



Association of Village Council Presidents

Consolidated Financial Statements,
Additional Information,
and Single Audit Reports
Years Ended December 31, 2019 and 2018

Association of Village Council Presidents

Consolidated Financial Statements, Additional Information,
and Single Audit Reports
Years Ended December 31, 2019 and 2018

Association of Village Council Presidents

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Independent Auditor's Report

Board of Directors
Association of Village Council Presidents
Bethel, Alaska

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Association of Village Council Presidents, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated 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 Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our 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 consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Association of Village Council Presidents as of December 31, 2019 and 2018, 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 Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Schedule of State Financial Assistance, as required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits* and additional information on pages 20 through 29 are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. The Schedule of Expenditures of Federal Awards, Schedule of State Financial Assistance and the additional information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the additional information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2019, Association of Village Council Presidents adopted Accounting Standards Update (ASU) 2018-08, *Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020, on our consideration of Association of Village Council Presidents internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Association of Village Council President's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Association of Village Council Presidents' internal control over financial reporting and compliance.

BDO USA, LLP

Anchorage, Alaska
September 30, 2020

Consolidated Financial Statements

Association of Village Council Presidents
Consolidated Statements of Financial Position

<i>December 31,</i>	2019	2018
Assets		
Current Assets		
Cash and cash equivalents	\$ 53,747,542	\$ 47,820,652
Accrued interest	13,891	5,231
Accounts receivable	651	651
Accounts receivable - grants	4,263,354	5,202,457
Prepays	268,163	94,199
Total Current Assets	58,293,601	53,123,190
Noncurrent assets:		
Investments - NAB	138,741	138,803
Property and equipment, net of accumulated depreciation	11,325,797	11,638,968
Collections	2,012,986	2,012,986
Total Assets	\$ 71,771,125	\$ 66,913,947
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 2,310,004	\$ 3,397,831
Accrued payroll and related liabilities	1,351,097	1,363,361
Deferred revenue	2,391,295	47,831,077
Total Current Liabilities	6,052,396	52,592,269
Note payable	3,500,000	500,000
Total Liabilities	9,552,396	53,092,269
Commitments and Contingencies (Note 8)		
Net Assets		
Without donor restrictions	12,852,285	13,821,678
With donor restrictions	49,366,444	-
Total Net Assets	62,218,729	13,821,678
Total Liabilities and Net Assets	\$ 71,771,125	\$ 66,913,947

See accompanying notes to consolidated financial statements.

Association of Village Council Presidents

Consolidated Statements of Activities

<i>Years Ended December 31,</i>	2019			2018
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions
Revenues				
Grants and contracts:				
Federal	\$ 17,983,784	\$ 72,615,899	\$ 90,599,683	\$ 40,857,554
State	5,092,156	2,838,724	7,930,880	6,298,746
Other	142,502	-	142,502	186,740
Investment income	318,297	-	318,297	224,685
Other revenues	1,534,899	-	1,534,899	82,147
Net assets released from restrictions	26,088,179	(26,088,179)	-	-
Total Revenues	51,159,817	49,366,444	100,526,261	47,649,872
Expenses				
Program services:				
Self-governance	21,988,865	-	21,988,865	19,570,743
Social services	21,298,056	-	21,298,056	21,676,141
Community services	5,696,300	-	5,696,300	6,095,716
Environmental	96,239	-	96,239	117,081
Total program services	49,079,460	-	49,079,460	47,459,681
Support services:				
General and administrative	9,067,514	-	9,067,514	9,293,643
Less indirect recovery	(6,017,764)	-	(6,017,764)	(4,690,163)
Total support services	3,049,750	-	3,049,750	4,603,480
Total Expenses	52,129,210	-	52,129,210	52,063,161
Change in net assets	(969,393)	49,366,444	48,397,051	(4,413,289)
Net Assets, beginning of year	13,821,678	-	13,821,678	18,234,967
Net Assets, end of year	\$ 12,852,285	\$ 49,366,444	\$ 62,218,729	\$ 13,821,678

See accompanying notes to consolidated financial statements.

Association of Village Council Presidents
Consolidated Statement of Functional Expenses
Year Ended December 31, 2019

	Program Services					Total	Supporting Activities	Total
	Self- Governance	Social Services	Community Services	Environmental	Program Services	General and Administration		
Expenses								
Wages and benefits	\$ 8,307,252	\$ 8,710,935	\$ 1,731,395	\$ 8,425	\$ 18,758,007	\$ 5,848,437	\$ 24,606,444	
Travel	1,203,420	693,602	164,663	20,172	2,081,857	230,289	2,312,146	
Stipends	70,103	76,643	-	2,000	148,746	65,473	214,219	
Operating expenses	3,244,374	977,551	1,385,682	18,852	5,626,459	1,321,409	6,947,868	
Contractual	1,779,823	2,105,680	1,707,348	38,731	5,631,582	320,207	5,951,789	
Depreciation	-	-	-	-	-	823,261	823,261	
Facilities	752,948	796,025	98,294	-	1,647,267	516,654	2,163,921	
Assistance payments	3,207,026	6,334,754	-	-	9,541,780	8,792	9,550,572	
Other expenses	(56,080)	5,108	12,731	-	(38,241)	112,359	74,118	
	18,508,866	19,700,298	5,100,113	88,180	43,397,457	9,246,881	52,644,338	
Indirect expense allocation	3,739,223	1,632,766	637,716	8,059	6,017,764	(6,017,764)	-	
Property and equipment purchased with grant funds	(259,224)	(35,008)	(41,529)	-	(335,761)	(179,367)	(515,128)	
Total Expenses	\$ 21,988,865	\$ 21,298,056	\$ 5,696,300	\$ 96,239	\$ 49,079,460	\$ 3,049,750	\$ 52,129,210	

See accompanying notes to consolidated financial statements.

Association of Village Council Presidents
Consolidated Statement of Functional Expenses
Year Ended December 31, 2018

	Program Services				Total Program Services	Supporting Activities	Total
	Self- Governance	Social Services	Community Services	Environmental		General and Administration	
Expenses							
Wages and benefits	\$ 7,016,439	\$ 8,734,780	\$ 1,957,499	\$ 38,374	\$ 17,747,092	\$ 5,957,785	\$ 23,704,877
Travel	857,992	761,008	279,141	27,560	1,925,701	326,467	2,252,168
Stipends	79,312	68,800	-	1,000	149,112	81,359	230,471
Operating expenses	4,815,306	1,659,277	2,856,479	22,176	9,353,238	933,592	10,286,830
Contractual	1,549,936	1,098,499	68,209	15,702	2,732,346	392,889	3,125,235
Depreciation	-	-	-	-	-	1,054,026	1,054,026
Facilities	340,409	607,310	59,002	500	1,007,221	998,520	2,005,741
Assistance payments	2,703,644	7,082,697	-	-	9,786,341	-	9,786,341
Other expenses	56,670	28	-	11,769	68,467	532	68,999
	17,419,708	20,012,399	5,220,330	117,081	42,769,518	9,745,170	52,514,688
Indirect expense allocation	2,151,035	1,663,742	875,386	-	4,690,163	(4,690,163)	-
Property and equipment purchased with grant funds	-	-	-	-	-	(451,527)	(451,527)
Total Expenses	\$ 19,570,743	\$ 21,676,141	\$ 6,095,716	\$ 117,081	\$ 47,459,681	\$ 4,603,480	\$ 52,063,161

See accompanying notes to consolidated financial statements.

Association of Village Council Presidents

Consolidated Statements of Cash Flows

Years Ended December 31,	2019	2018
Cash Flows from Operating Activities		
Change in net assets	\$ 48,397,051	\$ (4,413,289)
Adjustments to reconcile change in net assets to net cash from operating activities:		
Depreciation	823,261	1,054,026
Unrealized (gains) losses on investments	62	(27,672)
Decrease (increase) in operating assets:		
Accrued interest	(8,660)	-
Accounts receivable	-	6,978
Accounts receivable - grants	939,103	7,285,177
Prepays	(173,964)	3,621
Increase (decrease) in operating liabilities:		
Accounts payable	(1,087,827)	(170,199)
Accrued payroll and related liabilities	(12,264)	12,049
Deferred revenue	(45,439,782)	6,884,900
Net Cash from Operating Activities	3,436,980	10,635,591
Net Cash for Investing Activities		
Purchase and construction of property and equipment	(510,090)	(451,527)
Net Cash from Financing Activities		
Draws on loan	3,000,000	1,400
Net change in cash and cash equivalents	5,926,890	10,185,464
Cash and Cash Equivalents, beginning of year	47,820,652	37,635,188
Cash and Cash Equivalents, end of year	\$ 53,747,542	\$ 47,820,652
Supplemental information -		
Cash paid for interest	\$ 8,334	\$ 11,102

See accompanying notes to consolidated financial statements.

Association of Village Council Presidents

Notes to Consolidated Financial Statements Years Ended December 31, 2019 and 2018

1. Nature of Organization and Summary of Significant Accounting Policies

Organization

Association of Village Council Presidents (AVCP or Association) was incorporated on May 2, 1977, for the purpose of carrying out nonprofit activities in the areas of housing improvement, environmental matters, and social and economic services. These services are primarily for Alaska Native people residing in the AVCP Region of Alaska. AVCP also acts as a representative of villages within the region.

Principles of Consolidation

In 2006, AVCP purchased a wholly owned subsidiary, Allanivik Hotel, for the purposes of creating jobs and income for AVCP and its operations. The Allanivik Hotel ceased operations in 2016. The remaining assets and liabilities are included in the accompanying financial statements.

In 2003, AVCP formed a limited liability company, Yuut Yaqungviat, LLC (Yuut), to serve as a flight school. Yuut ceased operations in 2016. The remaining assets and liabilities are included in the accompanying financial statements.

Basis of Presentation

The accounting records of AVCP are maintained on the accrual basis of accounting under which revenues are recognized when earned and expenses when incurred.

Financial statement presentation follows the recommendations of FASB Accounting Standards Codification (FASB ASC) 958-205, Not-for-Profit Entities - Presentation of Financial Statements. Under these provisions, AVCP is required to report information regarding its financial position and activities according to two classes of net assets: net assets without and net assets with donor restrictions.

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions - Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor.

To ensure observance of limitations and restrictions placed on the use of resources available to AVCP, the accounts are maintained in accordance with the principles of fund accounting, whereby resources and related expenses are classified for accounting and reporting purposes into funds with and without donor restriction established according to their nature and purpose.

Support and Revenues

AVCP administers federal, state, and other grants and contracts. AVCP evaluates each award to determine whether to follow contribution guidance or exchange transaction guidance based on the applicable standards. This determination is based on whether the resource provider is receiving commensurate value in return for the resources transferred. The majority of AVCPs support and revenue are accounted for as contributions based on the applicable guidance. For revenue recognition, AVCP also evaluates if the amount awarded includes donor-imposed conditions or restrictions.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

Grants awarded by federal and state agencies are generally considered nonreciprocal transactions restricted by the awarding agency for certain purposes, and revenue is recognized when qualifying expenditures are incurred and conditions under the grant agreements are met when a right or return or right of release exists in awards. Amounts receivable from funding agencies at year end include amounts relating to expenses incurred prior to year-end but not billed until after year end. For grants that have been deemed to have right of return or right of release, all grant and contract receipts in excess of expenses for ongoing programs are recorded as deferred revenue. Fund receipts in excess of expenses for completed programs is recorded as amounts payable to funding agencies. Grants awarded by federal and state agencies are recorded in the year amounts are awarded and obligated for awards that do not have the right of return or right of release. Contributions that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends, or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activity as net assets released from restrictions.

Contributions, including pledges, from the general public are recognized as public support when received. All contributions are considered to be available without donor restriction unless specifically restricted by the donor.

AVCP earns interest on unrestricted funds and on certain federal money as permitted by Public Law 93-638. All interest income is allocated to net assets without donor restriction.

Allocation of Indirect Expenses

AVCP records indirect expenses which benefit all programs and are not directly charged to programs. Indirect expenses are allocated between functions based on the current provisional rate negotiated with the federal cognizant agency unless otherwise limited by contractual agreement. Any over-recovery or under-recovery of actual indirect expenses for the year are recovered or refunded to the grantor based on the final negotiated rates with the federal cognizant agency.

Functional Allocation of Expenses

AVCP provides housing improvement, environmental matters and social and economic services to Alaska Native people in the region. The cost of providing program services and supporting activities has been summarized on the consolidated statement of functional expenses on page 6 and 7 of these financial statements. Expenses directly attributable to a specific functional activity are reported as expenses of those functional activities.

Indirect expenses benefit all programs and are not directly charged to programs. These expenses are allocated between functions based on the current provisional rate negotiated with the federal cognizant agency unless otherwise limited by contractual agreement. Any over-recovery or under-recovery of actual indirect expenses for the year are recovered or refunded to the grantor based on the final negotiated rates with the federal cognizant agency.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

Liquidity and Availability of Resources

At December 31, 2019, AVCP had \$58 million in financial assets available to meet needs for general expenditures consisting of cash and cash equivalents of \$53.8 million, grants receivables of \$4.3 million and others. Of this amount, \$52.3 million represents cash advances from granting agencies for program expenditures. Accordingly, all such funds are available to meet the cash needs of AVCP for various programs in the next 12 months.

AVCP manages its liquidity by developing and adopting annual operating budgets that provide sufficient funds for general expenditures in meeting its liabilities and other obligations as they become due. Cash needs of the AVCP are expected to be met monthly mainly from federal and state grant funds. In general, the AVCP maintains sufficient financial assets on hand to meet 30 days' worth of normal operating expenses.

AVCP's financial assets available within one year of the balance sheet date for general expenditure are listed as current assets in the consolidated statements of financial position.

As part of AVCP's liquidity management, there is a policy to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, AVCP invests cash in excess of daily requirements in short-term investments, including money market accounts and certificates of deposit. AVCP has a \$3,500,000 million long-term line of credit available to meet cash flow needs, of which \$3,500,000 has been utilized at year-end.

Cash and Cash Equivalents

Cash and cash equivalents consist of moneys in deposit accounts, money market funds, and certificates of deposit with maturities of 90 days or less.

Investments

AVCP carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in investment income.

Financial Accounting Standards Board ASC 820, Fair Value Measurements and Disclosure establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AVCP has the ability to access.

- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;

Association of Village Council Presidents

Notes to Consolidated Financial Statements

- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Property and Equipment

Property and equipment consist of buildings, furniture, heavy equipment, and computer and office equipment. AVCP's capitalization threshold is set at \$5,000 on a nonaggregated base. Property and equipment purchased with Federal and State of Alaska grants have a reversionary interest in such property as well as the ownership of any proceeds upon disposition. Some of the property and equipment purchased with federal grants have use restrictions related to funding guidelines. A record of such property and equipment purchased is maintained to indicate with which grant or contract it was purchased.

Donated furniture and equipment are recorded at acquisition value at date of donation. Furniture and equipment are depreciated on a straight-line basis over their estimated useful lives of three to five years. Leasehold improvements are depreciated on a straight-line basis over the lesser of their estimated useful lives of five years or the remaining term of the lease.

Purchases of property and equipment made with grant or contract moneys are recorded at cost. Generally, title to equipment acquired with the proceeds of grant or contract moneys vests with AVCP, subject to specific conditions related to the use and disposition of such equipment. The assets are recorded in the General Fund and depreciation is computed on the straight-line method.

Collections

AVCP maintains the Yupiit Piciryarait, formerly known as Yupik Museum, which contains various forms of Native American artwork and historical artifacts. These artifacts and artwork are held for public exhibition, are cared for and maintained by AVCP, and proceeds of such items are to be used to acquire other items for collections.

In 2012, AVCP capitalized its collections retroactively. To the extent that reliable records were available, AVCP capitalized collection items acquired prior to 2012 at their cost at the date of purchase or, if the items were contributed, at their fair value at the accession date (the date on which the item was accepted by the Board of Directors). Other collection items, particularly those acquired prior to 2012, when detailed curatorial records began to be maintained, have been capitalized at their appraised or estimated current market value.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

Collection items are not depreciated, as the economic benefit or service potential is used up so slowly that the estimated useful lives are extraordinarily long, and adequate resources are in place to protect and preserve these items.

Accounts Receivable

Receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful accounts is AVCP's best estimate of the amount of probable credit losses in the existing accounts receivable. AVCP determines the allowance based on historical write-off experience.

An allowance for doubtful accounts for grants and contributions receivable has not been established, as all receivables are considered fully collectible.

Advertising Costs

Advertising costs are expensed as incurred.

Income Taxes

AVCP is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (IRS), and accordingly no provision for income taxes is included in the financial statements. AVCP is not required to file an annual IRS Form 990 per IRS Revenue Procedure 95-48.

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.

Recently Adopted Accounting Standards

In June 2018, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2018-08, Not-for-Profit Entities (Topic 958) - Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The ASU clarifies and improves current guidance by providing criteria for determining whether the resource provider is receiving commensurate value in return for the resources transferred which, depending on the outcome, determines whether the organization follows contribution guidance or exchange transaction guidance in the revenue recognition and other applicable standards. The ASU also provides a more robust framework for determining whether a contribution is conditional or unconditional, and for distinguishing a donor-imposed condition from a donor-imposed restriction. Certain federal and state grants were previously recognized as costs were incurred; however, the guidance in this ASU indicates that the provisions of these federal and state grants do not qualify as exchange transactions and do not carry a right of return, even if AVCP is required to follow federal cost principles. The implementation resulted in AVCP recognizing \$49,366,444 in revenue from federal and state sources that were previously reported as deferred revenue in the Statement of Financial Position as described in the support and revenue accounting policy above for the year ended December 31, 2019.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

Upcoming Pronouncements

Revenue from Contracts with Customers

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, *Revenue from Contracts Customers* (ASU 2014-09), which supersedes nearly all existing revenue recognition guidance under U.S. GAAP. The core principle of ASU 2014-09 is to recognize revenues when promised goods or services are transferred to customers in an amount that reflects the consideration to which an entity expects to be entitled for those goods or services.

ASU 2014-09 defines a five-step process to achieve this core principle and, in doing so, more judgment and estimates may be required within the revenue recognition process than are required under existing U.S. GAAP.

The standard is effective for annual periods beginning after December 15, 2019, and interim periods within annual periods that begin after December 15, 2020, using either of the following transition methods: (i) a full retrospective approach reflecting the application of the standard in each prior reporting period with the option to elect certain practical expedients, or (ii) a retrospective approach with the cumulative effect of initially adopting ASU 2014-09 recognized at the date of adoption (which includes additional footnote disclosures). AVCP is currently evaluating the impact of its pending adoption of ASU 2014-09 on its consolidated financial statements and have not yet determined the method by which it will adopt the standard in 2020.

Leases

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (Topic 842). The new standard establishes a right-of-use (ROU) model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The standard also requires lessors to treat a lease as a sale if it transfers all of the risks and rewards, as well as control of the underlying asset, to the lessee. If risks and rewards are conveyed without the transfer of control, the lease is treated as a financing lease. If the lessor doesn't convey risks and rewards or control, an operating lease results. The guidance is effective for the fiscal years beginning after December 15, 2021. A modified retrospective transition approach is required for lessees for capital and operating leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. Management is currently evaluating the impact of their pending adoption of the new standard on their financial statements.

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Association of Village Council Presidents

Notes to Consolidated Financial Statements

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

<i>December 31, 2019</i>	Carrying Amount	Bank Balance
Checking accounts	\$ 44,974,604	\$ 45,485,553
Savings accounts	789,083	789,083
Money market funds	2,704,737	2,704,737
Certificates of deposit	5,279,118	5,279,118
Total Cash and Cash Equivalents	\$ 53,747,542	\$ 54,258,491

<i>December 31, 2018</i>	Carrying Amount	Bank Balance
Checking accounts	\$ 39,137,255	\$ 39,550,105
Savings accounts	788,732	788,732
Money market funds	2,687,163	2,687,163
Certificates of deposit	5,207,502	5,207,502
Total Cash and Cash Equivalents	\$ 47,820,652	\$ 48,233,502

Cash and cash equivalents and investment balances include advances that have been recorded as deferred revenue under various grant awards and funding agreements at December 31, 2019 and 2018, respectively. This deferred revenue is subject to certain investment restrictions required by the awarding agencies. The funds are invested in obligations of the United States or securities that are guaranteed or insured by the United States which satisfy the investment restrictions of the awarding agencies.

3. Concentration of Credit Risk

AVCP is not party to any financial instruments with off balance sheet risk. Financial instruments which potentially subject AVCP to concentrations of credit risk are demand deposits held in excess of the Federal Deposit Insurance Corporation insured amount. AVCP maintains its deposits with high credit quality commercial banks. AVCP has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on such deposits. Uninsured deposits were \$27,272,906 and \$24,762,169 at December 31, 2019 and 2018, respectively.

4. Investments

In 2006, AVCP purchased 1,539 shares of Class A Common Stock of The Native American Bank at \$650 per share for an initial aggregate subscription of \$1,102,863. As of December 31, 2019 and 2018, AVCP held a 1.015% and 1.088% minority interest in The Native American Bank (NAB), respectively. As of December 31, 2019 and 2018, the book value of the stock was \$91 and \$89 a share, respectively. As the stock is not traded in an active market, AVCP considers the book value of the shares as a measure of fair value and has classified it as a Level 3 investment.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

5. Property and Equipment

A summary of property and equipment, at cost, is as follows:

<i>December 31,</i>	2019	2018
Property and equipment not being depreciated:		
Land	\$ 2,527,807	\$ 2,527,805
Work in progress	6,357	6,357
Total property and equipment not being depreciated	2,534,164	2,534,162
Property and equipment being depreciated:		
Buildings	12,580,704	12,457,482
Heavy equipment and vehicles	6,350,852	6,274,002
Office furniture and equipment	3,385,189	3,080,557
Tools and other equipment	570,882	565,497
Total property and equipment being depreciated	22,887,627	22,377,538
Less accumulated depreciation	(14,095,994)	(13,272,732)
Property and equipment being depreciated, net	8,791,633	9,104,806
Total Property and Equipment, net	\$ 11,325,797	\$ 11,638,968

Depreciation expense was \$823,261 and \$1,054,026 for the years ended December 31, 2019 and 2018, respectively.

6. Note Payable

AVCP entered into a revolving line of credit in the amount of \$1.5 million in December 2013. The revolving line of credit accrues interest at 2% plus prime, currently 3.37%, and monthly interest-only payments are required. On February 24, 2017, the revolving line of credit amount was increased to a total of \$3,500,000 million. The outstanding balance of the revolving line of credit at December 31, 2019 and 2018 was \$3,500,000 and \$500,000, respectively. The revolving line of credit presented as note payable in the Statement of Activities matures on February 1, 2023. Payment in full is due on the maturity date.

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Association of Village Council Presidents

Notes to Consolidated Financial Statements

7. Net Assets

Donor-restricted contributions (including support pledged for a future period) are reported as increases in net assets with donor restrictions. When the applicable restriction is satisfied or time passes, whichever the case may be, the net assets with donor restrictions are reclassified to net assets without donor restrictions.

The following provides detail of the various components of net assets:

<i>December 31,</i>	2019	2018
Total net assets without donor restrictions	\$ 12,852,285	\$ 13,821,678
Net assets with donor restrictions for purpose:		
Highway Planning and Construction	20,865,670	-
Tribal Self Governance	19,809,923	-
P.L. 102-477 Contract	5,867,661	-
Child Support Services	2,496,466	-
Guardian Ad Litem	326,724	-
Total net assets with donor restrictions	49,366,444	-
Total Net Assets	\$ 62,218,729	\$ 13,821,678

8. Retirement Plan

AVCP has adopted a defined contribution retirement plan for all regular, full-time employees with at least 3 months of service. This eligibility period was reduced from 1 year to 3 months during 2003 when AVCP changed pension carriers. The Plan requires mandatory employer contributions of 7% of employee compensation and vests immediately. In 2003, AVCP also adopted a match of an employee's voluntary contribution up to 3%. Contributions are remitted to an insurance company each month. AVCP's contributions to the plan for the years ended December 31, 2019 and 2018 totaled \$1,637,512 and \$969,167, respectively.

The Plan is subject to the filing requirements of the Employee Retirement Income Security Act of 1974 ("ERISA"), as amended. Failure to complete the required filing timely and accurately could result in penalties. AVCP is currently compliant with these filing requirements. No penalties have arisen as a result of prior year noncompliance and therefore no provision for liability has been included in the accompanying financial statements.

AVCP also maintains a tax-sheltered annuity plan covering all employees. The annuity plan provides for participants generally to defer, on a pre-tax basis, up to 100% of eligible compensation up to amounts allowed by the Internal Revenue Service. Each participant's account is credited with the employee's elective deferral contribution and an allocation of Plan earnings and charged with an allocation of administrative expenses. Each participant is immediately 100% vested in their account balance.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

9. Commitments and Contingencies

Grants and Contracts

Generally, most of AVCP's revenues are received from federal and State of Alaska grants and contracts. These grants and contracts restrict the use of revenues to carrying out specific programs and may require the grantor's approval before certain expenses are allowable. AVCP is required to submit written progress reports for the activities being performed. 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 the amount of adjustments, if any, would be material and, accordingly, no provision for liability from such adjustments, if any, has been 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.

Leases

AVCP has entered into several predominantly month-to-month operating leases with affiliated tribal associates. AVCP's annual lease expense for the years ended December 31, 2019 and 2018 totaled \$762,211 and \$562,980, respectively.

10. Subsequent Events

AVCP has evaluated subsequent events through September 30, 2020, the date on which the consolidated financial statements were available to be issued.

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the AVCP's financial condition, liquidity, and future results of operations. Management is actively monitoring the global situation on its financial condition, liquidity, operations, suppliers, industry, and workforce.

Association of Village Council Presidents

Notes to Consolidated Financial Statements

Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the AVCP is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition, or liquidity for fiscal year 2020.

- Various suppliers and industry participants have decreased their activity and demand for products and services. While AVCP considers this disruption to be temporary and has not experienced a material impact of this to date, continued disruption in the supply chain and demand for products or services may lead to a significant impact to the AVCP.
- AVCP is dependent on its workforce to deliver its services. Developments such as social distancing, health of employees, and shelter-in-place directives may impact AVCP's ability to deploy its workforce as effectively. While expected to be temporary, prolonged workforce disruptions may negatively impact performance of services or require use of emergency personnel.
- The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may impair AVCP's asset values, including equity and debt investments.

Although AVCP cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the AVCP's results of future operations, financial position, and liquidity in fiscal year 2020.

On March 27, 2020, President Trump signed into law the "Coronavirus Aid, Relief and Economic Security (CARES) Act." The CARES Act, among other things, includes provisions relating to refundable payroll tax credits, deferment of employer side social security payments, net operating loss carryback periods, alternative minimum tax credit refunds, modifications to the net interest deduction limitations, increased limitations on qualified charitable contributions and technical corrections to tax depreciation methods for qualified improvement property.

AVCP has received \$8,108,698 of CARES Act grant funding subsequent to year-end to provide COVID-19 specific services in several programs. AVCP will continue to examine the impact that the CARES Act may have on our operations. Currently, we are unable to determine the full impact that the CARES Act will have on our financial condition, results of operations or liquidity.

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Additional Information

Association of Village Council Presidents

Combining Schedule of Activities - Corporate

Year Ended December 31, 2019

	Program Services				Support Services		Total
	Self-Governance	Social Services	Community Services	Environmental	Total Program Services	General and Administrative	
Revenue							
Grants and contracts:							
Federal	\$ 47,925,673	\$ 17,459,714	\$ 25,214,296	\$ -	\$ 90,599,683	\$ -	\$ 90,599,683
State	-	6,555,332	1,375,548	-	7,930,880	-	7,930,880
Other	-	141,208	1,294	-	142,502	-	142,502
Investment income	-	-	-	-	-	318,297	318,297
Other revenue	-	-	-	-	-	1,534,899	1,534,899
Total Revenue	47,925,673	24,156,254	26,591,138	-	98,673,065	1,853,196	100,526,261
Expenses							
Wages and benefits	8,307,252	8,710,935	1,731,395	8,425	18,758,007	5,848,437	24,606,444
Travel	1,203,420	693,602	164,663	20,172	2,081,857	230,289	2,312,146
Stipends	70,103	76,643	-	2,000	148,746	65,473	214,219
Operating expenses	3,244,374	977,551	1,385,682	18,852	5,626,459	1,321,409	6,947,868
Contractual	1,779,823	2,105,680	1,707,348	38,731	5,631,582	320,207	5,951,789
Depreciation	-	-	-	-	-	823,261	823,261
Facilities	752,948	796,025	98,294	-	1,647,267	516,654	2,163,921
Assistance payments	3,207,026	6,334,754	-	-	9,541,780	8,792	9,550,572
Other expenses	(56,080)	5,108	12,731	-	(38,241)	112,359	74,118
	18,508,866	19,700,298	5,100,113	88,180	43,397,457	9,246,881	52,644,338
Indirect expense allocation	3,739,223	1,632,766	637,716	8,059	6,017,764	(6,017,764)	-
Total Expenses	22,248,089	21,333,064	5,737,829	96,239	49,415,221	3,229,117	52,644,338
Property and equipment purchased with grant funds	(259,224)	(35,008)	(41,529)	-	(335,761)	(179,367)	(515,128)
Change in Net Assets	\$ 25,936,808	\$ 2,858,198	\$ 20,894,838	\$ (96,239)	\$ 49,593,605	\$ (1,196,554)	\$ 48,397,051

Association of Village Council Presidents

Combining Schedule of Expenses - General and Administrative Year Ended December 31, 2019

	Administration						Cultural Heritage Services, Museum	Total
	Admini- stration	Facilities	Financial Services	Legal Services	Human Resources	Total Administration		
Expenses								
Wages and benefits	\$ 3,325,696	\$ 170,616	\$ 1,079,291.00	\$ 455,635	\$ 657,184	\$ 5,688,422	\$ 160,015	\$ 5,848,437
Travel	197,925	300	8,651	23,413	-	230,289	-	230,289
Stipends	64,206	-	-	-	1,267	65,473	-	65,473
Operating expenses	722,333	72,661	396,516	104,350	23,805	1,319,665	1,744	1,321,409
Contractual	193,635	-	86,821	-	39,751	320,207	-	320,207
Depreciation	823,261	-	-	-	-	823,261	-	823,261
Facilities	364,081	122,393	180	-	-	486,654	30,000	516,654
Administrative payments	8,792	-	-	-	-	8,792	-	8,792
Other expenses	112,359	-	-	-	-	112,359	-	112,359
	5,812,288	365,970	1,571,459	583,398	722,007	9,055,122	191,759	9,246,881
Property and equipment purchased with grant funds	-	(179,367)	-	-	-	(179,367)	-	(179,367)
Total Expenses	\$ 5,812,288	\$ 186,603	\$ 1,571,459	\$ 583,398	\$ 722,007	\$ 8,875,755	\$ 191,759	\$ 9,067,514

Association of Village Council Presidents

Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Provided to Sub- recipients	Federal Expend- itures
Department of Commerce				
Economic Development Support for Planning Organizations Partnership Planning Investment 19	11.302		\$ -	\$ 36,227
Department of the Interior				
Alaska Migratory Bird Co-Management Council 18	15.643		-	17,427
Alaska Migratory Bird Co-Management Council 20	15.643		-	430
Total Alaska Migratory Bird Co-Management Council			-	17,857
477 Cluster - direct:				
P.L. 102-477 Contract - Plan year 2015-2017	15.U01		19,296	972,003
P.L. 102-477 Contract - Plan year 2018-2020	15.U02		354,656	3,213,456
Total 477 Cluster			373,952	4,185,459
Tribal Self Governance:				
Tribal Self Governance 2013	15.022		-	2,818,130
Tribal Self Governance 2014	15.022		-	66,753
Tribal Self Governance 2016	15.022		45,000	34,870
Tribal Self Governance 2017	15.022		105,000	822,907
Tribal Self Governance 2018	15.022		683,157	2,716,787
Tribal Self Governance 2019	15.022		1,998,681	11,603,183
Total Tribal Self Governance			2,831,838	18,062,630
Total Department of the Interior			3,205,790	22,265,946
Department of Transportation				
Highway Planning and Construction Cluster				
Highway Planning and Construction				
Indian Reservation Road Program 2011	20.205		-	131,853
Indian Reservation Road Program 2012	20.205		-	(386,702)
Indian Reservation Road Program 2013	20.205		-	86,705
Indian Reservation Road Program 2015	20.205		-	380,978
Indian Reservation Road Program 2016	20.205		-	297,014
Indian Reservation Road Program 2017	20.205		-	1,386,496
Indian Reservation Road Program 2018	20.205		-	888,742
Indian Reservation Road Program 2019	20.205		-	1,298,694
Total Highway Planning and Construction			-	4,083,780
Federal Lands Access Program 2019	20.224		-	59,975
Total Highway Planning and Construction Cluster			-	4,143,755
Total Department of Transportation			-	4,143,755
Environmental Protection Agency				
Indian Environmental General Assistance Program 2019	66.926		-	122,747
Indian Environmental General Assistance Program 2020	66.926		-	28,040
Total Indian Environmental General Assistance Program			-	150,787

Association of Village Council Presidents
Schedule of Expenditures of Federal Awards, continued
for the Year Ended December 31, 2019

Federal Grantor / Pass-Through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Provided to Sub- recipients	Federal Expend- itures
Department of Education				
American Indians Vocational Rehabilitation Services				
Vocational Rehabilitation 2018	84.250		\$ -	\$ 350,644
Vocational Rehabilitation 2019	84.250		-	135,230
Total Rehabilitation Services American Indians with Disabilities			-	485,874
Department of Health and Human Services				
TANF Cluster				
Temporary Assistance for Needy Families 2014	93.558		954,987	1,295,210
Temporary Assistance for Needy Families 2015	93.558		828,729	4,973,582
Temporary Assistance for Needy Families 2016	93.558		531,217	1,709,815
Temporary Assistance for Needy Families 2019	93.558		90,709	2,973,148
Total Temporary Assistance for Needy Families			2,405,642	10,951,755
Low Income Home Energy Assistance				
Low Income Home Energy Program 2019	93.568		-	2,755,534
Low Income Home Energy Program 2020	93.568		-	27,072
Total Low Income Home Energy Assistance			-	2,782,606
Head Start				
Federal Head Start 2018	93.600		-	55,743
Federal Head Start 2019	93.600		-	2,653,991
Total Head Start			-	2,709,734
Mary Lee Allen Promoting Safe and Stable Families				
Mary Lee Allen Promoting Safe and Stable Families 2018	93.556		-	34,098
Mary Lee Allen Promoting Safe and Stable Families 2018	93.556		-	87,041
Total Promoting Safe and Stable Families			-	121,139
Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes				
Older Americans Act Title VI, Part A 2012	93.047		-	(179)
Older Americans Act Title VI, Part A 2017	93.047		-	232,515
Total Special Programs for the Aging, Title VI, Part A, Grants to Indian Tribes			-	232,336
Stephanie Tubbs Jones Child Welfare Services Program				
Child Welfare Social Services Program 2018	93.645		-	3,310
Child Welfare Social Services Program 2019	93.645		-	9,098
Total Child Welfare Social Services Program			-	12,408
Aging Cluster				
Nutrition Services Incentive Program 2017	93.053		-	36,667
Total Department of Health and Human Services			-	16,846,645
Department of Agriculture				
Passed through the State of Alaska Department of Education and Early Development				
Child and Adult Care Food Program 19	10.558	MA-0720401	-	92,874
Child and Adult Care Food Program 20	10.558	MA-0720401	-	34,321
Total Child & Adult Care Food Program			-	127,195
Total Expenditures of Federal Awards			\$ 5,611,432	\$ 44,056,429

See accompanying notes to Schedule of Expenditures of Federal Awards.

Association of Village Council Presidents

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Association of Village Council Presidents under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Association of Village Council Presidents, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association of Village Council Presidents.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures reported on the Schedule are recognized following, as applicable, either the cost principles in the Office of Management and Budget Circular A-122, *Cost Principles for Non-Profit Organizations*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Rate

Association of Village Council Presidents has elected not to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance.

4. 477 Cluster

Below are the CFDA numbers for the programs included in the Association of Village Council Presidents 477 plan:

- 15.026
- 15.114
- 15.130
- 17.265
- 93.575
- 93.594

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Association of Village Council Presidents

Notes to the Schedule of Expenditures of Federal Awards, continued For the Year Ended December 31, 2019

5. Deferred Revenue by Federal Program

Deferred revenue for the Association of Village Council Presidents' federal programs at December 31, 2019 is as follows:

<i>Agency</i>	<i>Program Title</i>	CFDA Number	Unearned Revenue
Health and Human Services	Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	\$ 388,611
Health and Human Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959	176,473
Education	American Indians Vocational Rehabilitation Services	84.250	58,998
Health and Human Services	Low-Income Home Energy Assistance	93.568	47,843
Health and Human Services	Mary Lee Allen Promoting Safe and Stable Families	93.556	46,524
Health and Human Services	Head Start	93.600	36,879
Interior	Alaska Migratory Bird	15.643	25,258
Commerce	Economic Development Support for Planning Organizations	11.302	19,163
Health and Human Services	Adoption Assistance	93.659	14,493
Environmental Protection Agency	Indian Environmental General Assistance Program	66.926	10,833
Education	Child and Adult Care Food Program	10.558	7,613
Commerce	Economic Adjustment Assistance	11.307	7,500
Health and Human Services	Nutrition Services Incentive Program	93.053	3,036
Health and Human Services	Stephanie Tubbs Jones Child Welfare Services Program	93.645	2,230
Total federal			845,454
State and other			1,545,841
Total Deferred Revenue			\$ 2,391,295

Association of Village Council Presidents

**Schedule of State Financial Assistance
for the Year Ended December 31, 2019**

State Grantor / Program Title	Grant Number	Award Amount	State Expenditures
Department of Health and Social Services			
Major Programs:			
Native Family Assistance Program 2020	604-266-20001	\$ 4,702,500	\$ 1,430,328
Native Family Assistance Program 2019	604-266-19001	4,702,500	1,838,379
Nonmajor Programs:			
Native Family Assistance Program 2018	604-266-18001	4,702,500	1,906
Native Family Assistance Program 2017	604-266-1701	3,588,955	<u>(2,810)</u>
Total Department of Health and Social Services			<u>3,267,803</u>
Department of Public Safety			
Major Programs:			
Village Public Safety Officer Program 2020	20-401	1,721,807	506,089
Village Public Safety Officer Program 2019	19-401	1,398,642	683,042
Nonmajor Programs:			
Village Public Safety Officer Program 2018	18-401	1,851,684	<u>(88)</u>
Total Department of Public Safety			<u>1,189,043</u>
Department of Education & Early Development			
Major Program:			
Alaska Head Start 2019	HS 19.066.01	357,948	357,905
Nonmajor Programs:			
Alaska Head Start 2020	HS 20.066.01	357,948	73,640
Alaska Head Start 2018	HS 18.066.01	357,948	<u>17,260</u>
Total Department of Education & Early Development			<u>448,805</u>
Department of Commerce, Community, and Economic Development			
Nonmajor Program:			
Yukon-Kuskokwim Energy/Freight Corridor Planning & Design	15-DC-338	60,000	<u>186,505</u>
Total State Financial Assistance			<u>\$ 5,092,156</u>

See accompanying notes to Schedule of State Financial Assistance.

Association of Village Council Presidents

Notes to the Schedule of State Financial Assistance For the Year Ended December 31, 2019

1. Basis of Presentation

The accompanying Schedule of State Financial Assistance (the "Schedule") includes the state grant activity of the Association of Village Council Presidents under programs of the state government for the year ended December 31, 2019. The information in this Schedule is presented in accordance with the requirements of the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*. Because the Schedule presents only a selected portion of the operations of the Association of Village Council Presidents, it is not intended to and does not present the financial position, changes in net assets or cash flows of the Association of Village Council Presidents.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Expenditures reported in the Schedule are recognized following the cost principles contained in *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Association of Village Council Presidents

State Financial Assistance Reports

State of Alaska

Department of Health and Social Services

Division of Public Assistance

2020 Native Family Assistance Program 604-266-20001

Schedule of Revenues and Expenses - Budget and Actual

<i>Year Ended September 30,</i>	Budget	Actual	Variance With Budget
Revenues			
State of Alaska	\$ 4,702,500	\$ 1,430,328	\$ (3,272,172)
Expenses			
Direct Expenses			
Assistance payments	4,702,500	1,430,328	(3,272,172)
Excess of Revenues Over Expenses			
	\$ -	\$ -	\$ -

Association of Village Council Presidents

State Financial Assistance Reports

State of Alaska

Department of Health and Social Services

Division of Public Assistance

2019 Native Family Assistance Program 604-266-19001

Schedule of Revenues and Expenses - Budget and Actual

<i>Year Ended September 30,</i>	Budget	Actual		Total	Variance With Budget
		2018	2019		
Revenues					
State of Alaska	\$ 4,702,500	\$ 2,063,151	\$ 1,838,379	\$ 3,901,530	\$ (800,970)
Expenses					
Direct Expenses					
Assistance payments	4,702,500	2,063,151	1,838,379	3,901,530	(800,970)
Excess of Revenues Over Expenses					
	\$ -	\$ -	\$ -	\$ -	\$ -

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Single Audit Section



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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
Association of Village Council Presidents
Bethel, Alaska

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the consolidated financial statements of Association of Village Council Presidents, which comprise the consolidated statement of financial position as of December 31, 2019, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Association of Village Council Presidents' 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 consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Association of Village Council Presidents' internal control. Accordingly, we do not express an opinion on the effectiveness of Association of Village Council Presidents' internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

BDO USA, LLP

Anchorage, Alaska
September 30, 2020



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Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report of Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Directors
Association of Village Council Presidents
Bethel, Alaska

Report on Compliance for Each Major Federal Program

We have audited Association of Village Council Presidents' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Association of Village Council Presidents' major federal programs for the year ended December 31, 2019. Association of Village Council Presidents' 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Association of Village Council Presidents' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Association of Village Council Presidents' 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 Association of Village Council Presidents' compliance.

Opinion on Each Major Federal Program

In our opinion, Association of Village Council Presidents complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-001. Our opinion on each major federal program is not modified with respect to these matters.

Association of Village Council Presidents' response to the noncompliance findings identified in our audit are described in the accompanying corrective action plan. Association of Village Council Presidents' response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Association of Village Council Presidents 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 Association of Village Council Presidents' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Association of Village Council Presidents' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a significant deficiency.

Association of Village Council Presidents' response to the internal control over compliance findings identified in our audit is described in the accompanying corrective action plan. Association of Village Council Presidents' response was not subjected to the auditing procedures applied in 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

BDO USA, LLP

Anchorage, Alaska
September 30, 2020



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Independent Auditor's Report on Compliance for Each Major State Program and Report on Internal Control Over Compliance Required by the *State of Alaska Audit Guide and Compliance Supplement for State Single Audits*

Board of Directors
Association of Village Council Presidents
Bethel, Alaska

Report on Compliance for Each Major State Program

We have audited Association of Village Council Presidents' 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 Association of Village Council Presidents' major state programs for the year ended December 31, 2019. Association of Village Council Presidents' major state programs are identified in the accompanying schedule of state financial assistance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Association of Village Council Presidents' 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 Association of Village Council Presidents 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 Association of Village Council Presidents' compliance.

Opinion on Each Major State Program

In our opinion, Association of Village Council Presidents complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on their state major programs for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of Association of Village Council Presidents 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 Association of Village Council Presidents 's internal control over compliance with the types of requirements that could have a direct and material effect on a 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 Association of Village Council Presidents 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 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, 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.

BDO USA, LLP

Anchorage, Alaska
September 30, 2020

Association of Village Council Presidents

Schedule of Findings and Questioned Costs Year Ended December 31, 2019

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal 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 federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

<i>CFDA Number</i>	<i>Name of Federal Program or Cluster</i>	<i>Agency</i>
15.022	Tribal Self-Governance	Interior
20.205	Highway Planning and Construction Cluster	Transportation
93.558	TANF Cluster	Health and Human Services
93.600	Head Start	Health and Human Services

Dollar threshold used to distinguish between Type A and Type B programs: \$ 1,321,393

Auditee qualified as low-risk auditee? yes X no

Association of Village Council Presidents
Schedule of Findings and Questioned Costs, continued
Year Ended December 31, 2019

Section I - Summary of Auditor's Results - Continued

State Financial Assistance

Internal control over major programs:

Material weakness(es) identified?

yes

no

Significant deficiency(ies) identified?

yes

(none reported)

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

Unmodified

Dollar threshold used to distinguish a major state program:

\$ 200,000

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Association of Village Council Presidents

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2019

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

There were no findings related to the financial statements which are required to be reported in accordance with the standards applicable to financial audits contained in Government Auditing Standards.

Section III - Federal Award Findings and Questioned Costs

2019-001 - Procurement - Noncompliance and Significant Deficiency in Internal Control over Compliance

<i>Agency</i>	Department of the Interior:	
<i>Program</i>	Tribal Self-Governance	CFDA No: 15.022
<i>Award No.</i>	GT-OSGT812-13 - 2013	
	GT-OSGT812-14 - 2014	
	GT-OSGT812-16 - 2016	
	GT-OSGT812-17 - 2017	
	GT-OSGT812-18 - 2018	
	GT-OSGT812-19 - 2019	

Criteria: In accordance with 2 CFR 200 of the Compliance Supplement, AVCP must follow its own procurement policy which conforms to the Uniform Guidance standards. This requires AVCP to among other things ensure that it maintains procurement requisitions and supporting documents reviewed and approved by the appropriate authority depending on the amount.

Condition: AVCP was unable to provide procurement supporting documents for one contract procured in line with its procurement policy.

Cause: The controls and processes established for procurement transactions have not been implemented on all qualifying items noted. Therefore, AVCP did not comply with its own procurement policy which is a violation of grant compliance.

Effect or potential effect: There was no evidence to support that the procurement rules and procedures were followed for one contract.

Questioned costs: \$817,169.

Context: In accordance with AICPA GAS/SA sampling guidance, the auditor tested six procurement applicable transactions, one contract of which did not have adequate support to confirm that procurement procedures were adhered to. The contract was in excess of the \$100,000 simplified acquisition threshold or competitive bid threshold, established in the procurement policy.

Recommendation: We recommend that the controls and processes that have been established be implemented and to ensure AVCP is following its procurement policy and meeting the Uniform Guidance compliance requirements.

Views of Responsible Officials and Corrective Action Plan: Management agrees with this finding. Refer to the corrective action plan.

Association of Village Council Presidents

Schedule of Findings and Questioned Costs, continued Year Ended December 31, 2019

Section IV - State Award Findings and Questioned Costs

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.

Unaudited Information

ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS

Thaddeus Tikiun Jr., Chairperson | Vivian Korthuis, CEO | AVCP.org



Administration

101 A Main St., PO Box 219, Bethel, AK 99559 | T 907.543.7300 | F 907.543.3596

Summary Schedule of Prior Year (FY 2018) Audit Findings *as of September, 2020*

2018-001 Material Weakness over Financial Reporting – Timely Reconciliation of Books and Records

Prior Finding: 2017-001, 2016-001, 2015-001, 2014-002

Status: Resolved

Finance staff have fully absorbed the mechanics of the closing process. 2019 quarters one through four have been closed, and the yearend close is complete. Staff capacity has increased to the point where we anticipate closing 2020 quarters one through three by yearend, and quarter four by May 21, 2021.

2018-002 Material Weakness over Financial Reporting – Invoice Processing

Prior Finding: 2017-002

Status: Resolved

AVCP's new finance software, which was fully implemented by mid-year 2018, has allowed Finance staff to timely process and track invoices and timely reconcile transactions thus eliminating this finding.

2018-003 Significant Deficiency over Financial Reporting – Accurate Tracking of Accrued Leave

Prior Finding: 2017-003, 2016-003

Status: Resolved

AVCP's Quality Improvement Officer (QIO) is project managing an overhaul of services provided by our outside payroll services vendor, ADP. This "refresh" began with a new Comprehensive Service Agreement with ADP in January 2019, to include resolution of inaccurate tracking of accrued leave. AVCP formed a working group to audit employee leave balances and reconcile the correct balances with the Leave fields contained within ADP. This reconciliation was finalized on December 9, 2019. AVCP payroll staff works closely with an ADP Payroll Specialist to monitor these balances and correct any minor miscalculations in real time to keep balances trued up.

2018-004 Material Weakness in Internal Control over Compliance, Material Noncompliance – Procurement

Prior Finding: 2017-006, 2016-012

Status: Unresolved; In Progress.

In summer 2019, the procurement manual underwent extensive review and revisions to raise the procurement thresholds in line with the most recent OMB guidance and to refine the competitive procurement process (including the documentation process). A user manual for Microix was also distributed to support the creation and approval of procurements. In December 2019 a training was held for all Microix users. The Finance Department also provided additional Microix training specific to purchasing, shipping & receiving, and procurement functions for staff with those responsibilities. In August 2020, Finance and Legal Department staff attended a procurement bootcamp training, in preparation for beginning a new round of organization-wide procurement trainings, with a special emphasis on small purchase and the competitive procurement process.

Akiachak, Akiak, Alakanuk, Andreafski, Aniak, Atnautluak, Bethel, Bill Moore's Sl., Chefomak, Chevak, Chuathbaluk, Chuloonawick, Crooked Creek, Eek, Emmonak, Georgetown, Goodnews Bay, Hamilton, Hooper Bay, Lower Kalskag, Upper Kalskag, Kasigluk, Kipnuk, Kongiganak, Kotlik, Kwethluk, Kwigillingok, Lime Village, Marshall, Mekoryuk, Mtn. Village, Napaimute, Napakiak, Napaskiak, Newtok, Nightmute, Nunakauyak, Nunam Iqua, Nunapitchuk, Ohogamiut, Oscarville, Paimiut, Pilot Station, Pitka's Point, Platinum, Quinhagak, Red Devil, Russian Mission, Scammon Bay, Sleetmute, St. Mary's, Stony River, Tuluksak, Tuntutuliak, Tununak, Ukmumiut



2018-005 Material Weakness in Internal Control over Compliance, Material Noncompliance – Special Tests and Provisions

Prior Finding: 2017-009

Status: Resolved

Since AVCP's contract policy was updated in early 2019, Davis-Bacon language is included in all applicable sub-contracts entered into from 2019 to present. Additionally, for all projects subject to Davis-Bacon, AVCP's construction manager contacts the contractor on a weekly basis to collect Form WH-347 or address any required corrective action.

2018-006 Material Weakness in Internal Control over Compliance, Material Noncompliance – Special Tests and Provisions

Prior Finding: 2017-010

Status: Resolved

In August 2019, the Head Start program created a procedure to provide required information to the Executive Board External Committee. The Head Start director mails monthly financial reports to members of the External Committee and provides an in-person report quarterly during External Committee meetings. AVCP's most recent audit is accessible on the website in two locations: the Head Start program page and the About AVCP section. The Head Start program page also contains grant award information.

ASSOCIATION OF VILLAGE COUNCIL PRESIDENTS

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2019 Audit Corrective Action Plan

Finding 2019-001 Procurement - Noncompliance and Significant Deficiency in Internal Control over Compliance

Expected Completion Date:

December 31, 2020

Corrective Action:

In 2020, AVCP's Procurement Team met regularly to identify areas of weakness in the procurement process as well as training needs within the organization. For weaknesses, such as the process for competitive procurements and single or sole source procurements (i.e. the questioned cost from this finding), the procurement team has reviewed the current procurement manual and has identified changes that will be made to update the manual and streamline the procurement process. The team will improve internal controls significantly by outlining specific steps for each procurement type and the documentation needed to supplement each transaction. The team has also identified areas where more oversight will be placed in order to execute checks and balances to ensure that the process functions efficiently.

In summer 2020 the Procurement Team participated in trainings with outside vendors/consultants to increase their knowledge of OMB procurement requirements and best practices. The team began the process of developing internal trainings in September 2020 and are exploring training platforms that will enable department directors and key personnel to effectively manage procurement requests while reinforcing the processes and strengthening compliance in all levels of the organization.

AVCP Contact Information

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Jack R. Crow	Chief Administrative Officer	jrcrow@avcp.org
Joy Anderson	General Counsel	janderson@avcp.org

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