



# Alaska Native Tribal Health Consortium

## Financial Statements and Supplementary Information

Years Ended September 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

# **Alaska Native Tribal Health Consortium**

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Financial Statements and Supplementary Information  
Years Ended September 30, 2014 and 2013

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# Alaska Native Tribal Health Consortium

## Contents

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	Page
Independent Auditor's Report	1-2
<b>Financial Statements</b>	
Statements of Financial Position	4
Statements of Activities	5
Statements of Functional Expenses	6-7
Statements of Cash Flows	8
Notes to Financial Statements	9-22
<b>Supplementary Information</b>	
Schedule of Functional Expenses by Division	24-25



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## Independent Auditor's Report

Board of Directors  
Alaska Native Tribal Health Consortium  
Anchorage, Alaska

### Report on the Financial Statements

We have audited the accompanying financial statements of Alaska Native Tribal Health Consortium (the "Consortium"), which comprise the statements of financial position as of September 30, 2014 and 2013, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

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

#### *Auditor's Responsibility*

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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### *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, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Other Information*

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

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alaska Native Tribal Health Consortium internal control over financial reporting and compliance.

*BDO USA, LLP*

Anchorage, Alaska  
June 17, 2015

## Financial Statements

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**Alaska Native Tribal Health Consortium**  
**Statements of Financial Position**

<i>September 30,</i>	2014	2013
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 195,593,840	\$ 87,281,081
Investments	154,824,414	130,587,278
Receivables:		
Grantors	36,247,079	37,971,239
Patient accounts, net	47,010,459	33,457,479
Central warehouse	3,569,612	8,917,338
Southcentral Foundation receivable	2,862,026	1,539,165
Other receivables	5,083,446	4,813,758
Inventory	7,401,530	5,701,767
Prepaid expenses	2,163,110	1,374,893
<b>Total Current Assets</b>	<b>454,755,516</b>	<b>311,643,998</b>
Long-term receivables	733,672	5,319,551
Property and equipment, net	140,855,263	121,669,547
<b>Total Assets</b>	<b>\$ 596,344,451</b>	<b>\$ 438,633,096</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accounts payable	\$ 47,738,705	\$ 41,730,808
Accrued payroll and related liabilities	18,689,000	18,187,178
Accrued leave	8,482,527	7,787,613
Southcentral Foundation payable	5,123,281	13,455,919
Deferred revenue - grants and contracts	61,595,652	58,280,878
<b>Total Current Liabilities</b>	<b>141,629,165</b>	<b>139,442,396</b>
<b>Net Assets</b>		
Temporarily restricted net assets	6,372,022	7,060,846
Unrestricted net assets:		
Undesignated	150,419,903	135,807,053
Designated (note 14)	297,923,361	156,322,801
<b>Total unrestricted net assets</b>	<b>448,343,264</b>	<b>292,129,854</b>
<b>Total Net Assets</b>	<b>454,715,286</b>	<b>299,190,700</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 596,344,451</b>	<b>\$ 438,633,096</b>

*See accompanying notes to financial statements.*

## Alaska Native Tribal Health Consortium

### Statements of Activities

Years ended September 30,	2014			2013		
	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total	Unrestricted Net Assets	Temporarily Restricted Net Assets	Total
<b>Revenues</b>						
IHS compact	\$ 173,120,028	\$ 2,230,035	\$ 175,350,063	\$ 171,883,408	\$ 2,268,640	\$ 174,152,048
Other grants and contracts	68,093,901	-	68,093,901	72,905,494	-	72,905,494
Net patient service revenue	214,566,659	-	214,566,659	190,634,306	-	190,634,306
Central warehouse sales revenue	22,196,913	-	22,196,913	21,979,494	-	21,979,494
ARUC utility revenue	4,993,186	-	4,993,186	5,655,638	-	5,655,638
Net investment income	4,267,326	-	4,267,326	1,106,356	-	1,106,356
Other	14,468,512	-	14,468,512	10,106,270	-	10,106,270
Contributed capital from grants	7,675,007	-	7,675,007	5,850,000	-	5,850,000
Contributions	446,893	111,510	558,403	418,931	114,358	533,289
Net assets released from restrictions - satisfaction of capital acquisitions and grant conditions	3,030,369	(3,030,369)	-	4,084,681	(4,084,681)	-
IHS support cost settlement	129,737,164	-	129,737,164	-	-	-
<b>Total Revenues</b>	<b>642,595,958</b>	<b>(688,824)</b>	<b>641,907,134</b>	<b>484,624,578</b>	<b>(1,701,683)</b>	<b>482,922,895</b>
<b>Expenses</b>						
Program services:						
Alaska Native Medical Center	319,170,418	-	319,170,418	275,873,261	-	275,873,261
DEHE Construction Activities	71,398,145	-	71,398,145	86,833,637	-	86,833,637
DEHE Program Activities	11,253,215	-	11,253,215	10,700,899	-	10,700,899
Facility Maintenance and Improvements	3,767,559	-	3,767,559	3,221,976	-	3,221,976
Community Health Services	24,137,243	-	24,137,243	23,691,362	-	23,691,362
Statewide Tribal Services	50,531,252	-	50,531,252	48,541,817	-	48,541,817
<b>Total program services</b>	<b>480,257,832</b>	<b>-</b>	<b>480,257,832</b>	<b>448,862,952</b>	<b>-</b>	<b>448,862,952</b>
Supporting services:						
Fundraising	643,544	-	643,544	655,152	-	655,152
General Administration, net of indirect cost recovery	5,481,172	-	5,481,172	10,179,117	-	10,179,117
<b>Total supporting services</b>	<b>6,124,716</b>	<b>-</b>	<b>6,124,716</b>	<b>10,834,269</b>	<b>-</b>	<b>10,834,269</b>
<b>Total Expenses</b>	<b>486,382,548</b>	<b>-</b>	<b>486,382,548</b>	<b>459,697,221</b>	<b>-</b>	<b>459,697,221</b>
Change in net assets	156,213,410	(688,824)	155,524,586	24,927,357	(1,701,683)	23,225,674
Net Assets, beginning of year	292,129,854	7,060,846	299,190,700	267,202,497	8,762,529	275,965,026
<b>Net Assets, end of the year</b>	<b>\$ 448,343,264</b>	<b>\$ 6,372,022</b>	<b>\$ 454,715,286</b>	<b>\$ 292,129,854</b>	<b>\$ 7,060,846</b>	<b>\$ 299,190,700</b>

*See accompanying notes to financial statements.*

**Alaska Native Tribal Health Consortium**

**Statement of Functional Expenses**

Year Ended September 30, 2014	Program Services							Supporting Services					Totals 2014
	Alaska Native Medical Center	DEHE Construction Activities	DEHE Program Activities	Facility Maintenance		Community Health Services	Statewide Tribal Services	Total Program Services	DEHE			Total Supporting Services	
				and Improve- ments					Admin- istrative Services	Fund- raising	General Admini- stration		
Salaries and benefits	\$ 148,654,624	\$ 15,353,056	\$ 5,419,103	\$ 41,909	\$ 12,489,401	\$ 8,273,699	\$ 190,231,792	\$ 1,565,196	\$ 216,883	\$ 36,613,128	\$ 38,395,207	\$ 228,626,999	
Contractual	19,970,367	25,436,459	240,031	3,702,233	7,618,108	12,786,785	69,753,983	256,256	259,249	21,163,946	21,679,451	91,433,434	
Supplies and drugs	37,774,919	-	-	-	45,994	21,758,636	59,579,549	-	-	472,976	472,976	60,052,525	
Contract health	28,185,344	-	-	-	-	-	28,185,344	-	-	-	-	28,185,344	
Construction materials	-	12,636,293	47,023	287	-	-	12,683,603	-	-	-	-	12,683,603	
Travel and per diem	6,047,254	1,805,236	973,086	1,686	975,338	1,079,811	10,882,411	64,911	9,373	1,400,378	1,474,662	12,357,073	
Depreciation	4,433,677	1,512,430	2,126	-	-	55,278	6,003,511	21,959	-	6,213,206	6,235,165	12,238,676	
Minor equipment	951,844	3,994,678	36,373	465	220,840	964,848	6,169,048	128,007	-	2,760,907	2,888,914	9,057,962	
Facility expense	5,184,794	816,300	75,302	-	261,772	667,499	7,005,667	1,261,469	-	2,726,635	3,988,104	10,993,771	
Other	2,729,986	227,537	252,646	-	214,751	297,014	3,721,934	34,590	12,574	4,062,546	4,109,710	7,831,644	
Freight	-	5,827,823	16,537	-	-	-	5,844,360	-	-	-	-	5,844,360	
General supplies	1,086,725	213,365	40,452	-	710,750	749,598	2,800,890	42,983	103,679	1,485,652	1,632,314	4,433,204	
Communications	71,528	163,892	3,333	-	30,050	141,128	409,931	6,028	3,195	467,322	476,545	886,476	
Construction supplement	-	-	1,757,477	-	-	-	1,757,477	-	-	-	-	1,757,477	
Allocation of pooled project costs	-	(117,585)	95,947	9,873	-	-	(11,765)	11,765	-	-	11,765	-	
Allocation of equipment costs	-	(3,884)	3,884	-	-	-	-	-	-	-	-	-	
Allocation of indirect costs	64,079,356	3,532,545	2,289,895	11,106	1,570,239	3,756,956	75,240,097	(3,393,164)	38,591	(71,885,524)	(75,240,097)	-	
<b>Total Expenses</b>	<b>\$ 319,170,418</b>	<b>\$ 71,398,145</b>	<b>\$ 11,253,215</b>	<b>\$ 3,767,559</b>	<b>\$ 24,137,243</b>	<b>\$ 50,531,252</b>	<b>\$ 480,257,832</b>	<b>\$ -</b>	<b>\$ 643,544</b>	<b>\$ 5,481,172</b>	<b>\$ 6,124,716</b>	<b>\$ 486,382,548</b>	

*See accompanying notes to financial statements.*

**Alaska Native Tribal Health Consortium**  
**Statement of Functional Expenses**

Year Ended September 30, 2013	Program Services							Supporting Services					Totals 2013
	Alaska Native Medical Center	DEHE Construction Activities	DEHE Program Activities	Facility Maintenance		Community Health Services	Statewide Tribal Services	Total Program Services	DEHE			Total Supporting Services	
				and Improve- ments					Admin- istrative Services	Fund- raising	General Admini- stration		
Salaries and benefits	\$ 139,379,683	\$ 15,787,109	\$ 5,824,437	\$ 30,911	\$ 12,245,963	\$ 8,277,836	\$ 181,545,939	\$ 1,535,255	\$ 215,092	\$ 34,411,126	\$ 36,161,473	\$ 217,707,412	
Contractual	15,135,626	37,298,055	185,835	3,155,079	7,556,789	12,663,799	75,995,183	195,650	237,308	18,475,352	18,908,310	94,903,493	
Supplies and drugs	32,197,653	-	-	-	59,321	21,304,249	53,561,223	-	-	467,884	467,884	54,029,107	
Contract health	17,927,975	-	-	-	-	-	17,927,975	-	-	-	-	17,927,975	
Construction materials	-	17,089,147	51,628	13,571	-	-	17,154,346	-	-	-	-	17,154,346	
Travel and per diem	5,582,989	1,836,228	969,539	1,602	1,100,172	1,099,898	10,590,428	37,289	15,583	1,599,149	1,652,021	12,242,449	
Depreciation	3,370,196	1,537,283	2,126	-	4,391	50,616	4,964,612	24,243	-	5,188,434	5,212,677	10,177,289	
Minor equipment	543,534	3,701,080	27,350	-	145,590	1,348,191	5,765,745	85,842	5,232	2,729,037	2,820,111	8,585,856	
Facility expense	3,296,080	968,858	4,002	-	269,772	809,314	5,348,026	1,509,399	154	1,577,510	3,087,063	8,435,089	
Other	2,584,234	208,745	62,735	-	174,947	406,394	3,437,055	31,628	15,756	3,372,353	3,419,737	6,856,792	
Freight	-	5,029,859	19,602	1,478	-	-	5,050,939	458	-	-	458	5,051,397	
General supplies	965,534	161,152	9,070	-	543,309	1,022,165	2,701,230	35,323	118,314	1,836,949	1,990,586	4,691,816	
Communications	249,798	147,763	3,221	-	42,778	176,081	619,641	9,306	1,516	465,938	476,760	1,096,401	
Construction supplement	-	-	837,799	-	-	-	837,799	-	-	-	-	837,799	
Allocation of pooled project costs	-	(122,711)	111,391	11,320	-	-	-	-	-	-	-	-	
Allocation of indirect costs	54,639,959	3,191,069	2,592,164	8,015	1,548,330	1,383,274	63,362,811	(3,102,511)	46,197	(60,306,497)	(63,362,811)	-	
<b>Total Expenses</b>	<b>\$ 275,873,261</b>	<b>\$ 86,833,637</b>	<b>\$ 10,700,899</b>	<b>\$ 3,221,976</b>	<b>\$ 23,691,362</b>	<b>\$ 48,541,817</b>	<b>\$ 448,862,952</b>	<b>\$ 361,882</b>	<b>\$ 655,152</b>	<b>\$ 9,817,235</b>	<b>\$ 10,834,269</b>	<b>\$ 459,697,221</b>	

*See accompanying notes to financial statements.*

# Alaska Native Tribal Health Consortium

## Statements of Cash Flows

<i>Year Ended September 30,</i>	2014	2013
<b>Cash Flows from Operating Activities</b>		
Change in net assets	\$ 155,524,586	\$ 23,225,674
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	12,238,676	8,435,089
Grant receipts from capital grants	(7,675,007)	(5,850,000)
Net unrealized/realized (gain) loss on investments	(2,227,639)	563,981
Loss on disposal of property and equipment	-	33,918
IHS support cost settlement	(129,737,164)	-
(Increase) decrease in current assets:		
Accounts receivable:		
Grantors	1,724,160	(722,865)
Patient accounts, net	(13,552,980)	(4,902,031)
Central warehouse	5,347,726	(3,290,481)
Southcentral Foundation receivable	(1,322,861)	4,841,760
Other receivables	4,316,191	(683,075)
Inventory	(1,699,763)	(90,205)
Prepaid expenses	(788,217)	(174,973)
Increase (decrease) in current liabilities:		
Accounts payable	6,007,897	(4,718,121)
Accrued payroll and related liabilities	501,822	252,814
Accrued annual leave	694,914	120,151
Southcentral Foundation payable	(8,332,638)	11,053,513
Deferred revenue	3,314,774	(6,364,887)
<b>Net cash from operating activities</b>	<b>24,334,477</b>	<b>21,730,262</b>
<b>Cash Flows from Investing Activities</b>		
Purchase of investments	(46,192,391)	(33,421,845)
Proceeds from sale of investments and maturities of debt securities	24,182,894	31,772,681
Purchase of property and equipment	(31,424,392)	(36,919,909)
<b>Net cash for investing activities</b>	<b>(53,433,889)</b>	<b>(38,569,073)</b>
<b>Cash Flows from Financing Activities</b>		
Proceeds from IHS support cost settlement	129,737,164	-
Grant receipts from capital grants	7,675,007	5,850,000
<b>Net cash from financing activities</b>	<b>137,412,171</b>	<b>5,850,000</b>
Net increase (decrease) in cash and cash equivalents	108,312,759	(10,988,811)
Cash and Cash Equivalents, beginning of year	87,281,081	98,269,892
<b>Cash and Cash Equivalents, end of year</b>	<b>\$ 195,593,840</b>	<b>\$ 87,281,081</b>

*See accompanying notes to financial statements.*

# Alaska Native Tribal Health Consortium

## Notes to Financial Statements

September 30, 2014 and 2013

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### 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. 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.

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.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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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.

### *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, 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.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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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.

### *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.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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### *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 the report issuance date. 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 2013 financial statements have been reclassified to conform to the 2014 presentation. Such reclassifications affect neither the change in net assets nor net assets.

### *Subsequent Events*

The Consortium has evaluated subsequent events through June 17, 2015, the date on which the financial statements were issued.

## **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.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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### *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

### *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.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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### *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, 2014:

	Bank Balance	Carrying Amount
<b>Demand Deposits and Repurchase Agreement</b>	<b>\$ 200,978,797</b>	<b>\$ 195,593,840</b>

Cash and cash equivalents consist of the following at September 30, 2013:

	Bank Balance	Carrying Amount
<b>Demand Deposits and Repurchase Agreement</b>	<b>\$ 94,286,774</b>	<b>\$ 87,281,081</b>

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.

### 4. Investments

Investments are recorded at fair value and consist of the following at September 30, 2014:

	Cost	Fair Value (Market)
Cash and Cash Equivalents	\$ 1,734,917	\$ 1,734,917
Money Market Mutual Funds	50,008,348	50,008,348
Mutual Funds	4,120,675	4,225,695
Equities	17,796,170	22,380,799
Corporate Bonds	66,359,867	66,100,540
Exchange Traded Funds - Equities	7,589,796	10,316,743
Exchange Traded Funds - Bonds	3,802	3,803
Futures Contracts	56,358	53,569
<b>Total Investments</b>	<b>\$ 147,669,933</b>	<b>\$ 154,824,414</b>

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

As described in Note 1 under Investments, fair value is determined through one of three input categories. Investments at September 30, 2014, are classified as follows:

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 1,734,917	\$ -	\$ -	\$ 1,734,917
Money Market Mutual Funds	50,008,348	-	-	50,008,348
Mutual Funds	4,225,695	-	-	4,225,695
Equities	22,380,799	-	-	22,380,799
Corporate Bonds	66,100,540	-	-	66,100,540
Exchange Traded Funds - Equities	10,316,743	-	-	10,316,743
Exchange Traded Funds - Bonds	3,803	-	-	3,803
Futures Contracts	-	53,569	-	53,569
<b>Total Investments</b>	<b>\$ 154,770,845</b>	<b>\$ 53,569</b>	<b>\$ -</b>	<b>\$ 154,824,414</b>

Investments are recorded at fair value and consist of the following at September 30, 2013:

	Cost	Fair Value (Market)
Cash and Cash Equivalents	\$ 1,153,207	\$ 1,153,207
Money Market Mutual Funds	51,694,515	51,694,515
Mutual Funds	905,000	917,047
Equities	18,455,551	23,825,744
Corporate Bonds	47,791,560	47,840,383
Preferred Securities	23,511	23,489
Exchange Traded Funds - Equities	3,186,413	3,528,649
Exchange Traded Funds - Bonds	1,636,492	1,550,671
Futures Contracts	58,909	53,573
<b>Total Investments</b>	<b>\$ 124,905,158</b>	<b>\$ 130,587,278</b>

As described in Note 1 under Investments, fair value is determined through one of three input categories. Investments at September 30, 2013, are classified as follows:

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 1,153,207	\$ -	\$ -	\$ 1,153,207
Money Market Mutual Funds	51,694,515	-	-	51,694,515
Mutual Funds	917,047	-	-	917,047
Equities	23,825,744	-	-	23,825,744
Corporate Bonds	47,840,383	-	-	47,840,383
Preferred Securities	23,489	-	-	23,489
Exchange Traded Funds - Equities	3,528,649	-	-	3,528,649
Exchange Traded Funds - Bonds	1,550,671	-	-	1,550,671
Futures Contracts	-	53,573	-	53,573
<b>Total Investments</b>	<b>\$ 130,533,705</b>	<b>\$ 53,573</b>	<b>\$ -</b>	<b>\$ 130,587,278</b>

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

Investment gain (loss) consists of the following at September 30:

<i>September 30,</i>	2014	2013
Interest and dividend income	\$ 2,368,633	\$ 1,983,684
Net unrealized gain on securities	1,472,361	1,848,634
Net realized gain (loss) on securities	755,278	(2,412,615)
Fees	(328,946)	(313,347)
	<u>\$ 4,267,326</u>	<u>\$ 1,106,356</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, 2014 and 2013:

	2014	2013
Third party insurance and self-pay	\$ 41,553,852	\$ 45,331,440
Medicare	39,232,062	35,904,946
Medicaid	51,696,167	29,654,256
	<u>132,482,081</u>	<u>110,890,642</u>
Less allowance for contractual adjustments	(85,471,622)	(77,433,163)
<b>Patient Accounts Receivable, Net</b>	<u>\$ 47,010,459</u>	<u>\$ 33,457,479</u>

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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### 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, 2014 and 2013:

	2014	2013
ANTHC land	\$ 17,123,728	\$ 17,123,728
ANTHC building	66,295,133	63,563,740
Office furniture, equipment and software	82,021,484	71,999,271
DEHE Vehicles and project field equipment	18,161,111	16,967,615
ANTHC Construction in progress	21,834,135	10,165,984
ANTHC leasehold improvements	14,337,968	8,733,755
	219,773,559	188,554,093
Less accumulated depreciation	(78,918,296)	(66,884,546)
<b>Property and Equipment, Net</b>	<b>\$ 140,855,263</b>	<b>\$ 121,669,547</b>

### 8. Southcentral Foundation (SCF) Revenue Sharing

The SCF revenue-sharing agreement, as described in Note 1 under Revenues resulted in a payable at September 30, 2014 and 2013 of \$5,123,281 and \$10,995,374, respectively. Revenue-sharing payments remitted to the SCF under the agreement were \$81,662,099 and \$75,288,874 for the years ended September 30, 2014 and 2013, respectively.

### 9. Deferred Revenue

Deferred revenue consists of the following at September 30, 2014 and 2013:

	2014	2013
Sanitation Construction Projects (DEHE):		
IHS compact funding	\$ 47,243,301	\$ 45,003,441
Maintenance and improvements	6,830,783	7,126,228
Other funding	4,032,798	2,783,459
Other projects (non-construction)	3,488,770	3,367,750
<b>Total Deferred Revenue</b>	<b>\$ 61,595,652</b>	<b>\$ 58,280,878</b>

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

### 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, 2014 and 2013:

	2014	2013
M&I funding available, beginning of year	\$ 7,126,228	\$ 6,742,247
Current year receipts	3,472,115	3,605,957
<b>Total funds available</b>	<b>10,598,343</b>	<b>10,348,204</b>
Disbursements:		
Alaska Native Medical Center	893,463	797,515
Arctic Slope Native Association	39,894	28,561
Bristol Bay Area Health Corporation	257,142	-
Aleutian Pribilof Island Association	163,997	-
Kodiak Area Native Association	27,958	268,204
Maniilaq Association	584,421	240,620
Norton Sound Health Corporation	29,590	91,911
Annette Island Service Unit	29,228	-
Southeast Alaska Regional Health Consortium	227,781	463,534
Tanana Chiefs Conference	13,732	45,821
Ketchikan Indian Community	178,737	-
Tanana Tribal Council	38,578	-
Yukon Kuskokwim Health Corporation	1,283,038	1,185,876
Other	-	99,934
<b>Total disbursements</b>	<b>3,767,559</b>	<b>3,221,976</b>
<b>M&amp;I Funding Available, End of Year</b>	<b>\$ 6,830,783</b>	<b>\$ 7,126,228</b>

### 11. Retirement Plans

The Consortium participates in both a 401(a) and 403(b) retirement plan. To be eligible for enrollment in the plans, an employee must have completed one year of employment with no less than 1000 hours worked. The employer's contribution is 3% of the employee's base salary into the 401(a) Plan. The employer also contributes 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 retirement plan expense for the years ended September 30, 2014 and 2013 was \$6,864,531 and \$6,252,315, respectively.

# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

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### 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:*

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2015	\$ 1,174,330
2016	1,038,703
2017	1,251,081
2018	604,998
2019	253,902
Thereafter	-

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**Total Operating Lease** **\$ 4,323,014**

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Rent expense for facilities under noncancellable leases was approximately \$1,000,000 and \$500,000 for the years ended September 30, 2014 and 2013, 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, 2014 and 2013, the Consortium had net assets temporarily restricted for the following purposes and amounts:

	2014	2013
IHS Compact - various programs	\$ 5,700,297	\$ 6,744,277
Foundation contributions	304,611	316,569
	<b>\$ 6,372,022</b>	<b>\$ 7,060,846</b>

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# Alaska Native Tribal Health Consortium

## Notes to Consolidated Financial Statements

### 14. Designated Net Assets

Designated net assets at September 30, 2014 and 2013, consist of the following:

	2014	2013
Facilities/development acquisition/IT infrastructure and upgrades	\$ 4,501,786	\$ 4,501,786
Equipment, building replacement and depreciation	55,832,471	49,499,138
Grant and contract program completion	15,422,199	18,648,143
Additional housing	2,920,000	2,920,000
Maternal Child Health	3,548,075	6,889,955
Facility Expansion (Housing/Heliport/ASC/Diplomacy/ENT/Daycare)	23,580,000	-
Contributions to Tribal Facilities	14,000,000	-
Parking Garage (FTA portion)	7,675,007	-
Health Community Building critical care unit	22,000,000	-
Facility expansion/acquisition	74,580,044	-
Endowment - scholarships	1,000,000	1,000,000
ANMC Facility/Parking Expansion	10,832,987	10,832,987
Operation reserves	62,030,792	62,030,792
<b>Total</b>	<b>\$ 297,923,361</b>	<b>\$ 156,322,801</b>

### 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 Consolidated Financial Statements

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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.

## **17. IHS Support Cost Settlement**

In 2014, IHS settled with ANTHC in the award amount of \$129,737,164 for past contract support cost shortages. This amount has been included in revenues on the statement of activities.

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## Supplementary Information

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**Alaska Native Tribal Health Consortium**  
**Schedule of Functional Expenses by Division**

	Alaska Native Medical Center and General Administration Services						Division of Environmental Health and Engineering	
	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
<i>Year Ended September 30, 2014</i>								
Salaries and benefits	\$ 148,654,624	\$ 12,489,401	\$ 8,273,699	\$ 216,883	\$ 36,613,128	\$ 206,247,735	\$ 14,955,014	\$ 397,635
Contractual	19,970,367	7,618,108	12,786,785	259,249	21,163,946	61,798,455	-	-
Supplies and drugs	37,774,919	45,994	21,758,636	-	472,976	60,052,525	-	-
Contract health	28,185,344	-	-	-	-	28,185,344	-	-
Construction materials	-	-	-	-	-	-	-	-
Travel and per diem	6,047,254	975,338	1,079,811	9,373	1,400,378	9,512,154	-	-
Depreciation	4,433,677	-	55,278	-	6,213,206	10,702,161	-	-
Minor equipment	951,844	220,840	964,848	-	2,760,907	4,898,439	-	-
Facility expense	5,184,794	261,772	667,499	-	2,726,635	8,840,700	-	-
Other	2,729,986	214,751	297,014	12,574	4,062,546	7,316,871	-	52,284
Freight	-	-	-	-	-	-	-	-
General supplies	1,086,725	710,750	749,598	103,679	1,485,652	4,136,404	-	21,940
Communications	71,528	30,050	141,128	3,195	467,322	713,223	-	-
Construction supplement	-	-	-	-	-	-	-	-
Allocation of pooled project costs	-	-	-	-	-	-	-	-
Allocation of equipment costs	-	-	-	-	-	-	-	-
Indirect expense/(recovery)	64,079,356	1,570,239	3,756,956	38,591	(71,885,524)	(2,440,382)	3,463,289	68,758
<b>Total Expenses</b>	<b>\$ 319,170,418</b>	<b>\$ 24,137,243</b>	<b>\$ 50,531,252</b>	<b>\$ 643,544</b>	<b>\$ 5,481,172</b>	<b>\$ 399,963,629</b>	<b>\$ 18,418,303</b>	<b>\$ 540,617</b>

**Alaska Native Tribal Health Consortium**  
**Schedule of Functional Expenses by Division, continued**

	Division of Environmental Health and Engineering							Subtotal Division of Environmental Health and Engineering	Totals
	Construction Activities		Program Activities			Maintenance and Improve- ments	DEHE Admin- istrative Services		
	Construction Project Direct	Operations Project Direct	Non Project Program Services	Project Management Program Services					
<i>Year Ended Septmeber 30, 2014</i>									
Salaries and benefits	\$ 407	\$ -	\$ 1,004,975	\$ 4,414,128	\$ 41,909	\$ 1,565,196	\$ 22,379,264	\$ 228,626,999	
Contractual	22,272,513	3,163,946	160,038	79,993	3,702,233	256,256	29,634,979	91,433,434	
Supplies and drugs	-	-	-	-	-	-	-	60,052,525	
Contract health	-	-	-	-	-	-	-	28,185,344	
Construction materials	11,862,575	773,718	34,372	12,651	287	-	12,683,603	12,683,603	
Travel and per diem	1,711,238	93,998	194,232	778,854	1,686	64,911	2,844,919	12,357,073	
Depreciation	1,512,430	-	2,126	-	-	21,959	1,536,515	12,238,676	
Minor equipment	3,478,134	516,544	15,173	21,200	465	128,007	4,159,523	9,057,962	
Facility expense	313,782	502,518	-	75,302	-	1,261,469	2,153,071	10,993,771	
Other	65,430	109,823	41,153	211,493	-	34,590	514,773	7,831,644	
Freight	5,541,329	286,494	8,084	8,453	-	-	5,844,360	5,844,360	
General supplies	20,192	171,233	8,048	32,404	-	42,983	296,800	4,433,204	
Communications	125,801	38,091	1,461	1,872	-	6,028	173,253	886,476	
Construction supplement	-	-	-	1,757,477	-	-	1,757,477	1,757,477	
Allocation of pooled project costs	(117,585)	-	-	95,947	9,873	11,765	-	-	
Allocation of equipment costs	(3,884)	-	-	3,884	-	-	-	-	
Indirect expense/(recovery)	498	-	286,386	2,003,509	11,106	(3,393,164)	2,440,382	-	
<b>Total Expenses</b>	<b>\$ 46,782,860</b>	<b>\$ 5,656,365</b>	<b>\$ 1,756,048</b>	<b>\$ 9,497,167</b>	<b>\$ 3,767,559</b>	<b>\$ -</b>	<b>\$ 86,418,919</b>	<b>\$ 486,382,548</b>	



# Alaska Native Tribal Health Consortium

Federal and State Single Audit Reports  
Year Ended September 30, 2014

# **Alaska Native Tribal Health Consortium**

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Federal and State Single Audit Reports  
Year Ended September 30, 2014

# Alaska Native Tribal Health Consortium

## Contents

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	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1-2
Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	3-5
Schedule of Expenditures of Federal Awards	6-9
Notes to the Schedule of Expenditures of Federal Awards	10-11
Independent Auditor's Report on Compliance For Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the <i>State of Alaska Audit Guide and Compliance Supplement for State Single Audits</i>	12-14
Schedule of State Financial Assistance	15-16
Schedule of Findings and Questioned Costs	17-19
Summary Schedule of Prior Audit Findings	20
Corrective Action Plan	21
Independent Auditor's Report on Supplementary Information Department of Health and Social Services Programs - Schedules of Revenues and Expenses - Budget and Actual	22
Schedules of Expenditures - Budget and Actual:	
Bioterrorism Grant #601-14-152	23
Bioterrorism Grant #601-290-1502	24
HIV/AIDS Prevention Grant #601-14-171	25
HIV/AIDS Prevention Grant #601-281-1504	26
ASPR Grant Grant #1U90TP000501-02	27
Rural Primary Care Facility Grant #65C-13-203	28
Early Intervention/Infant Learning Program Grant #603-14-924	29



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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  
Anchorage, AK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Alaska Native Tribal Health Consortium (Consortium), which comprise the statement of financial position as of September 30, 2014 and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated June 17, 2015.

### Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2014-001).

## Compliance and Other Matters

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

## Consortium's Report to Findings

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

## Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska  
June 17, 2015



## **Independent Auditor's Report on Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

Board of Directors  
Alaska Native Tribal Health Consortium  
Anchorage, AK

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

We have audited Alaska Native 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, 2014. 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.

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

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

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

Our responsibility is to express an opinion on compliance for each of the Consortium's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the Consortium's compliance.

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

In our opinion, the Consortium complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

## Report on Internal Control Over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-002 that we consider to be a significant deficiency.

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

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

## Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the Consortium as of and for the year ended September 30, 2014, and have issued our report thereon dated June 17, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
June 17, 2015

**Alaska Native Tribal Health Consortium**

**Schedule of Expenditures of Federal Awards**

*Year Ended September 30, 2014*

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Health and Human Services</b>			
Tribal Self-Governance Program: IHS Compact/Funding Agreement:			
IHS Compact	58G990058	93.210	\$ 151,346,958
IHS Compact - DEHE Division	58G990058	93.210	29,307,411
Pass-Through Southcentral Foundation - Purchases Service Agreement	None	93.210	<u>6,618,494</u>
			<u>187,272,863</u>
Epidemiology Cooperative Agreements:			
Alaska Native Epidemiology Center	U1B1IHS0008-09-01	93.231	228,475
Alaska Native Epidemiology Center	U1B1IHS0008-10-02	93.231	<u>424,946</u>
			<u>653,421</u>
Special Diabetes Program for Indians - Diabetes Prevention and Treatment Projects:			
Special Diabetes Program	H1D94IHS0036-16-01	93.237	<u>673,356</u>
Centers for Disease Control and Prevention - Investigations and Technical Assistance:			
National Cancer Prevention and Control	5U58DP003857-02	93.283	221,888
National Cancer Prevention and Control	5U58DP003857-03	93.283	69,782
Centers for Research and Demonstration for Health Promotion and Disease Prevention:			
Alaska Tribal Health System CRC Screening Program	5U58DP002032-05 REVISED	93.283	495,673
Alaska Tribal Health System CRC Screening Program	2U58DP002032-06	93.283	<u>141,906</u>
			<u>929,249</u>
Grants to Provide Outpatient Early Intervention Services with Respect to HIV Disease:			
Ryan White HIV / AIDS Program	6H76HA00723-11-05	93.918	236,024
Ryan White HIV / AIDS Program	5H76HA00723-12-05	93.918	<u>303,848</u>
			<u>539,872</u>
Research, Treatment and Education Programs on Lyme Disease in the United States -			
CDC Prevention of Hepatitis in Alaska Native People	5U01PS001097-05 REVISED	93.942	<u>124,589</u>
Demonstration Projects for Indian Health:			
NARCH V	U26IHS0041-04-05	93.933	365,846
NARCH VI	U26IHS0046-03-01	93.933	234,725
NARCH VI	U261IHS0046-04-05	93.933	<u>138,683</u>
			<u>739,254</u>
ARRA-Prevention and Wellness-State, Territories and Pacific Islands -			
ARRA -Tobacco Quit Line	0610-117	93.723	<u>5,233</u>
Telehealth Resource Center Grant Program	5G22RH24743-02-00	93.211	275,571
Telehealth Resource Center Grant Program	6G22RH24743-03-01	93.211	<u>21,474</u>
			<u>297,045</u>
PPHF 2013 National Public Health Improvement Initiative Grants:			
Strengthening Public Health Infrastructure for Improved Health Outcomes	5U58CD001326-03 REVISED	93.507	25,613
Strengthening Public Health Infrastructure for Improved Health Outcomes	5U58CD001326-04 REVISED	93.507	<u>179,091</u>
			<u>204,704</u>
Cooperative Agreements to Improve the Health Status of Minority Populations:			
FY10 National Umbrella Cooperative Agreement Program (NUCA)	6MPCMP101053-04-02	93.004	92,403
FY10 National Umbrella Cooperative Agreement Program (NUCA)	5MPCMP101053-05-00	93.004	<u>161,989</u>
			<u>254,392</u>

**Alaska Native Tribal Health Consortium**  
**Schedule of Expenditures of Federal Awards, continued**

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Health and Human Services, continued</b>			
<b>Cancer Centers Support Grants:</b>			
Passed through the Mayo Clinic:			
Spirit of Eagles Communities Network Program	5U54CA153605-03	93.397	\$ 102,020
Spirit of Eagles Communities Network Program	5U54CA153605-04	93.397	34,971
Passed through Fred Hutchinson Cancer Research Center -			
Colorectal Cancer Awareness and Education	3U54CA153605-04S1	93.397	<u>42,692</u>
			<u>179,683</u>
<b>Trans- NIH Research Support Grants:</b>			
Trans- NIH Research Support			
	1R21CA163163-01A1 REVISED	93.310	127,770
Trans- NIH Research Support			
	5R21CA163163-02	93.310	36,618
Passed through the University of New Mexico -			
Tumor Registry	HHSN261201300010I	93.310	277,230
Tumor Registry		93.310	<u>135,878</u>
			<u>577,496</u>
<b>Community Programs to Improve Minority Health Grant Program:</b>			
American Indian/Alaska Native Health Disparities Program			
	5A1AMP120014-02-01	93.137	<u>160,270</u>
<b>Centers for Research and Demonstration for Health Promotion and Disease Prevention -</b>			
Passed through University of Texas Health Science Center:			
Health Promotion and Disease Prevention Research Centers - Category 1	5U48DP001949-03-06	93.135	<u>36,157</u>
<b>Cancer Cause and Prevention Research -</b>			
Passed through University of Washington:			
Exploring the Attitudes and Use of Family Cancer A Randomized Trial of Workplace Interventions to Improve Health of Alaska Natives	1R21CA163171-01 REVISED	93.393	41,278
	5R21CA163171-02	93.393	<u>38,263</u>
			<u>79,541</u>
<b>AIDS Education and Training Centers -</b>			
Passed through University of Washington:			
AIDS Education and Training Center	5H4HA00051-12-00	93.145	110,141
AIDS Education and Training Center	5H4HA00051-13-00	93.145	27,573
AIDS Education and Training Center: Minority AIDS Initiative	5H4HA00051-12-00	93.145	30,142
AIDS Education and Training Center: Minority AIDS Initiative	5H4HA00051-13-00	93.145	<u>6,571</u>
			<u>174,427</u>
<b>Public Health Emergency Preparedness -</b>			
Passed through State of Alaska Department of Health and Social Services:			
Bioterrorism	601-14-152	93.069	171,457
Bioterrorism	601-290-1502	93.069	<u>28,079</u>
			<u>199,536</u>
<b>Affordable Care Act (ACA) Personal Responsibility Education Program -</b>			
Passed through Inter Tribal Council of Arizona:			
Personal Responsibility Education Program	90AT0013-02-01	93.092	64,256
Personal Responsibility Education Program	ANTHC-15-00	93.092	<u>10,936</u>
			<u>75,192</u>
<b>HIV Prevention Activities - Health Department Based -</b>			
Passed through State of Alaska Department of Health and Social Services:			
HIV / AIDS Prevention	601-14-171	93.940	110,005
HIV / AIDS Prevention	601-281-1504	93.940	<u>16,591</u>
			<u>126,596</u>

**Alaska Native Tribal Health Consortium**  
**Schedule of Expenditures of Federal Awards, continued**

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>U.S. Department of Health and Human Services, continued</b>			
National Bioterrorism Hospital Preparedness Program - Passed through State of Alaska Department of Health and Social Services:			
ASPR Grant	1U90TP000501-02	93.889	\$ 44,898
Rural Health Care Services Outreach, Rural Health Network Development and Small Health Care Provider Quality Improvement Program:			
Rural HIT Network Program	6H9CRH22850-02-01	93.912	77,721
Rural HIT Network Program	5HPCRH228850-03-04	93.912	232,014
			<u>309,735</u>
Adult Viral Hepatitis Prevention and Control	1U01PS004113-01 REVISED	93.270	193,591
Adult Viral Hepatitis Prevention and Control	5U01PS004113-02	93.270	6,678
			<u>200,269</u>
Passed through The Board of Trustees of the Leland Stanford Junior University Technology Innovations for Supporting Health Among Alaska Native People	1R01HL117736-01A1	93.837	36,733
PPHF-2014-Cooperative Agreement to Support Navigators in Federally - facilitated and State Partnership Exchanges	1NAVCA130076-01-00	93.750	176,679
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	612,056
<b>Total Department of Health and Human Services</b>			<u>194,683,246</u>
<b>Denali Commission</b>			
ANTHC Primary Care Facilities	1174	90.100	285,386
ANTHC Behavioral Health & Primary Care Facilities	1176	90.100	734,245
ANTHC Behavioral Health or Primary Care Clinics	1299	90.100	201,761
ANTHC Primary Care Clinics Health Facilities Planning, Design and Construction	1314	90.100	2,772,175
Health Program: Program Planning, Design, Evaluation and Construction	1372	90.100	1,080,597
Health Facilities Planning, Design and Construction	397	90.100	1,022
<b>Total Denali Commission</b>			<u>5,075,186</u>
<b>U.S. Department of Agriculture</b>			
Statewide Rural Utility Cooperative	TAT FFY13	10.760	251,326
Statewide Rural Utility Cooperative	TAT FFY14	10.760	2,751
Remote Maintenance	01613	10.760	17,572
Remote Maintenance	01615	10.760	4,737
Pass-Through Programs from State of Alaska - Department of Environmental Conservation - Sanitation Facilities Construction Program (Note 5)	Various	10.760	13,450,528
			<u>13,726,914</u>
Food Distribution Program on Indian Reservations:			
Food Distribution Program for Indian Reservations	2014IS504147	10.567	2,300
Food Distribution Program for Indian Reservations	2014IS504047	10.567	654,663
Food Distribution Program for Indian Reservations	2014IS808347	10.567	9,815
			<u>666,778</u>
Distance Learning and Telemedicine	AK0711-E17	10.855	75,535
<b>Total Department of Agriculture</b>			<u>14,469,227</u>
<b>U.S. Department of Housing and Urban Development</b>			
Sanitation Facilities Project	B-10-SR-02-0007	14.862	5,192
Sanitation Facilities Project	B-13-SR-02-0045	14.862	80,965
Healthy Homes technical Studies Grant	AK-HHU-0009-13	14.906	170,284
<b>Total Department of Housing and Urban Development</b>			<u>256,441</u>
<b>U.S. Department of Transportation</b>			
Federal Transit Capital Investment Grants:			
Bus and Bus Facilities	AK-03-0064-01	20.500	1,010,556
Bus and Bus Facilities	AK-04-0019-01	20.500	5,731,000
<b>Total Department of Transportation</b>			<u>6,741,556</u>

**Alaska Native Tribal Health Consortium**  
**Schedule of Expenditures of Federal Awards, continued**

Federal Grantor/Pass Through Grantor/Program Title	Grant Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<b>Environmental Protection Agency</b>	GA-00J75101-3		
ANTHC Response Program FY14	RP-00J26504	66.808	\$ 116,316
ANTHC Alaska Tribal Air Quality Assessment and Support Project	TX-00J02801	66.808	<u>234,835</u>
			<u>351,152</u>
Village Monitoring and Assessment Grant	TX-00J02802	66.038	<u>4,081</u>
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act:			
ANTHC Community Environmental Demonstration Project	XA-00J51001-1	66.034	9,405
ANTHC Community Environmental Demonstration Project	XA-00J51001-2	66.034	<u>4,421</u>
			<u>13,826</u>
Science To Achieve Results (STAR) Research Program -			
Epidemiologic Study of Time Trends & Health Effects of Persistent Organic Pollutants, Mercury	RD-83370501-2	66.509	231,337
Building Tribal Capacity for Assessment Monitoring	RD-83559701-0	66.509	<u>20,878</u>
			<u>252,215</u>
Indian Environmental General Assistance Programs (GAP):			
Indian General Assistance Program	GA-00J07701-3	66.926	187,439
Indian General Assistance Program	GA-00J07701-4	66.926	<u>116,383</u>
			<u>303,822</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 5)	Various	66.458	<u>6,648,954</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 5)	Various	66.468	<u>5,217,558</u>
Congressional Mandated Projects -			
Pass-Through Programs from State of Alaska -			
Department of Environmental Conservation -			
Sanitation Facilities Construction Program (Note 5)	Various	66.202	288,849
Remote Maintenance Worker	01613	66.202	42,953
Remote Maintenance Worker	01615	66.202	<u>10,551</u>
			<u>342,353</u>
<b>Total Environmental Protection Agency</b>			<u>13,133,961</u>
<b>Department of Interior</b>			
Cooperative Landscape Conservation Grants:			
Climate Change Health Assessment	70181BJ076	15.669	25,657
Community Observation and Vulnerability Assessment	F13AC00018	15.669	<u>26,791</u>
<b>Total Department of Interior</b>			<u>52,448</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 234,412,065</u>

*The accompanying notes are an integral part of this schedule.*

# Alaska Native Tribal Health Consortium

## Notes to the Schedule of Expenditures of Federal Awards Year Ended September 30, 2014

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### 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) for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of Local Governments and Non-profit Organizations*. Because the schedule presents a selected portion of the operations of the consortium, it is not intended to and does not present the net assets or changes in net assets of the Consortium.

### 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:

<i>Program Title</i>	CFDA Number	Amount
IHS Compact	93.210	\$ 3,871,673
IHS Compact - Facilities Maintenance and Improvements	93.210	2,309,230
EPA - Sanitation Facilities Construction Program	66.458	2,005,864
EPA - Sanitation Facilities Construction Program	66.468	3,363,273
USDA - Sanitation Facilities Construction Program	10.760	900,533
Denali Commission - Rural Primary Care Facilities	90.100	1,466,587
		<hr/>
		\$ 13,917,160

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# Alaska Native Tribal Health Consortium

## Notes to the Schedule of Expenditures of Federal Awards

### 4. Deferred Revenue

Deferred Revenue for all programs consisted of the following:

<i>Program Title</i>	CFDA Number	Amount
Sanitation Construction Projects (DEHE):		
IHS Compact Funding	93.210	\$ 47,243,301
Maintenance and Improvements	93.210	6,830,783
Other Federal Funding:		
ARRA - Sanitation Facilities	93.722	110,688
Sanitation Facility Projects	14.862	420
Denali Commission - Primary Care Facilities	90.100	465,184
Energy Efficiency Project	81.128	1,207
Community Integrated Waste Management Plan	66.808	4,387
Sanitation Facilities Construction Program	66.458	617,669
Sanitation Facilities Construction Program	66.468	379,760
Sanitation Facilities Construction Program	10.760	2,715
Other non-federal funding	N/A	2,450,786
<b>Subtotal DEHE</b>		<b>\$ 58,106,900</b>
Other projects (non-construction) (Corporate):		
Bioterrorism		
IHS Compact	93.210	\$ 2,166
Drug Abuse and Addiction Research	93.279	12,477
Center of Disease Control Prevention and Investigation	93.283	28,814
Cancer Cause and Prevention Research	93.393	2,970
Other non-federal funding	N/A	3,443,225
<b>Subtotal Corporate</b>		<b>3,489,652</b>
		<b>\$ 61,596,552</b>

### 5. Memorandum of Understanding with State of Alaska

The funds identified on the Schedule of Expenditures of Federal Awards as (Note 5) 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 For Each Major State Program; Report on Internal Control Over Compliance; and Report on the Schedule of State Financial Assistance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

Board of Directors  
Alaska Native Tribal Health Consortium  
Anchorage, AK

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

We have audited Alaska Native 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, 2014. The Consortium's major state programs are identified in the accompanying schedule of state financial assistance.

### **Management's Responsibility**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the Consortium's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *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 on compliance for each major state program. However our audit does not provide a legal determination of the Consortium's compliance.

### **Opinion on Each Major State Program**

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, 2014.

BDO USA, LLP, a Delaware limited liability partnership, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

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## Report on Internal Control over Compliance

Management of the Consortium is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Consortium's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of State Financial Assistance required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits***

We have audited the financial statements of the Consortium as of and for the year ended September 30, 2014, and have issued our report thereon dated June 17, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of state financial assistance is presented for purposes of additional analysis as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state financial assistance is fairly stated in all material respects in relation to the financial statements as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
June 17, 2015

## Alaska Native Tribal Health Consortium

### Schedule of State Financial Assistance

*Year Ended September 30, 2014*

Name of Agency/Grant Award	Grant Number	Expenditures
Department of Environmental Conservation:		
Major program -		
Direct - Sanitation Facilities Construction Programs (1)	Various	\$ 4,581,552
Municipal Grants and Loans	41105	323,529
Non-major program -		
Passed through Maniilaq Association:		
Remote Maintenance	1614	20,500
Remote Maintenance	1615	5,168
Total Department of Environmental Conservation		<u>4,930,749</u>
Department of Commerce, Community and Economic Development -		
Major programs:		
Direct:		
Anchorage Long Term Care Facility	09-DC-283	101,089
Energy Efficiency Project - Alaska Rural Utilities Collaborative Expansion	14-DC-160	143,934
Sustainability and Energy Efficiencies - Shungak and Deering	13-DC-391	103,775
Passed through City of Akhiok - Sanitation Facilities Construction Programs	13-DC-001	839,534
Passed through City of Kake - Water and Sewer Replacement	13-DC-583	920,611
Passed through City of Koyukuk - Rural Primary Care Facility	13-DC-203	150,000
Passed through City of Ouzinkie:		
Emergency Repairs to Mahoona Dam	15-DC-001	286,468
Mahoona Lake Dam Repair and Replacement	14-DC-122	1,800,000
Passed through City of Russian Mission - Sanitation Facilities Improvement Project	13-DC-400	172,670
Passed through Northwest Arctic Borough - Energy Efficiency Project	12-DC-413	149,537
Passed through Venetie Village Council - Rural Primary Care Facility	13-DC-203	150,000
Non-major programs:		
Direct:		
Energy Efficiency Project	15-DC-185	75,925
Sanitation Facilities Improvement Project	13-DC-391	16,329
Passed through City of Chevak - Sanitation Facilities Improvement Project	12-DC-338	3,286
Passed through City of Elim - Fire Response and Protection System Extension	13-DC-048	35,504
Passed through City of Klawock - Water and Sewer Upgrades	12-DC-386	39
Passed through City of New Stuyahok	13-DC-440	192
Passed through City of Ouzinkie:		
Ouzinkie Dock Completion	14-DC-123	67,383
Replacement Dock/Economic Development Project and Water Main Replacement	11-DC-327	6,000
Passed through Northwest Arctic Borough:		
Feasibility Study	12-DC-409	46,389
Landfill Upgrades	13-DC-472	28,948
Passed through Venetie Village Council - Rural Primary Care Facility	13-DC-278	65,753
Total Department of Commerce, Community and Economic Development		<u>5,163,366</u>
Department of Health and Social Services:		
Non-major programs:		
Passed through City of Koyukuk - Rural Primary Care Facility	65C-13-203	226
Direct - Early Intervention/Infant Learning Program	603-14-924	4,193
Total Department of Health and Social Services		<u>4,419</u>
Department of Military and Veterans Affairs -		
Major programs:		
Passed through City of Galena - Emergency Response	DR 4122 PWN 408	1,869,859
Passed through City of Kotlik:		
Emergency Response	PA-10-AK-4162-PW-0012	638,704
Emergency Response	PA-10-AK-4162-PW-0019	3,081,541

**Alaska Native Tribal Health Consortium**  
**Schedule of State Financial Assistance, continued**

Name of Agency/Grant Award	Grant Number	Expenditures
Non-major programs:		
Passed through City of Galena:		
Emergency Response	PA-10-AK-4122-PW-0017	49,526
Emergency Response	PA-10-AK-4122-PW-0024	7,043
Emergency Response	PA-10-AK-4122-PW-0037	110
Total Department of Military and Veterans Affairs		<u>5,646,783</u>
Alaska Energy Authority:		
Major programs:		
Passed through Alaska Village Electric Cooperative - Surplus Wind Energy Recovery for Mekoryuk Water System Heat	7050870	187,575
Passed through Atmautluak Traditional Council - Atmautluak Washeteria Heat Recovery Project	7060935	343,871
Passed through City of Kobuk - Kobuk Biomass Design & Construction Project	7050840	309,957
Passed through City of Savoonga - Savoonga Heat Recovery Program	7060934	374,225
Passed through Interior Regional Housing Authority - Design & Construction of Wood Heating Projects in Interior Alaska Communities	7050820	742,789
Non-major programs:		
Direct - State Training and Employment Program FY 2015	756316	42,130
Passed through Alaska Village Electric Cooperative:		
Chevak Surplus Wind Energy Recovery	7080875	61,194
Gambell Surplus Wind Energy Recovery	7050876	49,460
Heat Recovery	49007-02-11	607
Shaktoolik Surplus Wind Energy Recovery	7050871	95,403
Stebbins Heat Recovery Project	7060939	29,276
Passed through City of Koyukuk - City of Koyukuk VEEP	7520004	4,592
Passed through City of Marshall - Heat Recovery	7060940	21,550
Passed through City of Noorvik - Heat Recovery	7060941	62,442
Passed through City of Russian Mission - Russian Mission Heat Recovery System	7050844	16,065
Passed through City of Scammon Bay - Hydro Design & Engineering	7050847	50,667
Passed through City of Shishmaref - Heat Recovery Project	7050856	3,484
Passed through City of Sleetmute - Sleetmute Heat Recovery	7050848	31,894
Passed through Huslia Traditional Council - Huslia Water System & Clinic Wood Boiler Project	7050821	28,619
Passed through Native Village of Kinhagak - Heat Recovery	7060937	70,133
Passed through State of Alaska Department of Environmental Conservation - Statewide Energy Projects	R1421	97,063
Total Alaska Energy Authority		<u>2,622,996</u>
<b>Total State Financial Assistance</b>		<b><u>\$ 18,368,313</u></b>

**(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, 2014

**Section I - Summary of Auditor's Results**

***Financial Statements***

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified?   X   yes      (none reported)

Noncompliance material to financial statements noted?      yes   X   no

***Federal Awards***

Internal control over major federal programs:

Material weakness(es) identified?      yes   X   no

Significant deficiency(ies) identified?   X   yes      (none reported)

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?   X   yes      no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
93.210	Tribal Self-Governance Program: IHS Compact/Funding Agreement	Department of Health and Human Services
90.100	Denali Commission Program	Denali Commission
20.500	Federal Transit Capital Investment Grants	Department of Transportation
66.458	Capitalization Grants for Clean Water State Revolving Funds	Environmental Protection Agency

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

Auditee qualified as low-risk auditee?   X   yes      no

***State 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: Unmodified

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

# Alaska Native Tribal Health Consortium

## Schedule of Findings and Questioned Costs, continued Year Ended September 30, 2014

**Section II - Financial Statement Findings Required to be Reported in Accordance with  
Government Auditing Standards**

**Finding 2014-001**      **Capitalization of Grant Funded Contributed Capital**

*Criteria*                      Management is responsible for the preparation and fair presentation of the Consortium's financial statements in accordance with accounting principles generally accepted in the United States of America, including internal controls over financial reporting.

*Condition*                      Expenditures for the federal grant funded portion of the parking garage had not been capitalized in accordance with Generally Accepted Accounting Principles (GAAP).

*Context*                        Condition was noted during the audit of a federal major program.

*Effect*                         Assets and expenses were understated and overstated, respectively, on the basic financial statements.

*Cause*                         Management was not aware capitalization of these federal expenditures was required in 2014.

*Recommendation*              We recommend management design internal controls to capture and record capital funded grant activity for which the Consortium will hold title including self-constructed assets.

*Views of responsible officials and planned corrective actions*              See corrective action plan.

**Section III - Federal Award Findings and Questioned Costs**

**Finding 2014-002**      **Procurement - Buy America**  
Procurement - Significant Deficiency - Internal Control Over Compliance

*Agency*                        Department of Transportation

*Program Award No.*              Federal Transit Capital Investment Grants              *CFDA 20.500*  
AK-03-0064-01/AK-04-0019-01

*Criteria*                        Per Department of Transportation Transit Cross-Cutting Section to include CFDA 20.500, "All steel, iron, and manufactured products used in the project must be produced in the U.S., as demonstrated by a Buy America certificate."

*Condition*                        Internal controls over procurement did not consider the "Buy America" cross-cutting requirement.

*Questioned Costs*              None noted.

# Alaska Native Tribal Health Consortium

## Schedule of Findings and Questioned Costs, continued *Year Ended September 30, 2014*

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<i>Context</i>	Noted during the audit of the federal major program.
<i>Effect</i>	The Consortium procured services with DOT funds without notifying the contractor that a Buy America provision was required.
<i>Cause</i>	A Buy America provision is not typical with other federal funding procurement requirements expended by the Consortium. The Buy America provision was not indicated in the grant award documentation from DOT.
<i>Recommendation</i>	We recommend management design internal controls to consider all procurement requirements the Consortium might be subject to when taking on new federal awards.
<i>Views of responsible officials and planned corrective actions</i>	See corrective action plan.

<b>Section IV - State Award Findings and Questioned Costs</b>
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There were no findings and questioned costs for State awards (as defined in the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*) that are required to be reported.

# Alaska Native Tribal Health Consortium

## Summary Schedule of Prior Audit Findings *Year Ended September 30, 2014*

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Financial Statement	
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<b>Finding 2013-001</b>	<b>Incurred But Not Report Liability (IBNR) - Significant Deficiency in Internal Controls Over Financial Reporting</b>
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<i>Condition</i>	During 2013, ANTHC accrued medical premiums for each covered employee, each pay period, using rates that exceeded actual claims experience.
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<i>Status</i>	Resolved in 2014
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Federal
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There were no prior year audit findings.

State
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There were no prior year audit findings.

# Alaska Native Tribal Health Consortium

## Corrective Action Plan Year Ended September 30, 2014

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Responsible Party: Garvin Federenko, CFO  
gfederenko@anthc.org

### Financial Statement Findings

**Finding 2014-001 Capitalization of Grant Funded Contributed Capital**

*Corrective Action* We have updated the process that conveys the required procedure. It now includes a mandatory review step to ensure that when we close out grants, we also review capital items that were purchased with grant funds to ensure they are capitalized.

*Expected Completion* Completed

### Financial Statement Findings

**Finding 2014-002 Procurement - Buy America**

*Corrective Action* We have updated our process that conveys required procedures for our grant department. It now includes (1) a mandatory review of the OMB circulars to identify regulatory changes that could impact funding conditions *prior* to acceptance of the award; (2) proactive communication with the manager administering the grant to ensure the manager is aware of the requirements and understands the expectation that the requirements be included in subawards, contracts and other relevant documents; and (3) regular reviews to ensure compliance.

We are also enhancing the grants management function to centralize the responsibility to regularly review grant conditions and regulatory changes. We are developing and implementing procedures to assure adherence to the changes, including effective communication to the project managers who are responsible for ensuring we comply with restrictions on revenue.

*Expected Completion* Completed



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Anchorage, AK 99503

## Independent Auditor's Report on Supplementary Information

Board of Directors  
Alaska Native Tribal Health Consortium  
Anchorage, AK

We have audited, the financial statements of the Alaska Native Tribal Health Consortium (the Consortium), as of September 30, 2014, and have issued our report thereon dated June 17, 2015 which expressed an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the on the financial statements that collectively comprise the Consortium's financial statements. The accompanying Schedules of Expenses - Department of Health and Social Services Programs - Budget and Actual are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates to directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*BDO USA, LLP*

Anchorage, Alaska  
June 17, 2015

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**Bioterrorism**  
**Grant #601-14-152**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Grant Year Ended June 30, 2014*

	Budget	Actual		Total	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 255,150	\$ 68,068	\$ 171,457	\$ 239,525	\$ (15,625)
<b>Expenses</b>					
Direct expenses:					
Personnel services	203,984	58,678	142,775	201,453	2,531
Travel	20,929	2,097	4,467	6,564	14,365
Supplies	1,500	-	6,332	6,332	(4,832)
Other	1,400	-	1,245	1,245	155
<b>Total direct expenses</b>	<b>227,813</b>	<b>60,775</b>	<b>154,819</b>	<b>215,594</b>	<b>12,219</b>
Indirect expenses	27,337	7,293	16,638	23,931	3,406
<b>Total Expenses</b>	<b>255,150</b>	<b>68,068</b>	<b>171,457</b>	<b>239,525</b>	<b>15,625</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**Bioterrorism**  
**Grant #601-290-1502**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Three Months Ended September 30, 2014*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 229,635	\$ 27,379	\$ (202,256)
<b>Expenses</b>			
Direct expenses:			
Personnel services	191,832	24,194	167,638
Travel	11,860	450	11,410
Supplies	3,000	-	3,000
Other	-	-	-
Total direct expenses	206,692	24,644	182,048
Indirect expenses	22,943	2,735	20,208
<b>Total Expenses</b>	229,635	27,379	202,256
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ -	\$ -

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**HIV/AIDS Prevention**  
**Grant #601-14-171**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Grant Year Ended June 30, 2014*

	Budget	Actual		Total	Variance Favorable (Unfavorable)
		Prior Year	Current Year		
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 122,091	\$ 12,086	\$ 110,005	\$ 122,091	\$ -
<b>Expenses</b>					
Direct expenses:					
Personnel services	74,112	10,087	64,025	74,112	-
Travel	11,207	665	10,542	11,207	-
Supplies	24,574	39	24,535	24,574	-
Total direct expenses	109,893	10,791	99,102	109,893	-
Indirect expenses	12,198	1,295	10,903	12,198	-
<b>Total Expenses</b>	122,091	12,086	110,005	122,091	-
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ -	\$ -	\$ -	\$ -

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**HIV/AIDS Prevention**  
**Grant #601-281-1504**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Three Months Ended September 30, 2014*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 60,000	\$ 17,324	\$ (42,676)
<b>Expenses</b>			
Direct expenses:			
Personnel services	50,622	14,527	36,095
Travel	1,584	893	691
Supplies	645	173	472
Facility	720	-	720
Total direct expenses	53,571	15,593	37,978
Indirect expenses	6,429	1,731	4,698
<b>Total Expenses</b>	<b>60,000</b>	<b>17,324</b>	<b>42,676</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**ASPR Grant**  
**Grant #1U90TP000501-02**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Grant Year Ended May 31, 2014*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues - federal sources passed through the State of Alaska</b>	\$ 64,040	\$ 44,898	\$ (19,142)
<b>Expenses</b>			
direct expenses -			
emergency preparedness	64,040	44,898	19,142
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ -	\$ -

**Alaska Native Tribal Health Consortium**  
**Department of Health and Social Services**  
**Rural Primary Care Facility**  
**Grant #65C-13-203**  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Year Ended September 30, 2014*

	Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues - State of Alaska</b>	\$ 150,000	\$ 226	\$ (149,774)
<b>Expenses</b>			
direct expenses -			
clinic construction	150,000	226	149,774
<b>Total direct expenses</b>	150,000	226	149,774
<b>Excess of Revenues Over Expenses</b>	\$ -	\$ -	-

**Alaska Native Tribal Health Consortium**  
 Department of Health and Social Services  
 Early Intervention/Infant Learning Program  
 Grant #603-14-924  
**Schedule of Revenues and Expenses - Budget and Actual**  
*Grant Year Ended June 30, 2014*

	Budget	Actual		Total (Unfavorable)	Variance Favorable
		Prior Year	Current Year		
<b>Revenues - State of Alaska</b>	\$ 38,600	\$ 3,334	\$ 4,193	\$ 7,527	\$ (31,073)
<b>Expenses</b>					
Direct expenses:					
Personnel services	15,164	2,067	2,465	4,532	10,632
Travel	8,186	-	375	375	7,811
Other	5,600	600	514	1,114	4,486
<b>Total direct expenses</b>	<b>28,950</b>	<b>2,667</b>	<b>3,354</b>	<b>6,021</b>	<b>22,929</b>
Indirect expenses	9,650	667	839	1,506	8,144
<b>Total Expenses</b>	<b>38,600</b>	<b>3,334</b>	<b>4,193</b>	<b>7,527</b>	<b>31,073</b>
<b>Excess of Revenues Over Expenses</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>