,063,952</u>	<u>381,445,797</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities:		
Accounts payable	46,448,929	33,461,362
Accrued payroll and related liabilities	17,934,364	17,039,766
Accrued leave	7,667,462	7,581,766
Southcentral Foundation payable	2,402,406	689,664
Deferred revenue - grants and contracts	<u>64,645,765</u>	<u>73,550,881</u>
Total current liabilities	<u>139,098,926</u>	<u>132,323,439</u>
Net assets:		
Temporarily restricted net assets	<u>8,762,529</u>	<u>12,637,067</u>
Unrestricted net assets:		
Undesignated	106,332,002	75,614,796
Designated (note 14)	<u>160,870,495</u>	<u>160,870,495</u>
Total unrestricted net assets	<u>267,202,497</u>	<u>236,485,291</u>
Total net assets	<u>275,965,026</u>	<u>249,122,358</u>
Total liabilities and net assets	\$ <u>415,063,952</u>	<u>381,445,797</u>

See accompanying notes to financial statements.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Statements of Activities  
Years Ended September 30, 2012 and 2011

	2012			2011		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Revenues:</b>						
IHS compact	\$ 175,242,787	3,920,985	179,163,772	184,878,299	3,607,126	188,485,425
Other grants and contracts	82,873,557	-	82,873,557	75,834,360	-	75,834,360
Net patient service revenue	167,088,332	-	167,088,332	151,673,487	-	151,673,487
Central warehouse sales revenue	22,411,667	-	22,411,667	21,012,839	-	21,012,839
ARUC utility revenue	5,442,838	-	5,442,838	4,041,500	-	4,041,500
Net investment (loss) income	6,174,790	-	6,174,790	(1,142,034)	-	(1,142,034)
Contributions	361,750	88,436	450,186	331,203	84,410	415,613
Other	10,977,691	-	10,977,691	4,106,506	-	4,106,506
Net assets released from restrictions - satisfaction of capital acquisitions and grant conditions	7,883,959	(7,883,959)	-	5,014,167	(5,014,167)	-
<b>Total revenues</b>	<b>478,457,371</b>	<b>(3,874,538)</b>	<b>474,582,833</b>	<b>445,750,327</b>	<b>(1,322,631)</b>	<b>444,427,696</b>
<b>Expenses:</b>						
<b>Program services:</b>						
Alaska Native Medical Center	255,036,366	-	255,036,366	231,898,254	-	231,898,254
DEHE Construction Activities	87,757,168	-	87,757,168	88,781,959	-	88,781,959
DEHE Program Activities	12,312,997	-	12,312,997	12,355,033	-	12,355,033
Facility Maintenance and Improvements	9,560,654	-	9,560,654	8,770,081	-	8,770,081
Community Health Services	23,543,914	-	23,543,914	22,974,610	-	22,974,610
Statewide Tribal Services	48,757,804	-	48,757,804	45,039,028	-	45,039,028
<b>Total program services</b>	<b>436,968,903</b>	<b>-</b>	<b>436,968,903</b>	<b>409,818,965</b>	<b>-</b>	<b>409,818,965</b>
<b>Supporting services:</b>						
Fundraising	552,430	-	552,430	666,522	-	666,522
General Administration, net of indirect cost recovery	10,218,832	-	10,218,832	12,877,948	-	12,877,948
<b>Total supporting services</b>	<b>10,771,262</b>	<b>-</b>	<b>10,771,262</b>	<b>13,544,470</b>	<b>-</b>	<b>13,544,470</b>
<b>Total expenses</b>	<b>447,740,165</b>	<b>-</b>	<b>447,740,165</b>	<b>423,363,435</b>	<b>-</b>	<b>423,363,435</b>
<b>Change in net assets</b>	<b>30,717,206</b>	<b>(3,874,538)</b>	<b>26,842,668</b>	<b>22,386,892</b>	<b>(1,322,631)</b>	<b>21,064,261</b>
<b>Net assets at beginning of year</b>	<b>236,485,291</b>	<b>12,637,067</b>	<b>249,122,358</b>	<b>214,098,399</b>	<b>13,959,698</b>	<b>228,058,097</b>
<b>Net assets at end of the year</b>	<b>\$ 267,202,497</b>	<b>8,762,529</b>	<b>275,965,026</b>	<b>236,485,291</b>	<b>12,637,067</b>	<b>249,122,358</b>

See accompanying notes to financial statements.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Statement of Functional Expenses  
Year Ended September 30, 2012

	Program Services							Supporting Services				Totals 2012
	Alaska Native Medical Center	DEHE Construction Activities	DEHE Program Activities	Facility Maintenance and Improve- ments	Community Health Services	Statewide Tribal Services	Total Program Services	DEHE Admin- istrative Services	Fund- raising	General Admini- stration	Total Supporting Services	
Salaries and benefits	\$ 126,341,453	18,160,212	7,274,272	170,752	11,308,989	8,275,511	171,531,189	1,709,722	209,408	33,126,696	35,045,826	206,577,015
Contractual	14,758,909	32,021,720	385,324	9,011,874	3,315,751	3,373,465	62,867,043	159,945	123,759	14,034,532	14,318,236	77,185,279
Supplies and drugs	31,698,348	-	-	-	75,185	21,959,156	53,732,689	-	-	370,145	370,145	54,102,834
Travel and per diem	4,434,668	2,024,343	1,013,920	36,055	1,172,977	1,332,298	10,014,261	27,134	12,365	1,585,726	1,625,225	11,639,486
Facility expense	2,964,460	1,021,785	84,848	-	156,044	766,411	4,993,548	1,577,844	2,924	3,409,617	4,990,385	9,983,933
Communications	32,881	147,196	192	-	46,266	169,364	395,899	44,467	3,259	516,322	564,048	959,947
General supplies	936,781	120,269	12,779	-	497,778	911,505	2,479,112	61,185	103,962	1,698,381	1,863,528	4,342,640
Minor equipment	1,346,497	3,681,406	47,501	-	202,280	703,261	5,980,945	447,007	8,249	3,433,249	3,888,505	9,869,450
Other	2,404,750	151,833	98,524	-	5,373,909	9,772,791	17,801,807	40,153	46,980	3,631,630	3,718,763	21,520,570
Depreciation	2,822,778	1,422,168	2,126	-	4,390	46,703	4,298,165	131,243	-	4,239,334	4,370,577	8,668,742
Contract health	17,000,140	-	-	-	-	-	17,000,140	-	-	-	-	17,000,140
Construction materials	-	18,900,940	60,217	236,615	-	-	19,197,772	-	-	-	-	19,197,772
Freight	-	5,809,563	31,872	26,497	-	-	5,867,932	106	-	-	106	5,868,038
Construction supplement	-	-	817,864	2,041	-	-	819,905	-	-	-	-	819,905
Construction operations	-	4,414	-	-	-	-	4,414	-	-	-	-	4,414
Allocation of pooled project costs	-	(35,889)	-	35,889	-	-	-	-	-	-	-	-
Allocation of indirect costs	<u>50,294,701</u>	<u>4,327,208</u>	<u>2,483,558</u>	<u>40,931</u>	<u>1,390,345</u>	<u>1,447,339</u>	<u>59,984,082</u>	<u>(4,198,806)</u>	<u>41,524</u>	<u>(55,826,800)</u>	<u>(59,984,082)</u>	<u>-</u>
<b>Total expenses</b>	<b>\$ <u>255,036,366</u></b>	<b><u>87,757,168</u></b>	<b><u>12,312,997</u></b>	<b><u>9,560,654</u></b>	<b><u>23,543,914</u></b>	<b><u>48,757,804</u></b>	<b><u>436,968,903</u></b>	<b><u>-</u></b>	<b><u>552,430</u></b>	<b><u>10,218,832</u></b>	<b><u>10,771,262</u></b>	<b><u>447,740,165</u></b>

See accompanying notes to financial statements.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Statement of Functional Expenses  
Year Ended September 30, 2011

	Program Services							Supporting Services				Totals 2011
	Alaska Native Medical Center	DEHE Construction Activities	DEHE Program Activities	Facility Maintenance and Improve- ments	Community Health Services	Statewide Tribal Services	Total Program Services	DEHE Admin- istrative Services	Fund- raising	General Admini- stration	Total Supporting Services	
Salaries and benefits	\$ 118,406,565	19,100,597	6,954,061	144,963	11,076,067	7,629,548	163,311,801	1,794,039	194,580	31,884,394	33,873,013	197,184,814
Contractual	13,116,428	37,319,832	146,948	8,567,387	2,780,634	2,549,153	64,480,382	187,060	253,479	12,792,973	13,233,512	77,713,894
Supplies and drugs	27,749,084	-	-	-	62,362	20,219,161	48,030,607	-	-	775,191	775,191	48,805,798
Travel and per diem	4,048,706	2,043,309	1,036,492	16,335	1,140,861	1,124,421	9,410,124	73,703	14,029	1,850,379	1,938,111	11,348,235
Facility expense	482,522	1,284,705	114,476	-	133,463	720,392	2,735,558	1,297,521	2,021	3,801,309	5,100,851	7,836,409
Communications	202,210	151,158	429	-	70,545	250,812	675,154	70,794	8,146	580,404	659,344	1,334,498
General supplies	1,070,795	98,421	7,365	-	544,034	993,981	2,714,596	90,408	46,569	970,954	1,107,931	3,822,527
Minor equipment	1,606,225	2,892,816	67,243	-	279,920	792,292	5,638,496	206,258	-	5,612,537	5,818,795	11,457,291
Other	2,393,796	143,849	253,869	-	5,519,463	9,636,231	17,947,208	68,019	113,284	3,175,294	3,356,597	21,303,805
Depreciation	2,110,638	1,254,222	177	-	4,390	38,826	3,408,253	39,126	-	2,186,269	2,225,395	5,633,648
Contract health	15,306,288	-	-	-	-	-	15,306,288	-	-	-	-	15,306,288
Construction materials	-	15,042,646	134,210	1,053	-	-	15,177,909	3,154	-	-	3,154	15,181,063
Freight	-	5,136,720	32,942	335	-	-	5,169,997	558	-	-	558	5,170,555
Construction supplement	-	-	905,133	-	-	-	905,133	-	-	-	-	905,133
Construction operations	-	359,477	-	-	-	-	359,477	-	-	-	-	359,477
Allocation of pooled project costs	-	(15,588)	-	15,588	-	-	-	-	-	-	-	-
Allocation of indirect costs	<u>45,404,997</u>	<u>3,969,795</u>	<u>2,701,688</u>	<u>24,420</u>	<u>1,362,871</u>	<u>1,084,211</u>	<u>54,547,982</u>	<u>(3,830,640)</u>	<u>34,414</u>	<u>(50,751,756)</u>	<u>(54,547,982)</u>	<u>-</u>
<b>Total expenses</b>	<b>\$ <u>231,898,254</u></b>	<b><u>88,781,959</u></b>	<b><u>12,355,033</u></b>	<b><u>8,770,081</u></b>	<b><u>22,974,610</u></b>	<b><u>45,039,028</u></b>	<b><u>409,818,965</u></b>	<b><u>-</u></b>	<b><u>666,522</u></b>	<b><u>12,877,948</u></b>	<b><u>13,544,470</u></b>	<b><u>423,363,435</u></b>

See accompanying notes to financial statements.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Statements of Cash Flows

Years Ended September 30, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 26,842,668	21,064,261
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	8,668,742	5,633,648
Unrealized/realized (gain) loss on investments	(4,186,867)	2,817,758
Loss on disposal of property and equipment	67,360	4,345
(Increase) decrease in current assets:		
Accounts receivable:		
Grantors	(9,491,415)	12,748,430
Patient accounts, net	(11,018,907)	328,674
Central warehouse	(139,199)	(1,360,563)
Southcentral Foundation receivable	1,332,181	(3,611,284)
Other receivables	(1,731,757)	982,722
Inventory	(1,071,704)	(555,457)
Prepaid expenses	117,385	374,264
Increase (decrease) in current liabilities:		
Accounts payable	12,987,567	(4,097,958)
Accrued payroll and related liabilities	894,598	1,785,361
Accrued annual leave	85,696	1,010,091
Southcentral Foundation payable	1,712,742	(1,534,685)
Deferred revenue	<u>(8,905,116)</u>	<u>4,563,996</u>
Net cash provided by operating activities	<u>16,163,974</u>	<u>40,153,603</u>
Cash flows from investing activities:		
Purchase of investments	(39,283,738)	(12,874,781)
Proceeds from sale of investments and maturities of debt securities	37,498,165	11,508,321
Purchase of property and equipment	<u>(32,197,115)</u>	<u>(29,124,289)</u>
Net cash used in investing activities	<u>(33,982,688)</u>	<u>(30,490,749)</u>
Net increase (decrease) in cash and cash equivalents	(17,818,714)	9,662,854
Cash and cash equivalents, beginning of year	<u>116,088,606</u>	<u>106,425,752</u>
Cash and cash equivalents, end of year	\$ <u><u>98,269,892</u></u>	<u><u>116,088,606</u></u>

See accompanying notes to financial statements.

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

Notes to Financial Statements

September 30, 2012 and 2011

(1) **Summary of Significant Accounting Policies**

**Organization**

The Alaska Native Tribal Health Consortium (the Consortium) is a tribal organization organized and controlled by tribes and tribal organizations, as authorized by Section 325 of Public Law 105-83 and by Title III of the Indian Self-Determination and Education Assistance Act, Public Law 93-638, as amended. The Consortium was incorporated as an Alaskan nonprofit corporation for the purpose of providing statewide health services and programs to the Alaska Native and American Indian people in Alaska.

The Consortium operates under a Compact of Self-Governance and a Funding Agreement with the U.S. Department of Health and Human Services. The Consortium is responsible for and provides health programs, functions, services, and activities of the Alaska Area Office of the Indian Health Service, and the Alaska Native Medical Center (ANMC), excluding those services provided by Southcentral Foundation (SCF) under separate contractual agreements.

**Basis of Accounting and Financial Statement Presentation**

The financial statements have been prepared on the accrual basis of accounting and, accordingly, include all significant receivables, payables, and other liabilities.

The Consortium follows the financial statement presentation provisions of FASB Accounting Standards Codification (FASB ASC) 958-205 (formerly FAS 117). Under these provisions, net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. The Consortium reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The Consortium does not have any permanently restricted net assets.

**Revenues**

Revenue from the Funding Agreement is recognized as earned in the year that it is made available. A portion of those revenues related to sanitation construction projects are deferred to the extent that revenues exceed expenses incurred. The Consortium administers other grants and contracts which are generally of a cost reimbursement type which include provisions for advances and billings for costs incurred. Revenues and receivables are generally recorded when reimbursable expenses are incurred to the extent of the grant or contract amount. Amounts receivable from grantors at year end include amounts relating to expenses incurred prior to year end, but not billed until after year end. Grant receipts in excess of revenues earned are included in deferred revenue.

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Summary of Significant Accounting Policies, continued**

##### Revenues, continued

Contributions, including pledges, from the general public are recognized as public support when received. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted contributions based on the nature of the restriction.

The Consortium bills and collects from third-party payors with liability for health care rendered in the facilities. Patient service revenue is recognized when services are performed, and is recorded at the estimated net realizable value.

A memorandum of agreement between the Consortium and Southcentral Foundation (SCF) provides that certain revenues generated and collected at ANMC and the Alaska Native Primary Care Center will be subject to revenue-sharing in accordance with the terms of the agreement. The Consortium records its revenue-sharing payments to SCF as a contractual expense. Revenue-sharing payments received from SCF are recorded as patient revenue.

The Central Warehouse records sales revenue for medical supplies and drugs when goods are shipped.

The Consortium earns interest on unrestricted moneys and on certain federal money as permitted by Public Law 93-638. All interest income is recorded as unrestricted revenue.

##### Services Provided Under the Funding Agreement

Certain salary and employee benefit expenses of the Consortium's Indian Health Service program employees are paid directly by the federal government through an Intragovernmental Personnel Agreement (IPA), or Memorandum of Agreement (MOA). Certain other costs are also paid directly by the federal government as provided for in the Funding Agreement. These IPA/MOA and other costs are included as revenues and program expenses in the financial statements to indicate the total operating cost of the programs.

In addition, the Consortium has negotiated separate health services purchase agreements with Southcentral Foundation which describe the level of services to be performed by the Consortium and SCF at the Alaska Native Medical Center. The agreements specify how payment for the purchases of services will be made by both parties. The Consortium records payments from SCF as other grant and contract revenue. Payments made to SCF for services purchased by the Consortium are recorded as contractual expenses.

##### Cash and Cash Equivalents

The Consortium's cash and cash equivalents include demand deposits and cash invested in overnight repurchase agreements.

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

## Notes to Financial Statements, continued

### **Summary of Significant Accounting Policies, continued**

#### **Investments**

The Consortium carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statement of financial position. Effective October 1, 2008, the Consortium adopted FASB Accounting Standards Codification (FASB ASC) 820 (formerly FAS157), Fair Value Measurements. FASB ASC 820 defines fair value, establishes a hierarchy for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair measurement. The Statement requires that assets and liabilities carried at fair value to be classified and disclosed in one of the following three input categories:

Level 1 – Quoted market prices in active markets for identical assets or liabilities.

Level 2 – Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3 – Unobservable inputs that are not corroborated by market data.

Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

#### **Inventory**

Inventory, which consists primarily of medical supplies and drugs, are stated at the lower of cost or market, using the first-in, first-out method.

#### **Property, Equipment and Depreciation**

The Consortium operates programs under the Funding Agreement out of more than one facility or location, and uses property owned by the Consortium, Southcentral Foundation, and the Indian Health Service. The Indian Health Service holds title to certain real and personal property at the facilities.

Property and equipment purchased by the Consortium is capitalized to the extent that it has an original cost of \$5,000 or higher, an estimated useful life greater than one year, and title vests with the Consortium. Property and equipment purchased with contract or grant moneys, where the title vests with the grantor, are recorded as program expenditures in the department or project making the purchase. These assets are not reflected in the financial statements and depreciation is not recognized.

Depreciation is computed on the straight-line method at rates calculated to amortize the cost of the assets over their estimated useful lives.

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

## Notes to Financial Statements, continued

### **Summary of Significant Accounting Policies, continued**

#### Insurance Costs

The Consortium is covered under the Federal Tort Claims Act for services provided under the Funding Agreement and the Alaska Tribal Health Compact including coverage for claims of medical malpractice. The Consortium purchases additional liability and other insurance as necessary for its protection, and the protection of its employees for claims not covered by the Federal Tort Claims Act.

#### Advertising Costs

Advertising costs are expensed as incurred.

#### Allocation of Indirect Expenses

General Administration is used to record indirect expenses which benefit all programs and are not directly charged to programs. Indirect expenses are allocated from General Administration to other funds based on the current provisional rates negotiated with the federal cognizant agency unless otherwise limited by contractual agreement.

#### Income Taxes

The Consortium adopted the provisions of Topic 740 of the FASB Accounting Standards Codification relating to accounting for uncertainty in income taxes. As a result of the implementation of ASC 740, the Consortium made a comprehensive review of its portfolio of uncertain tax positions in accordance with recognition standards established by ASC 740. The Consortium is exempt from income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code. The Consortium's policy is to recognize interest and penalties accrued on any unrecognized tax benefits as a component of income tax expense. There is no interest or penalties accrued at June 23, 2013. As a result of this review, the Consortium concluded that at this time there are no uncertain tax positions.

#### Use of Estimates

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

#### Reclassifications

Certain amounts in the 2011 financial statements have been reclassified to conform to the 2012 presentation. Such reclassifications affect neither the change in net assets nor net assets.

#### Subsequent Events

The Consortium has evaluated subsequent events through June 23, 2013, the date on which the financial statements were issued.

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

## Notes to Financial Statements, continued

### (2) **Description of Program and Supporting Services**

The following program and supporting services are included in the accompanying financial statements:

#### Program Descriptions:

##### Alaska Native Medical Center

ANMC is the largest operating division of the Consortium and includes a 150 bed hospital providing inpatient, medical, and support services. The Consortium and Southcentral Foundation share ANMC management and operations in accordance with revenue sharing and health service purchase agreements.

##### Community Health Services

This division oversees, trains, assesses, and provides technical assistance in the areas of public health, and community-based health services for tribes and tribal health organizations in Alaska.

##### Statewide Tribal Services

The statewide tribal services programs provide assistance in areas such as professional recruiting, business office development, scholarship programs, pass through funding to support primary care services, and develop, maintain, and support technical medical care and assistance via distance delivery. Statewide Tribal Service also manages a central supply warehouse to provide medical and pharmaceutical supplies to health facilities and health care providers in Alaska.

##### Environmental Health and Engineering (DEHE)

This division provides the following services:

##### DEHE Construction Activities

This component is project funding for the planning, design and construction of public health infrastructure. It includes health clinics, and safe water and sanitary waste disposal systems.

##### DEHE Program Activities

This component is staffing and support for development, planning and implementation of public health infrastructure projects. It also funds community and institutional environmental health support, community water and sewer systems operations support and technical assistance, and healthcare facilities consultation technical assistance services.

##### Facility Maintenance and Improvements

This component is project funding for the renovation and improvement of eligible healthcare facilities throughout the State of Alaska

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

## Notes to Financial Statements, continued

### **Description of Program and Supporting Services, continued**

#### **Supporting Services**

Supporting services consist of the following:

##### DEHE Administrative Services

This component provides support services for all programs and services offered by DEHE. This includes administrative services, information technology and construction finance. Facilities costs are also included in DEHE administration.

##### Fundraising

Provides the structure necessary to encourage and secure private financial support from individuals, foundations, and corporations for its Healthy Alaska Natives Foundation (HANF), which raises awareness and responds to critical challenges the Alaska Native health system faces today.

##### General Administration

Provides supporting services for all programs and services offered by the Consortium. This includes administrative operations, human resources, information services, finance, business office operations, executive direction, and board of directors' expenses. General Administration also provides supporting services related to the physical plant operations of the Consortium, including repair and maintenance, housekeeping, laundry, communications and lease management.

### (3) **Cash and Cash Equivalents**

Cash and cash equivalents consist of the following at September 30, 2012:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits and repurchase agreement	\$ <u>107,641,412</u>	\$ <u>98,269,892</u>

Cash and cash equivalents consist of the following at September 30, 2011:

	<u>Bank Balance</u>	<u>Carrying Amount</u>
Demand deposits and repurchase agreement	\$ <u>123,224,297</u>	\$ <u>116,088,606</u>

The Consortium maintains cash balances at one bank which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Any amounts in excess of FDIC limits are fully collateralized.

The Consortium is not a party to any financial instruments with off-balance sheet risk. Financial instruments which potentially subject the Consortium to concentrations of credit risk are demand deposits and temporary cash investments held in financial institutions.

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

(4) **Investments**

Investments are recorded at fair value and consist of the following at September 30, 2012:

	<u>Cost</u>	<u>Fair Value (Market)</u>
Cash and Cash Equivalents	\$ 4,667,426	4,667,426
Money Market Mutual Funds	52,647,037	52,647,037
Mutual Funds	207,676	216,719
Equities	23,761,451	27,794,513
Corporate Bonds	30,143,956	29,564,349
Preferred Securities	10,186	6,475
Exchange Traded Funds – Equities	2,476,362	2,536,456
Exchange Traded Funds – Bonds	11,233,117	11,492,560
Futures Contracts	<u>521,398</u>	<u>576,560</u>
Total investments	\$ <u>125,668,609</u>	<u>129,502,095</u>

As described in Note 1 under Investments, fair value is determined through one of three input categories. Investments at September 30, 2012, are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 4,667,426	-	-	4,667,426
Money Market Mutual Funds	52,647,037	-	-	52,647,037
Mutual Funds	216,719	-	-	216,719
Equities	27,794,513	-	-	27,794,513
Corporate Bonds	29,564,349	-	-	29,564,349
Preferred Securities	6,475	-	-	6,475
Exchange Traded Funds – Equities	2,536,456	-	-	2,536,456
Exchange Traded Funds – Bonds	11,492,560	-	-	11,492,560
Futures Contracts	<u>-</u>	<u>576,560</u>	<u>-</u>	<u>576,560</u>
Total investments	\$ <u>128,925,535</u>	<u>576,560</u>	<u>-</u>	<u>129,502,095</u>

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Investments, continued**

Investments are recorded at fair value, based on quoted market prices, and consist of the following at September 30, 2011:

	<u>Cost</u>	<u>Fair Value (Market)</u>
Cash and Cash Equivalents	\$ 5,414,000	5,414,000
Money Market Mutual Funds	51,000,017	51,000,017
Mutual Funds	1,136,614	977,000
Equities	20,159,496	19,969,367
Corporate Bonds	43,027,214	42,383,169
Preferred Securities	16,775	12,432
Exchange Traded Funds – Equities	827,244	785,357
Exchange Traded Funds – Bonds	673,464	631,669
Futures Contracts	<u>2,590,085</u>	<u>2,356,643</u>
Total investments	<u>\$ 124,844,909</u>	<u>123,529,654</u>

As described in Note 1 under Investments, fair value is determined through one of three input categories. Investments at September 30, 2011, are classified as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 5,414,000	-	-	5,414,000
Money Market Mutual Funds	51,000,017	-	-	51,000,017
Mutual Funds	977,000	-	-	977,000
Equities	19,969,367	-	-	19,969,367
Corporate Bonds	42,383,169	-	-	42,383,169
Preferred Securities	12,432	-	-	12,432
Exchange Traded Funds – Equities	785,357	-	-	785,357
Exchange Traded Funds – Bonds	631,669	-	-	631,669
Futures Contracts	<u>-</u>	<u>2,356,643</u>	<u>-</u>	<u>2,356,643</u>
Total investments	<u>\$ 121,173,011</u>	<u>2,356,643</u>	<u>-</u>	<u>123,529,654</u>

Investment income includes unrealized gains of \$5,148,741 and unrealized losses of \$(3,553,008) for September 30, 2012 and 2011, respectively. Investment fees for the years then ended totaled \$368,988 and \$386,790, respectively.

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Investments, continued**

At September 30, 2012 and 2011, respectively, the Consortium had \$521,398 and \$2,590,085 of principal invested in futures contracts. Futures contracts are contracts that stipulate the purchase or sale of currencies, commodities, or other securities of a specified quantity, at a specified price, and on a predetermined date in the future. At September 30, 2012, these futures contracts consist of \$418,039 invested in commodities contracts and \$103,359 invested in foreign currency contracts. At September 30, 2011, futures contracts consist of \$650,992 invested in commodities contracts and \$1,939,093 invested in foreign currency contracts. As of September 30, 2012, the Consortium has recognized an unrealized net gain of \$50,919 on their investment in the commodities futures and an unrealized net gain of \$4,243 on their investment in foreign currency futures. As of September 30, 2011, the Consortium has recognized an unrealized net loss of \$124,818 on their investment in the commodities futures and unrealized net loss of \$108,624 on their investment in foreign currency futures.

Such futures contracts are designated as assets or liabilities to the Consortium depending on whether or not the respective contracts are currently generating unrealized gains or losses. Those contracts are summarized by asset and liability categories as follows at September 30, 2012:

	<u>Cost</u>	<u>Fair Value (Market)</u>	<u>Unrealized Gains/(Losses)</u>
Commodities:			
Asset	\$ 418,039	468,958	50,919
Liability	-	-	-
Net	<u>418,039</u>	<u>468,958</u>	<u>50,919</u>
Foreign Currencies:			
Asset	103,359	107,602	4,243
Liability	-	-	-
Net	<u>103,359</u>	<u>107,602</u>	<u>4,243</u>
Total	<u>\$ 521,398</u>	<u>576,560</u>	<u>55,162</u>

Those contracts are summarized by asset and liability categories as follows at September 30, 2011:

	<u>Cost</u>	<u>Fair Value (Market)</u>	<u>Unrealized Gains/(Losses)</u>
Commodities:			
Asset	\$ 364,508	391,575	27,067
Liability	<u>286,484</u>	<u>134,599</u>	<u>(151,885)</u>
Net	<u>650,992</u>	<u>526,174</u>	<u>(124,818)</u>

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Investments, continued**

	<u>Cost</u>	Fair Value <u>(Market)</u>	Unrealized <u>Gains/(Losses)</u>
Foreign Currencies:			
Asset	\$ 1,939,093	1,830,469	(108,624)
Liability	-	-	-
Net	<u>1,939,093</u>	<u>1,830,469</u>	<u>(108,624)</u>
Total	<u>\$ 2,590,085</u>	<u>2,356,643</u>	<u>(233,442)</u>

Management determines the most desirable allocation of the Consortium's assets to various investment types in order to achieve the Corporation's investment objectives. The Consortium invests in derivative instruments such as futures contracts to provide for growth of capital and preservation of their investment, while at the same time operating with the goal of staying ahead of the Consumer Price Index plus 5%. Management considers many factors when determining what to invest in, such as:

- Return
- Risk
- Liquidity
- Diversity
- Corporate strengths and weaknesses
- Long term goals and mission statement

The Consortium invests in various securities. Investment securities are exposed to various risks such as interest rate, market, credit, foreign currency, and leverage risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and such changes could materially affect amounts reported in the statement of financial position.

#### (5) **Patient Accounts Receivable**

Patient accounts receivable consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Third party insurance and self-pay	\$ 46,393,816	34,884,411
Medicare	26,910,727	14,578,025
Medicaid	<u>35,006,025</u>	<u>15,664,477</u>
	108,310,568	65,126,913
Less allowance for contractual adjustments	<u>(79,755,120)</u>	<u>(47,590,372)</u>
Patient accounts receivable, net	<u>\$ 28,555,448</u>	<u>17,536,541</u>

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

(6) **Long-term Receivables**

Long-term receivables consist of past services rendered by the Consortium on behalf of other Indian Health Services healthcare providers. Management believes that these balances are fully collectible.

(7) **Property and Equipment**

Property and equipment consist of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Land	\$ 11,273,728	11,273,728
Building	47,063,740	22,963,243
Office furniture, equipment and software	66,756,368	44,836,335
Vehicles and project field equipment	16,610,425	14,625,036
Construction in progress	3,405,940	19,121,037
Leasehold improvements	<u>8,047,414</u>	<u>7,969,279</u>
	153,157,615	120,788,658
Less accumulated depreciation	<u>(59,938,970)</u>	<u>(51,031,025)</u>
Property and equipment, net	\$ <u>93,218,645</u>	<u>69,757,633</u>

Depreciation expense for the years ended September 30, 2012 and 2011 was \$8,668,742 and \$5,633,648, respectively.

(8) **Southcentral Foundation (SCF) Revenue Sharing**

The SCF revenue-sharing agreement, as described in Note 1 under Revenues resulted in a receivable at September 30, 2012 of \$914,572 and a payable at September 30, 2011 of \$258,280. This balance is included in the Southcentral Foundation receivable and payable on the Statements of Financial Position. Revenue-sharing payments remitted to the SCF under the agreement were \$61,257,376 and \$58,297,329 for the years ended September 30, 2012 and 2011, respectively.

(9) **Deferred Revenue**

Deferred revenue consists of the following at September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Sanitation Construction Projects (DEHE):		
IHS compact funding	\$ 48,526,824	55,753,038
Maintenance and Improvements	6,742,247	10,635,732
Other funding	4,655,602	1,416,352
Other Projects (non-construction)	<u>4,721,092</u>	<u>5,745,759</u>
Total deferred revenue	\$ <u>64,645,765</u>	<u>73,550,881</u>

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

(10) **Maintenance and Improvement Projects**

The following activity relates to the Consortium's maintenance and improvement projects (M&I) for the years ended September 30, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
M&I funding available, beginning of year	\$ 12,986,943	17,994,543
Current year receipts	3,202,845	3,175,428
Small Clinic Subsidy Payback	<u>189,827</u>	<u>-</u>
Total funds available	<u>16,379,615</u>	<u>21,169,971</u>
Disbursements:		
Alaska Native Medical Center	1,611,150	3,489,365
Aleutian/Pribilof Island Association	167,442	402
Annette Island Service Unit	269,751	113,668
Arctic Slope Native Association	110,929	67,630
Bristol Bay Area Health Corporation	1,553,349	1,463,940
Copper River Native Association	89,850	10,735
Ketchikan Indian Community	-	18,300
Kodiak Area Native Association	86,827	147,476
Maniilaq Association	1,348,640	683,355
Norton Sound Health Corporation	68,113	797,376
Southcentral Foundation	268,730	71,330
Southeast Alaska Regional Health Consortium	1,333,569	114,189
Tanana Chiefs Conference	89,265	124,718
Yukon-Kuskokwim Health Corporation	2,243,112	565,877
Other	<u>396,641</u>	<u>514,667</u>
Total disbursements	<u>9,637,368</u>	<u>8,183,028</u>
 M&I funding available, end of year	 \$ <u>6,742,247</u>	 <u>12,986,943</u>
Reconciliation of M&I balance to Statements of Financial Position:		
Included in deferred revenue at year-end (note 9)	\$ 6,742,247	10,635,732
Included in temporarily restricted net assets at year-end (note 13)	<u>-</u>	<u>2,351,211</u>
	 \$ <u>6,742,247</u>	 <u>12,986,943</u>

(11) **Retirement Plans**

The Consortium participates in retirement plans. To be eligible for enrollment in the plans, an employee must have completed one year of employment with no less than 1000 hours worked. Prior to May 1, 2010, the employer contributed 7% of the employee's base salary into 401(a) Plan. In addition, the Consortium offers two options under a 403(b) Plan, consisting of employee contributions only.

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Retirement Plan, continued**

Effective May 1, 2010, ANTHC amended their 401(a) Plan. The employer's contribution changed from 7% to 3% of the employee's base salary and the employer also began contributing a match for employees who are participating in the 403(b) Plan for up to 5% of an employee's elected deferral percentage. ANTHC makes employer contributions annually after the end of the Plan year. The Consortium's total Plan expense for the years ended September 30, 2012 and 2011 was \$5,880,664 and \$5,228,698, respectively.

#### (12) **Operating Leases**

The Consortium rents commercial office and warehouse space under noncancellable leases. Certain leases are at a fixed rate over the life of the lease. Other leases are adjusted annually at a fixed rate or based on the consumer price index (CPI) or operating cost increases. Future operating lease payments are as follows:

Year ending September 30:	
2013	\$ 531,450
2014	362,834
2015	377,347
2016	<u>392,441</u>
Total operating lease	\$ <u>1,664,072</u>

Rent expense for facilities under noncancellable leases was approximately \$2,400,000 and \$3,100,000 for the years ended September 30, 2012 and 2011, respectively.

#### (13) **Temporarily Restricted Net Assets**

Temporarily restricted net assets are restricted as to time or purpose as designated by the donor. At September 30, 2012 and 2011, the Consortium had net assets temporarily restricted for the following purposes and amounts:

	<u>2012</u>	<u>2011</u>
Maintenance and improvements (note 10)	\$ -	2,351,211
IHS Compact – various programs	8,529,164	10,110,482
Foundation contributions	<u>233,365</u>	<u>175,374</u>
	\$ <u>8,762,529</u>	<u>12,637,067</u>

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

(14) **Designated Net Assets**

Designated net assets at September 30, 2012 and 2011, consist of the following:

	<u>2012</u>	<u>2011</u>
Facilities/development acquisition/IT infrastructure and upgrades	\$ 10,633,769	10,633,769
Equipment, building replacement and depreciation	43,165,805	43,165,805
Grant and contract program completion	17,987,142	17,987,142
Additional housing	2,920,000	2,920,000
MCH	12,300,000	12,300,000
Endowment – scholarships	1,000,000	1,000,000
ANMC Facility/Parking Expansion	10,832,987	10,832,987
Operation reserves	<u>62,030,792</u>	<u>62,030,792</u>
Total	<u>\$ 160,870,495</u>	<u>160,870,495</u>

(15) **Concentrations of Business**

The Consortium receives a substantial portion of its revenue from the IHS Compact and the related third-party payor revenue. Significant changes in these revenue sources could have a material effect on the operations of the Consortium.

(16) **Commitments and Contingencies**

**Grant and Contract Expenses**

The Consortium's primary source of income is its Funding Agreement under the Compact of Self-Governance. The amount of the Funding Agreement is negotiated prior to the beginning of the fiscal year and is modified periodically throughout the year. Funding is generally dispersed by the IHS as it becomes available. The Consortium has reconciled its actual cash receipts to the Funding Agreement and has included in grants receivable an estimate for certain items not awarded in the Funding Agreement.

Additionally, certain expenses related to the Funding Agreement are paid directly by the federal government. Such items are invoiced to the Consortium by IHS. The Consortium received a final billing from the IHS for items paid directly by them and for services provided.

Adjustments of amounts received under the Funding Agreement and amounts payable to IHS, could result based upon final settlement with IHS. Management does not believe that such adjustments, if any, would be material and, accordingly, no provision for liability from such adjustments, if any, is included in the accompanying financial statements.

## ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

### Notes to Financial Statements, continued

#### **Commitments and Contingencies, continued**

##### Grant and Contract Expenses, continued

Significant revenues are received from federal and other grants and contracts. The final expenses may be subject to an agency's compliance audit to determine the allowability of costs for which reimbursement has previously been granted. Adjustments of amounts received under grants and contracts could result if the grants and contracts are audited by such agencies. Management does not believe that such adjustments, if any, would be material and, accordingly, no provision for liability from such adjustments, if any, is included in the accompanying financial statements.

##### Indirect Expenses

Amounts charged to individual grants and contracts as indirect expenses have generally been based on provisional rates. The amount of indirect expenses ultimately recoverable from funding agencies will depend upon final negotiations with the cognizant agency, and adjustments could result. Management does not believe that such adjustments, if any, would be material and, accordingly, no provision for liability from such adjustments, if any, is included in the accompanying financial statements.

##### Litigation

The Consortium is a party to various claims, legal actions and complaints arising in the ordinary course of business. In the opinion of management, the outcome of these actions will not have a material adverse effect on the financial statements of the Consortium.

**SUPPLEMENTARY INFORMATION**

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Functional Expenses by Division

Year Ended September 30, 2012

	Alaska Native Medical Center and General Administration Services						Division of Environmental Health and Engineering Construction Activities	
	Alaska Native Medical Center	Community Health Services	Statewide Tribal Services	Healthy Alaska Native Foundation	General Administration	Subtotal ANMC and General Administrative Services	Project Delivery Program Construction	Project Delivery Program Self-Sustaining
Salaries and benefits	\$ 126,341,453	11,308,989	8,275,511	209,408	33,126,696	179,262,057	18,038,501	121,711
Contractual	14,758,909	3,315,751	3,373,465	123,759	14,034,532	35,606,416	-	-
Supplies and drugs	31,698,348	75,185	21,959,156	-	370,145	54,102,834	-	-
Travel and per diem	4,434,668	1,172,977	1,332,298	12,365	1,585,726	8,538,034	-	-
Facility expense	2,964,460	156,044	766,411	2,924	3,409,617	7,299,456	-	-
Communications	32,881	46,266	169,364	3,259	516,322	768,092	-	-
General supplies	936,781	497,778	911,505	103,962	1,698,381	4,148,407	-	6,445
Minor equipment	1,346,497	202,280	703,261	8,249	3,433,249	5,693,536	-	-
Other	2,404,750	5,373,909	9,772,791	46,980	3,631,630	21,230,060	-	-
Depreciation	2,822,778	4,390	46,703	-	4,239,334	7,113,205	-	-
Contract health	17,000,140	-	-	-	-	17,000,140	-	-
Construction materials	-	-	-	-	-	-	-	-
Freight	-	-	-	-	-	-	-	-
Construction supplement	-	-	-	-	-	-	-	-
Construction operations	-	-	-	-	-	-	-	-
Allocation of pooled project costs	-	-	-	-	-	-	-	-
Indirect expense/(recovery)	<u>50,294,701</u>	<u>1,390,345</u>	<u>1,447,339</u>	<u>41,524</u>	<u>(55,826,800)</u>	<u>(2,652,891)</u>	<u>4,304,442</u>	<u>22,766</u>
<b>Total expenses</b>	<b>\$ <u>255,036,366</u></b>	<b><u>23,543,914</u></b>	<b><u>48,757,804</u></b>	<b><u>552,430</u></b>	<b><u>10,218,832</u></b>	<b><u>338,109,346</u></b>	<b><u>22,342,943</u></b>	<b><u>150,922</u></b>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Functional Expenses by Division, continued

Year Ended September 30, 2012

		Division of Environmental Health and Engineering					Subtotal		
		Construction Activities		Program Activities		Maintenance	DEHE	Subtotal	
		Construction	Operations	Non Project	Project	and	Admin-	Division of	
		Project	Project	Program	Management	Improve-	istrative	Environmental	
		<u>Direct</u>	<u>Direct</u>	<u>Services</u>	<u>Program</u>	<u>ments</u>	<u>Services</u>	<u>Health and</u>	<u>Totals</u>
					<u>Services</u>			<u>Engineering</u>	<u>2012</u>
Salaries and benefits	\$	-	-	1,597,862	5,676,410	170,752	1,709,722	27,314,958	206,577,015
Contractual		29,009,185	3,012,535	133,514	251,810	9,011,874	159,945	41,578,863	77,185,279
Supplies and drugs		-	-	-	-	-	-	-	54,102,834
Travel and per diem		1,985,078	39,265	208,551	805,369	36,055	27,134	3,101,452	11,639,486
Facility expense		430,833	590,952	-	84,848	-	1,577,844	2,684,477	9,983,933
Communications		117,865	29,331	-	192	-	44,467	191,855	959,947
General supplies		44,259	69,565	325	12,454	-	61,185	194,233	4,342,640
Minor equipment		2,801,316	880,090	23,476	24,025	-	447,007	4,175,914	9,869,450
Other		135,597	16,236	32,777	65,747	-	40,153	290,510	21,520,570
Depreciation		1,422,168	-	2,126	-	-	131,243	1,555,537	8,668,742
Contract health		-	-	-	-	-	-	-	17,000,140
Construction materials		18,680,707	220,233	19,531	40,686	236,615	-	19,197,772	19,197,772
Freight		5,728,111	81,452	11,573	20,299	26,497	106	5,868,038	5,868,038
Construction supplement		-	-	70	817,794	2,041	-	819,905	819,905
Construction operations		4,414	-	-	-	-	-	4,414	4,414
Allocation of pooled project costs		(35,889)	-	-	-	35,889	-	-	-
Indirect expense/(recovery)		-	-	401,202	2,082,356	40,931	(4,198,806)	2,652,891	-
Total expenses	\$	<u>60,323,644</u>	<u>4,939,659</u>	<u>2,431,007</u>	<u>9,881,990</u>	<u>9,560,654</u>	<u>-</u>	<u>109,630,819</u>	<u>447,740,165</u>

**ALASKA NATIVE TRIBAL  
HEALTH CONSORTIUM**

Federal and State Single Audit Reports

Year Ended September 30, 2012

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# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

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Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Board of Directors  
Alaska Native Tribal Health Consortium

We have audited the financial statements of Alaska Native Tribal Health Consortium (Consortium) as of and for the year ended September 30, 2012, and have issued our report thereon dated June 23, 2013. 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.

Internal Control Over Financial Reporting

Management of the Consortium is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Consortium's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Consortium's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Consortium's internal control over financial reporting.

*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 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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Board of Directors  
Alaska Native Tribal Health Consortium

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Consortium's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors, management, federal and state awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 23, 2013

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

Board of Directors  
Alaska Native Tribal Health Consortium

Compliance

We have audited Alaska Native Tribal Health Consortium's (Consortium) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Consortium's major federal programs for the year ended September 30, 2012. The Consortium's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal program is the responsibility of the Consortium's management. Our responsibility is to express an opinion on the Consortium's compliance based on our audit.

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 the Consortium'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. Our audit does not provide a legal determination of the Consortium's compliance with those requirements.

In our opinion, the Consortium complied, in all material respects, with the 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, 2012.

### Internal Control Over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Consortium's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 the Consortium'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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Alaska Native Tribal Health Consortium as of and for the year ended September 30, 2012, and have issued our report thereon dated June 23, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors  
Alaska Native Tribal Health Consortium

This report is intended solely for the information and use of the Board of Directors, management, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 23, 2013

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2012

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Tribal Self-Governance Program: IHS Compact/Funding Agreement:			
IHS Compact	58G990058	93.210	\$ 144,828,977
IHS Compact - DEHE Division	58G990058	93.210	33,288,726
Health Facilities Maintenance and Improvements	58G990058	93.210	<u>1,897,136</u>
Pass-Through Southcentral Foundation - Purchases Service Agreement	None	93.210	<u>5,194,061</u>
			<u>185,208,900</u>
Health Disparities in Minority Health:			
OMH Health Disparities Program	6 AIAMP070003-04-01	93.100	32,882
OMH Health Disparities Program	6 AIAMP070003-05-01	93.100	<u>187,680</u>
			<u>220,562</u>
Epidemiology Cooperative Agreements:			
Alaska Native Epidemiology Center	U1B9400011/07	93.231	53,590
Alaska Native Epidemiology Center	U1B9400011/08	93.231	<u>407,264</u>
			<u>460,854</u>
Trans-NIH Recovery Act Research Support:			
ARRA NINDS Stroke Registry	3U01NS048069-04S2 Revised	93.701	42,205
ARRA NINDS Stroke Registry	3U01NS048069-04S3 Revised	93.701	122,226
Passed through University of Alaska Fairbanks - ARRA ANTHC Advanced Translational	3P20RR01640-08S2	93.701	<u>79,322</u>
			<u>243,753</u>
Special Diabetes Program for Indians - Diabetes Prevention and Treatment Projects:			
Special Diabetes Program	H1D9400265/13	93.237	42,515
Special Diabetes Program	H1D9400265/14-02	93.237	<u>658,633</u>
			<u>701,148</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
National Cancer Prevention and Control	5U58DP000809-05REVISED	93.283	275,423
National Cancer Prevention and Control	1U58DP003857-01	93.283	91,915
Centers for Research and Demonstration for Health Promotion and Disease Prevention:			
Alaska Tribal Health System CRC Screening Program	5U58DP002032-03REVISED	93.283	547,600
Alaska Tribal Health System CRC Screening Program	5U58DP002032-04	93.283	<u>242,905</u>
			<u>1,157,843</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease:			
Ryan White HIV / AIDS Program	5H76HA00723-09-00	93.918	248,997
Ryan White HIV / AIDS Program	6H76HA00723-10-05	93.918	<u>292,261</u>
			<u>541,258</u>
Research, Treatment and Education Programs on Lyme Disease in the United States:			
CDC Prevention of Hepatitis in Alaska Native People	5U01PS001097-04 REVISED	93.942	179,777
CDC Prevention of Hepatitis in Alaska Native People	5U01PS001097-05 REVISED	93.942	<u>29,839</u>
			<u>209,616</u>
Demonstration Projects for Indian Health:			
NARCH V	U26IHS300289/02	93.933	197,768
NARCH VI	U26IHS300410/01	93.933	312,686
NARCH VI	U26IHS300410/02	93.933	116,545
ANTHC HIV/STD Prevention Center: Policy Initiative	D91IHS300256/02	93.933	<u>32,777</u>
			<u>659,776</u>
ARRA-IHS Tribal Agreements:			
ARRA - Sanitation Facilities Construction and Maintenance	Various	93.722	11,682,493
ARRA CT Scanner	AN10-9565	93.722	750,000
Electronic Community Health Aide/Practitioner Manual	58G990058-26	93.722	371,066
ARRA RPMS - Telemed	58G990058-15	93.722	<u>29,202</u>
			<u>12,832,761</u>

The accompanying notes are an integral part of this schedule.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Health and Human Services, continued</u></b>			
ARRA-Prevention and Wellness-State, Territories and Pacific Islands - ARRA -Tobacco Quit Line	0610-117	93.723	\$ <u>13,782</u>
State Capacity Building - Preventing Water Related Diseases	Various	93.240	<u>65,993</u>
Telehealth Programs:			
Telehealth Network Grant Program	6H2AIT16614-03-02	93.211	244,169
Telehealth Resource Center Grant Program	1G22RH24743-01-00	93.211	<u>7,211</u>
			<u>251,380</u>
HIV Prevention Programs for Women:			
In Community Spirit	6HPPWH090048-02-01	93.015	3,917
In Community Spirit	6HPPWH090048-03-01	93.015	<u>17,746</u>
			<u>21,663</u>
Strengthening Public Health Infrastructure for Improved Health Outcomes	1U58CD001326-01 Revised	93.507	25,340
Strengthening Public Health Infrastructure for Improved Health Outcomes	5U58CD001326-02 Revised	93.507	<u>209,044</u>
			<u>234,384</u>
Cooperative Agreements to Improve the Health Status of Minority Populations -			
FY10 National Umbrella Cooperative Agreement Program (NUCA)	6MPCMP101053-02-02	93.004	74,771
FY10 National Umbrella Cooperative Agreement Program (NUCA)	5MPCMP101053-03-00	93.004	<u>111,281</u>
			<u>186,052</u>
Cancer Centers Support Grants -			
Passed through the Mayo Clinic -			
Spirit of Eagles Communities Network Program	1U54CA153605-01	93.397	35,830
Spirit of Eagles Communities Network Program	5U54CA153605-02	93.397	<u>158,110</u>
			<u>193,940</u>
American Indian/Alaska Native Health Disparities Program	6AIAMP120014-01-01	93.137	<u>6,945</u>
Specially Selected Health Projects:			
Service Focused Special Congressional Initiative	4D1DHP20170-01-04	93.888	845,972
Congressionally-Mandated Health Information	4D1BIT16769-01-04	93.888	<u>268,887</u>
			<u>1,114,859</u>
Centers for Research and Demonstration for Health Promotion and Disease Prevention -			
Passed through University of Texas Health Science Center -			
Health Promotion and Disease Prevention Research Centers - Category 1	5U48DP001949-03	93.135	<u>44,820</u>
Cancer Cause and Prevention Research -			
Passed through University of Washington:			
A Randomized Trial of Workplace Interventions to Improve Health of Alaska Natives	1R01CA126620-01	93.393	60,704
A Randomized Trial of Workplace Interventions to Improve Health of Alaska Natives	1R01CA126620-01	93.393	<u>51,647</u>
			<u>112,351</u>
AIDS Education and Training Centers -			
Passed through University of Washington:			
AIDS Education and Training Center	2H4AHA00051-09-00	93.145	100,752
AIDS Education and Training Center	5H4HA00051-10-00	93.145	26,864
AIDS Education and Training Center: Minority AIDS Initiative	2H4AHA00051-09-00	93.145	23,393
AIDS Education and Training Center: Minority AIDS Initiative	5H4HA00051-10-00	93.145	<u>6,462</u>
			<u>157,471</u>

The accompanying notes are an integral part of this schedule.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Health and Human Services, continued</u></b>			
Public Health Emergency Preparedness -			
Passed through State of Alaska Department of Health and Social Services:			
Bioterrorism	601-12-152	93.069	\$ 230,427
Bioterrorism	601-13-152	93.069	42,025
			<u>272,452</u>
Passed through Inter Tribal Council of Arizona-			
Personal Responsibility Education Program	90AT0013	93.092	<u>55,096</u>
HIV Prevention Activities - Health Department Based -			
Passed through State of Alaska Department of Health and Social Services:			
HIV / AIDS Prevention	601-12-171	93.940	52,411
HIV / AIDS Prevention	601-13-171	93.940	10,569
			<u>62,980</u>
National Bioterrorism Hospital Preparedness Program -			
Passed through State of Alaska Department of Health and Social Services:			
ASPR Grant	5U3REP090257-03-02	93.889	11,455
ASPR Grant	5U3REP090257-03-00	93.889	80,341
ASPR Grant	1U90TP000501-01	93.889	129
			<u>91,925</u>
Rural HIT Network Program	6H9CRH22850-01-02	93.912	<u>205,206</u>
Alaska Native Stroke Registry	5 U01NS048069-04 Revised	93.853	<u>61,727</u>
Health Information Technology Regional Extension Centers Program -			
Passed through National Indian Health Board -			
ARRA American Indian/Alaska Native National HITECH REC	90RC0060/01	93.718	<u>1,206,160</u>
Total Department of Health and Human Services			<u>206,268,109</u>
<b><u>Denali Commission</u></b>			
Denali Commission Program:			
Rural Primary Care Facility	Various	90.100	2,212,664
Energy Efficiency and Conservation	01200-00	90.100	4,756
Total Denali Commission			<u>2,217,420</u>
<b><u>U.S. Department of Agriculture</u></b>			
Water and Waste Disposal Systems for Rural Communities:			
Sanitation Facilities Construction Program	Various	10.760	21,101,776
Statewide Rural Utility Cooperative	Various	10.760	297,904
Health Facility Improvement Project	Various	10.760	102
Pass-Through Programs from State of Alaska -			
Department of Environmental Conservation -			
Sanitation Facilities Construction Program (Note 4)	Various	10.760	105,785
			<u>21,505,567</u>
Grants for Agricultural Research - Competitive Research Grants -			
National Research Initiative Human Nutrition	2007-55215-17923	10.206	<u>418,752</u>
Food Distribution Program on Indian Reservations:			
Food Distribution Program Nutrition Education	2012S504147	10.567	2,376
Food Distribution Program Nutrition Education	2012S808347	10.567	62,500
Food Distribution Program for Indian Reservations	2012S504047	10.567	511,184
			<u>576,060</u>
Total Department of Agriculture			<u>22,500,379</u>

The accompanying notes are an integral part of this schedule.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**  
Schedule of Expenditures of Federal Awards, continued

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Grant Number</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>Federal Expenditures</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>			
Indian Community Development Block Grant Program:			
Sanitation Facilities Program	Various	14.862	\$ <u>1,453,129</u>
Total Department of Housing and Urban Development			<u>1,453,129</u>
<b><u>Environmental Protection Agency</u></b>			
Solid Waste Management Assistance Grant	Various	66.808	<u>369,920</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:			
Alaska Tribal Multi Media Project	XA-96081201-2	66.034	8,796
ANTHC Community Environmental Demonstration Project	XA-00J51001-0	66.034	<u>169,435</u>
			<u>178,231</u>
Science To Achieve Results (STAR) Research Program -			
Epidemiologic Study of Time Trends & Health Effects of Persistent Organic Pollutants, Mercury	RD-83370501-0	66.509	<u>243,933</u>
Indian General Assistance Program	GA-00J07701-0/1/2	66.926	<u>210,634</u>
Capitalization Grants for Clean Water State Revolving Funds -			
Pass-Through Programs from State of Alaska -			
Department of Environmental Conservation -			
Sanitation Facilities Construction Program (Note 4)	Various	66.458	<u>4,861,408</u>
Capitalization Grants for Drinking Water State Revolving Funds -			
Pass-Through Programs from State of Alaska -			
Department of Environmental Conservation -			
Sanitation Facilities Construction Program (Note 4)	Various	66.468	<u>6,069,448</u>
Congressional Mandated Projects -			
Pass-Through Programs from State of Alaska -			
Department of Environmental Conservation -			
Sanitation Facilities Construction Program (Note 4)	Various	66.202	<u>3,275,748</u>
Total Environmental Protection Agency			<u>15,209,322</u>
<b><u>Department of Energy</u></b>			
ARRA Energy Efficiency and Conservation Block -			
ARRA Tribal Efficiency Projects	DE-EE0001883	81.128	309,709
Energy Efficiency Projects	Various	81.128	<u>62,988</u>
Total Department of Energy			<u>372,697</u>
<b><u>Department of Homeland Security</u></b>			
Disaster Grants -			
Public Assistance for Declared Disasters	FEMA-1843-DR-AK	97.036	<u>513,090</u>
<b><u>Department of Interior</u></b>			
Climate Change Health Assessment	70181BJ076	15.669	<u>19,388</u>
<b><u>Department of Commerce</u></b>			
Broadband Technology Opportunities Program (BTOP) -			
Passed through University of Alaska Fairbanks -			
ARRA - Bridging the E-Skills Gap in Alaska	02-43-B10566-ARRA	11.557	<u>121,367</u>
Total Expenditures of Federal Awards			\$ <u>249,002,449</u>

The accompanying notes are an integral part of this schedule.

# ALASKA NATIVE TRIBAL HEALTH CONSORTIUM

## Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2012

(1) **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the Alaska Native Tribal Health Consortium (Consortium). The Consortium's reporting entity is defined in Note 1 to the Consortium's financial statements. Federal awards received directly from federal agencies and federal awards passed through other agencies are included on the schedule.

(2) **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to the Consortium's financial statements.

(3) **Sub-recipients**

Of the federal expenditures presented in the schedule, the Consortium provided federal awards to sub-recipients as follows:

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount</u>
IHS Compact	93.210	\$ 18,830,947
IHS Health Facilities Maintenance and Improvements	93.210	1,646,443
IHS Tribal Agreements	93.722	6,647,151
EPA	66.458	2,525,609
EPA	66.468	3,162,152
EPA	66.034	62,675
EPA	66.202	70,125
USDA	10.206	12,000
USDA	10.600	202,900
Denali Commission Rural Primary Care Facility	90.100	<u>322,508</u>
		\$ <u>33,482,510</u>

(4) **Memorandum of Understanding with State of Alaska**

The funds identified on the Schedule of Expenditures of Federal Awards as (Note 4) have been passed through the State of Alaska from the Environmental Protection Agency and the U.S. Department of Agriculture and granted to the Consortium pursuant to Memorandums of Understanding and Funds Transfer Agreement between the Indian Health Service and the State of Alaska Department of Environmental Conservation effective May 1, 2006.

Independent Auditor's Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With State of Alaska Audit Guide and Compliance Supplement for State Single Audits

Board of Directors  
Alaska Native Tribal Health Consortium

Compliance

We have audited the Alaska Native Tribal Health Consortium's (Consortium) compliance with the types of compliance requirements described in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* that could have a direct and material effect on each of the Consortium's major state programs for the year ended September 30, 2012. The Consortium's major state programs are identified in the accompanying Schedule of State Financial Assistance. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the Consortium's management. Our responsibility is to express an opinion on the Consortium's compliance based on our audit.

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 *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Those standards and the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* 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 state program occurred. An audit includes examining, on a test basis, evidence about the Consortium'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. Our audit does not provide a legal determination of the Consortium's compliance with those requirements.

In our opinion, the Consortium complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2012.

### Internal Control Over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the Consortium's internal control over compliance with the requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Consortium'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 state 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 state program will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### Schedule of State Financial Assistance

We have audited the basic financial statements of Alaska Native Tribal Health Consortium as of and for the year ended September 30, 2012, and have issued our report thereon dated June 23, 2013 which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming our opinion on the basic financial statements taken as a whole. The accompanying Schedule of State Financial Assistance is presented for purposes of additional analysis as required by *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

Board of Directors  
Alaska Native Tribal Health Consortium

This report is intended solely for the use and information of the Board of Directors, management, and the State of Alaska and is not intended to be and should not be used by anyone other than these specified parties.

*Mikunda, Cottrell & Co.*

Anchorage, Alaska  
June 23, 2013

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of State Financial Assistance

Year Ended September 30, 2012

<u>Name of Agency/Grant Award</u>	<u>Grant Number</u>	<u>Allowable Expenses</u>
Department of Environmental Conservation -		
Major program -		
Sanitation Facilities Construction Programs (1)	Various	\$ <u>8,173,150</u>
Department of Labor and Workforce Development -		
Major program -		
Water Treatment Training Program	STEP-12-021	<u>206,022</u>
Department of Commerce, Community and Economic Development -		
Major program-		
Sanitation Facilities Construction Programs (1)	Various	1,506,375
Non-major programs -		
Energy Efficiency Project	Various	82,287
Anchorage Long Term Care Facility	09-DC-283	90,366
Rural Primary Care Facility	Various	<u>172</u>
		<u>1,679,200</u>
Department of Health and Social Services		
Major program -		
Rural Primary Care Facility	Various	2,843,535
Non-major program -		
Early Intervention/Infant Learning Program	603-12-924	9,523
Early Intervention/Infant Learning Program	603-13-924	<u>1,850</u>
		<u>2,854,908</u>
Department of Transportation and Public Facilities -		
Major program -		
Sanitation Facilities Construction Program	AN 09-J43	<u>947,530</u>
Alaska Mental Health Trust Authority -		
Non-major program -		
Rural Primary Care Facility	Various	12,072
Bring the Kids Home - BHA Manual	2928.1	97,975
Growing Up Tobacco Free in Alaska	1457	<u>70,480</u>
		<u>180,527</u>
Total State Financial Assistance		\$ <u><u>14,041,337</u></u>

(1) Memorandum of Understanding with State of Alaska

These funds have been passed through the Indian Health Service, Department of Health and Human Services, pursuant to the Memorandum of Understanding between State of Alaska Department of Environmental Conservation and the Indian Health Service effective May 1, 2006.

(2) Basis of Accounting

The accompanying Schedule of State Financial Assistance is presented using the accrual basis of accounting, which is described in Note 1 to the Consortium's financial statements.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Findings and Questioned Costs

Year Ended September 30, 2012

**I. Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported
- Noncompliance material to financial statements noted? \_\_\_\_\_ yes   X   no

**Federal Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ yes   X   no
- Significant deficiency(ies) identified? \_\_\_\_\_ yes   X   none reported

Type of auditor's report issued on compliance for major programs?

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

\_\_\_\_\_ yes   X   no

Identification of major programs:

<u>Agency</u>	<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
Department of Health and Human Services	93.210	Tribal Self-Governance Program: IHS Compact/Funding Agreement
Department of Health and Human Services	93.722	ARRA IHS Tribal Agreement
Department of Health and Human Services	93.718	Health Information Technology Regional Extension Centers Program
Environmental Protection Agency	66.468	Sanitation Facilities Construction Program

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Schedule of Findings and Questioned Costs, continued

**Summary of Auditor's Results, continued**  
**Federal Financial Assistance, continued**

Dollar threshold used to distinguish between  
Type A and Type B programs: \$3,000,000

Auditee qualified as low-risk auditee?  yes  no

**State Financial Assistance**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified?  yes  none reported

Type of auditor's report issued on compliance  
for major programs? Unqualified

Dollar threshold used to distinguish a state  
major program? \$100,000

**II. Financial Statement Findings**

No matters were reported.

**III. Federal Award Findings and Questioned Costs**

No matters were reported.

**IV. State Award Findings and Questioned Costs**

No matters were reported.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Summary Schedule of Prior Audit Findings

Year Ended September 30, 2012

**Finding 11-01**

**Internal Control over Financial Reporting**

Condition: The financial statements were misstated by approximately \$4.4 million for a liability recorded related to services committed but not yet rendered at fiscal year-end. In accordance with accounting principles generally accepted in the United States of America, such liability and related expenses should not be recognized until services have been performed. This misstatement was material in amount.

Status: The Company properly recorded liability for services but not yet rendered at fiscal year-end. This finding is considered resolved.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Corrective Action Plan

Year Ended September 30, 2012

There are no current year findings, therefore no corrective action plan required.

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

Bioterrorism

Grant #601-12-152

Schedule of Revenues and Expenses - Budget and Actual

Grant Year Ended June 30, 2012

		Actual			Variance
	<u>Budget</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	Favorable
		<u>Year</u>	<u>Year</u>		<u>(Unfavorable)</u>
Revenues - federal sources passed through the State of Alaska	\$ <u>350,000</u>	<u>72,821</u>	<u>230,427</u>	<u>303,248</u>	<u>(46,752)</u>
Expenses:					
Direct expenses:					
Personnel services	256,357	57,472	187,006	244,478	11,879
Travel	28,093	776	3,232	4,008	24,085
Facilities expense	1,500	-	150	150	1,350
Supplies	7,544	60	468	528	7,016
Equipment	7,907	-	-	-	7,907
Other	<u>17,500</u>	<u>8,680</u>	<u>18,623</u>	<u>27,303</u>	<u>(9,803)</u>
Total direct expenses	318,901	66,988	209,479	276,467	42,434
Indirect expenses	<u>31,099</u>	<u>5,833</u>	<u>20,948</u>	<u>26,781</u>	<u>4,318</u>
Total expenses	<u>350,000</u>	<u>72,821</u>	<u>230,427</u>	<u>303,248</u>	<u>46,752</u>
Excess of revenues over expenses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

Bioterrorism

Grant #601-13-152

Schedule of Revenues and Expenses - Budget and Actual

Three Months Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues - federal sources passed through the State of Alaska	\$ <u>283,500</u>	<u>42,025</u>	<u>(241,475)</u>
Expenses:			
Direct expenses:			
Personnel services	219,650	34,329	185,321
Travel	9,000	2,569	6,431
Supplies	9,500	932	8,568
Equipment	2,097	-	2,097
Other	<u>17,690</u>	<u>375</u>	<u>17,315</u>
Total direct expenses	<u>257,937</u>	<u>38,205</u>	<u>219,732</u>
Indirect expenses	<u>25,563</u>	<u>3,820</u>	<u>21,743</u>
Total expenses	<u>283,500</u>	<u>42,025</u>	<u>241,475</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services  
Early Intervention/Infant Learning Program  
Grant #603-12-924

Schedule of Revenues and Expenses - Budget and Actual  
Grant Year Ended June 30, 2012

	<u>Budget</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues - State of Alaska	\$ <u>38,600</u>	<u>2,935</u>	<u>9,523</u>	<u>12,458</u>	<u>(26,142)</u>
Expenses:					
Direct expenses:					
Personnel services	20,594	2,348	7,535	9,883	10,711
Travel	7,086	-	-	-	7,086
Other	<u>3,200</u>	<u>-</u>	<u>83</u>	<u>83</u>	<u>3,117</u>
Total direct expenses	30,880	2,348	7,618	9,966	20,914
Indirect expenses	<u>7,720</u>	<u>587</u>	<u>1,905</u>	<u>2,492</u>	<u>5,228</u>
Total expenses	<u>38,600</u>	<u>2,935</u>	<u>9,523</u>	<u>12,458</u>	<u>26,142</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services  
Early Intervention/Infant Learning Program  
Grant #603-13-924

Schedule of Revenues and Expenses - Budget and Actual  
Three Months Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues - State of Alaska	\$ <u>38,600</u>	<u>1,850</u>	<u>(36,750)</u>
Expenses:			
Direct expenses:			
Personnel services	20,594	1,480	19,114
Travel	7,086	-	7,086
Other	<u>3,200</u>	<u>-</u>	<u>3,200</u>
Total direct expenses	30,880	1,480	29,400
Indirect expenses	<u>7,720</u>	<u>370</u>	<u>7,350</u>
Total expenses	<u>38,600</u>	<u>1,850</u>	<u>36,750</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

HIV/AIDS Prevention

Grant #601-12-171

Schedule of Revenues and Expenses - Budget and Actual

Grant Year Ended June 30, 2012

		<u>Actual</u>			Variance
	<u>Budget</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	Favorable
		<u>Year</u>	<u>Year</u>		<u>(Unfavorable)</u>
Revenues - federal sources passed through the State of Alaska	\$ <u>62,543</u>	<u>9,973</u>	<u>52,411</u>	<u>62,384</u>	<u>(159)</u>
Expenses:					
Direct expenses:					
Personnel services	52,526	8,926	43,600	52,526	-
Travel	1,330	-	1,330	1,330	-
Supplies	<u>2,857</u>	<u>140</u>	<u>2,717</u>	<u>2,857</u>	-
Total direct expenses	56,713	9,066	47,647	56,713	-
Indirect expenses	<u>5,830</u>	<u>907</u>	<u>4,764</u>	<u>5,671</u>	<u>159</u>
Total expenses	<u>62,543</u>	<u>9,973</u>	<u>52,411</u>	<u>62,384</u>	<u>159</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

HIV/AIDS Prevention

Grant #601-13-171

Schedule of Revenues and Expenses - Budget and Actual

Three Months Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues - federal sources passed through the State of Alaska	\$ <u>60,000</u>	<u>10,569</u>	<u>(49,431)</u>
Expenses:			
Direct expenses:			
Personnel services	52,535	9,346	43,189
Travel	1,175	262	913
Supplies	<u>836</u>	<u>-</u>	<u>836</u>
Total direct expenses	<u>54,546</u>	<u>9,608</u>	<u>44,938</u>
Indirect expenses	<u>5,454</u>	<u>961</u>	<u>4,493</u>
Total expenses	<u>60,000</u>	<u>10,569</u>	<u>49,431</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

ASPR Grant

Grant #5U3REP090257-03-00

Schedule of Revenues and Expenses - Budget and Actual

Grant Year Ended June 30, 2012

		Actual			Variance
	Budget	Prior Year	Current Year	Total	Favorable (Unfavorable)
Revenues - federal sources passed through the State of Alaska	\$ 82,580	2,239	80,341	82,580	-
Expenses:					
Direct expenses:					
Trauma	10,000	1,814	8,186	10,000	-
Emergency preparedness	72,580	425	72,155	72,580	-
Total direct expenses	<u>82,580</u>	<u>2,239</u>	<u>80,341</u>	<u>82,580</u>	-
Excess of revenues over expenses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**  
 Department of Health and Social Services  
 ASPR Grant  
 Grant #5U3REP090257-03-02  
 Schedule of Revenues and Expenses - Budget and Actual  
 Grant Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues - federal sources passed through the State of Alaska	\$ <u>11,455</u>	<u>11,455</u>	<u>-</u>
Expenses:			
Direct expenses:			
Alternative care sites	2,605	2,605	-
Critical infrastructure protection	<u>8,850</u>	<u>8,850</u>	<u>-</u>
Total direct expenses	<u>11,455</u>	<u>11,455</u>	<u>-</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

ASPR Grant

Grant #1U90TP000501-01

Schedule of Revenues and Expenses - Budget and Actual

One Month Ended September 30, 2012

	<u>Budget</u>	<u>Current Actual</u>	Variance Favorable (Unfavorable)
Revenues - federal sources passed through the State of Alaska	\$ <u>77,204</u>	<u>129</u>	<u>(77,075)</u>
Expenses - direct expenses - emergency preparedness	<u>77,204</u>	<u>129</u>	<u>77,075</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

Rural Primary Care Facility

Grant #65C-11-284

Schedule of Revenues and Expenses - Budget and Actual

Year Ended September 30, 2012

	<u>Budget</u>	<u>Prior Year</u>	<u>Actual Current Year</u>	<u>Total</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues - State of Alaska	\$ <u>812,737</u>	<u>19,476</u>	<u>315,499</u>	<u>334,975</u>	<u>(477,762)</u>
Expenses:					
Direct expenses:					
Support services	56,145	3,543	13,787	17,330	38,815
Clinic construction	704,592	15,933	284,018	299,951	404,641
Construction management	<u>52,000</u>	<u>-</u>	<u>17,694</u>	<u>17,694</u>	<u>34,306</u>
Total direct expenses	<u>812,737</u>	<u>19,476</u>	<u>315,499</u>	<u>334,975</u>	<u>477,762</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**  
 Department of Health and Social Services  
 Rural Primary Care Facility  
 Grant #65C-11-285  
 Schedule of Revenues and Expenses - Budget and Actual  
 Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues - State of Alaska	\$ <u>118,499</u>	<u>115,880</u>	<u>(2,619)</u>
Expenses:			
Direct expenses:			
Support services	9,086	9,882	(796)
Design	<u>109,413</u>	<u>105,998</u>	<u>3,415</u>
Total direct expenses	<u>118,499</u>	<u>115,880</u>	<u>2,619</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

Rural Primary Care Facility

Grant #65C-11-268

Schedule of Revenues and Expenses - Budget and Actual

Year Ended September 30, 2012

		<u>Actual</u>			<u>Variance</u>
	<u>Budget</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Favorable</u>
		<u>Year</u>	<u>Year</u>		<u>(Unfavorable)</u>
Revenues - State of Alaska	\$ <u>1,622,065</u>	<u>198,161</u>	<u>1,252,564</u>	<u>1,450,725</u>	<u>(171,340)</u>
Expenses:					
Direct expenses:					
Support services	171,299	28,108	65,519	93,627	77,672
Clinic construction	<u>1,450,766</u>	<u>170,053</u>	<u>1,187,045</u>	<u>1,357,098</u>	<u>93,668</u>
Total direct expenses	<u>1,622,065</u>	<u>198,161</u>	<u>1,252,564</u>	<u>1,450,725</u>	<u>171,340</u>
Excess of revenues over expenses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**

Department of Health and Social Services

Rural Primary Care Facility

Grant #65C-11-269

Schedule of Revenues and Expenses - Budget and Actual

Year Ended September 30, 2012

		Actual			Variance
	<u>Budget</u>	<u>Prior</u>	<u>Current</u>	<u>Total</u>	<u>Favorable</u>
		<u>Year</u>	<u>Year</u>		<u>(Unfavorable)</u>
Revenues - State of Alaska	\$ <u>1,286,573</u>	<u>130,826</u>	<u>1,155,747</u>	<u>1,286,573</u>	<u>-</u>
Expenses:					
Direct expenses:					
Support services	100,000	19,159	35,084	54,243	45,757
Construction management	27,936	-	32,444	32,444	(4,508)
Clinic construction	<u>1,158,637</u>	<u>111,667</u>	<u>1,088,219</u>	<u>1,199,886</u>	<u>(41,249)</u>
Total direct expenses	<u>1,286,573</u>	<u>130,826</u>	<u>1,155,747</u>	<u>1,286,573</u>	<u>-</u>
Excess of revenues over expenses	\$ <u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**ALASKA NATIVE TRIBAL HEALTH CONSORTIUM**  
 Department of Health and Social Services  
 Rural Primary Care Facility  
 Grant #65C-12-285  
 Schedule of Revenues and Expenses - Budget and Actual  
 Year Ended September 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Revenues - State of Alaska	\$ <u>185,672</u>	<u>3,845</u>	<u>(181,827)</u>
Expenses:			
Direct expenses:			
Support services	16,507	-	16,507
Design	<u>169,165</u>	<u>3,845</u>	<u>165,320</u>
Total direct expenses	<u>185,672</u>	<u>3,845</u>	<u>181,827</u>
Excess of revenues over expenses	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>