

**QUTEKCAK NATIVE TRIBE**

Financial Statements and Compliance Reports

Year Ended September 30, 2010 and 2009



**NEWHOUSE & VOGLER**  
*Certified Public Accountants*

**QUTEKCAK NATIVE TRIBE**

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### Independent Auditor's Report

Council Members  
Qutekcak Native Tribe  
Seward, Alaska

Ladies and Gentlemen:

We have audited the accompanying statement of financial position of Qutekcak Native Tribe as of September 30, 2010 and 2009, and related statement of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Qutekcak Native Tribe as of September 30, 2010, and the changes in its net assets and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2011, on our consideration of Qutekcak Native Tribe's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

March 8, 2011

**QUTEKCAK NATIVE TRIBE**

*Statements of Financial Position*

*Years Ended September 30, 2010 and 2009*

	<u>2010</u>	<u>2009</u>
<b>Assets</b>		
Current assets:		
Cash and equivalents	\$ 51,347	404,765
Accounts receivable	75	396
Investments	751,865	147,571
Grant receivable	30,221	34,232
Prepaid expenses	<u>1,230</u>	<u>1,960</u>
<i>Total current assets</i>	834,738	588,924
Long term assets:		
Property and equipment, net of accumulated depreciation of \$146,678 and \$124,938	513,251	531,912
Investments - endowment	<u>14,090</u>	<u>12,692</u>
	527,341	544,604
	<u>\$ 1,362,079</u>	<u>1,133,528</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 23,500	14,675
Accrued payroll	10,610	9,809
Accrued leave	7,413	7,308
Deferred revenue	88,028	70,581
Current portion of debt	<u>-</u>	<u>26,238</u>
<i>Total current liabilities</i>	129,551	128,611
Noncurrent liabilities:		
Long-term debt	<u>229,855</u>	<u>231,176</u>
<i>Total liabilities</i>	<u>359,406</u>	<u>359,787</u>
Net assets - Unrestricted:		
Designated for scholarships	10,989	16,124
Undesignated	<u>991,684</u>	<u>757,617</u>
<i>Total net assets</i>	<u>1,002,673</u>	<u>773,741</u>
	<u>\$ 1,362,079</u>	<u>1,133,528</u>

See accompanying notes to the financial statements.

**QUTEKCAK NATIVE TRIBE**

*Statements of Activities*

*Years Ended September 30, 2010 and 2009*

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	<u>2010</u>	<u>2009</u>
Unrestricted revenues and other support:		
Grants and contracts	\$ 299,687	383,846
Donations	9,359	10,722
Rents	28,064	31,021
Investment income	35,011	22,015
Gain on debt forgiveness	10,000	10,000
Other income	<u>234,874</u>	<u>208,464</u>
<i>Total unrestricted revenues and other support</i>	<u>616,995</u>	<u>666,068</u>
Expenses:		
Management and general	88,374	65,218
Program services	<u>299,689</u>	<u>366,353</u>
<i>Total expenses</i>	<u>388,063</u>	<u>431,571</u>
<i>Increase in unrestricted net assets</i>	228,932	234,497
Net assets, beginning of year	<u>773,741</u>	<u>539,244</u>
<b>Net assets, end of year</b>	<u>\$ 1,002,673</u>	<u>773,741</u>

See accompanying notes to the financial statements.

**QUTEKCAK NATIVE TRIBE**

*Statement of Functional Expenses*

Year Ended September 30, 2010

Expense	Management and General	Program Services									
		Older Americans	Summer Youth Employment	Caregivers	DHHS Neighbor to Neighbor	Substance Abuse	N2N Implementation	NPRHA Landscape			
Wages and benefits	\$ 2,073	8,460	1,328	-	34,703	147	5,337	-	2,485		
Travel and per diem	5,729	686	-	-	3,392	-	-	-	-		
Contract services	35,579	621	-	4,950	12,022	3	-	-	-		
Supplies	4,767	1,767	261	-	3,597	101	34	455	239		
Rent	50	2,381	-	-	3,932	298	-	-	-		
Telephone	-	480	-	-	503	115	47	-	-		
Utilities	1,560	1,153	-	-	1,288	126	72	-	-		
Training	-	-	-	-	-	-	-	-	-		
Dues and subscriptions	1,024	-	-	-	-	-	-	-	-		
Licenses and permits	-	-	-	-	-	-	-	-	-		
Insurance	-	825	-	-	302	32	-	-	-		
Advertising	-	-	-	-	-	-	-	-	-		
Scholarships	5,135	-	-	-	-	-	-	-	-		
Interest	10,452	-	-	-	-	-	-	-	-		
Depreciation	21,740	-	-	-	-	-	-	-	-		
Other	265	65	-	-	-	-	65	-	-		
<b>Total expenses</b>	<b>\$ 88,374</b>	<b>16,438</b>	<b>1,589</b>	<b>4,950</b>	<b>59,739</b>	<b>822</b>	<b>6,010</b>	<b>2,724</b>	<b>-</b>	<b>-</b>	<b>-</b>

See accompanying notes to the financial statements.

**QUTEKCAK NATIVE TRIBE**

*Statement of Functional Expenses, continued*

Expense	Program Services, continued							Total Program and Supporting Services
	Tribal Administration	Community Health Representative	IHS Health Initiatives	Tribal Development	Johnson O'Malley	Total Program Services		
Wages and benefits	\$ 58,830	51,044	2,200	12,076	8,668	185,278	187,351	
Travel and per diem	728	5,918	-	-	4,039	14,763	20,492	
Contract services	3,331	3,590	590	2,247	812	28,166	63,745	
Supplies	2,107	3,390	2,666	1,251	236	15,649	20,416	
Rent	2,578	10,966	920	3,893	2,643	28,066	28,116	
Telephone	907	1,470	214	173	108	4,017	4,017	
Utilities	1,023	5,328	361	1,590	1,101	12,042	13,602	
Training	-	2,585	-	-	-	2,585	2,585	
Dues and subscriptions	-	1,380	-	1,737	-	3,117	4,141	
Licenses and permits	-	10	-	230	-	240	240	
Insurance	253	1,646	95	558	626	4,337	4,337	
Advertising	281	758	-	220	-	1,259	1,259	
Scholarships	-	-	-	-	-	-	5,135	
Interest	-	-	-	-	-	-	10,452	
Depreciation	-	-	-	-	-	-	21,740	
Other	10	30	-	-	-	170	435	
<b>Total expenses</b>	<b>\$ 70,048</b>	<b>88,115</b>	<b>7,046</b>	<b>23,975</b>	<b>18,233</b>	<b>299,689</b>	<b>388,063</b>	

See accompanying notes to the financial statements.

**QUTEKCAK NATIVE TRIBE**

*Statement of Functional Expenses*

Year Ended September 30, 2009

Expense	Management and General	Program Services									
		Older Americans	Summer Youth Employment	Caregivers	QLCC Volunteer Project	Substance Abuse	Chugach Museum	First Nations	DHHS Neighbor to Neighbor		
Wages and benefits	\$ 1,871	17,249	1,542	-	58,845	377	-	1,566	27,081		
Travel and per diem	4,053	855	-	-	2,982	-	779	889	871		
Contract services	13,405	755	-	5,200	1,256	8	-	500	1,961		
Supplies	2,273	2,563	-	-	9,017	28	250	2,295	3,353		
Rent	450	2,616	-	-	11,052	172	-	500	4,414		
Telephone	-	469	-	-	1,409	25	-	-	537		
Utilities	-	1,135	-	-	4,987	86	-	-	1,984		
Training	150	-	-	-	501	-	-	-	-		
Dues and subscriptions	325	-	-	-	130	-	-	-	-		10
Licenses and permits	-	-	-	-	-	-	-	-	-		-
Insurance	-	959	-	-	-	-	-	-	-		-
Advertising	250	-	-	-	-	-	-	-	-		-
Scholarships	1,050	-	-	-	-	-	-	-	-		-
Interest	13,470	-	-	-	-	-	-	-	-		-
Depreciation	24,094	-	-	-	-	-	-	-	-		-
Other	3,827	-	-	-	3,563	-	1,971	-	-		-
<b>Total expenses</b>	<b>\$ 65,218</b>	<b>26,601</b>	<b>1,542</b>	<b>5,200</b>	<b>93,742</b>	<b>696</b>	<b>3,000</b>	<b>5,750</b>	<b>40,211</b>		

See accompanying notes to the financial statements.

**QUITEKCAK NATIVE TRIBE**

*Statement of Functional Expenses, continued*

Expense	Program Services, continued										Total Program and Supporting Services
	Tribal Administration	Community Health Representative	IHS Health Initiatives	Tribal Development	Youth South Health Association	Johnson O'Malley	NHRPA Landscape	Supplemental CHR	Total Program Services	Total	
Wages and benefits	\$ 62,123	42,348	1,526	12,418	-	8,836	4,000	-	237,911	239,782	
Travel and per diem	929	1,460	-	411	28	3,345	-	-	12,549	16,602	
Contract services	3,213	3,724	859	1,977	-	862	-	-	20,315	33,720	
Supplies	1,223	4,491	1,548	2,782	772	2,064	-	500	30,886	33,159	
Rent	2,401	5,111	815	2,913	-	1,528	-	-	31,522	31,972	
Telephone	287	830	104	376	-	261	-	-	4,298	4,298	
Utilities	1,024	3,887	318	1,456	-	890	-	-	15,767	15,767	
Training	-	-	-	-	-	-	-	-	501	651	
Dues and subscriptions	-	100	-	1,004	-	36	-	-	1,270	1,595	
Licenses and permits	-	-	370	305	-	-	-	-	685	685	
Insurance	-	2,683	-	-	-	426	-	-	4,068	4,068	
Advertising	-	690	-	307	-	-	-	-	997	1,247	
Scholarships	-	-	-	-	-	-	-	-	-	1,050	
Interest	-	-	-	-	-	-	-	-	-	13,470	
Depreciation	-	-	-	-	-	-	-	-	-	24,094	
Other	-	-	-	50	-	-	-	-	5,584	9,411	
<b>Total expenses</b>	<b>\$ 71,200</b>	<b>65,324</b>	<b>5,540</b>	<b>23,999</b>	<b>800</b>	<b>18,248</b>	<b>4,000</b>	<b>500</b>	<b>366,353</b>	<b>431,571</b>	

See accompanying notes to the financial statements.

**QUTEKCAK NATIVE TRIBE**

*Statements of Cash Flows*

*Years Ended September 30, 2010 and 2009*

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ 228,932	234,497
Adjustments to reconcile increase in net assets to net cash (used) provided by operating activities:		
Depreciation	21,740	24,094
Gain on debt forgiveness	(10,000)	(10,000)
Unrealized gain	(6,807)	(17,334)
Realized gain	(21,645)	-
Decrease (increase) in operating assets:		
Accounts receivable	321	1,404
Grants receivable	4,011	(34,232)
Prepays	730	(22)
(Decrease) increase in operating liabilities:		
Accounts payable	8,825	7,895
Accrued payroll	801	3,594
Accrued leave	105	1,868
Deferred revenue	17,447	21,817
<i>Net cash flow provided by operating activities</i>	244,460	233,581
Cash flows from investing activities:		
Purchases of investments	(831,331)	(143,000)
Sale of investments	254,091	71
Purchases of fixed assets	(3,079)	(17,490)
<i>Net cash (used) provided by investing activities</i>	(580,319)	(160,419)
Cash flows from financing activities:		
Principal payments of debt	(17,559)	(17,551)
<i>Net cash flow used by financing activities</i>	(17,559)	(17,551)
<i>Net increase (decrease) in cash and cash equivalents</i>	(353,418)	55,611
Cash and cash equivalents at beginning of year	404,765	349,154
<b>Cash and cash equivalents at end of year</b>	<b>\$ 51,347</b>	<b>404,765</b>
<b>Supplemental non-cash items</b>		
<b>Total cash paid for interest</b>	<b>\$ 10,452</b>	<b>13,470</b>

See accompanying notes to the financial statements.

## QUTEKCAK NATIVE TRIBE

### *Notes to Financial Statements*

*September 30, 2010 and 2009*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **Nature of Activities**

Qutekcak Native Tribe (QNT) is a nonprofit corporation incorporated in 1975 within the State of Alaska. QNT is the tribal organization of the Native community of Seward, Alaska, created to promote the unity, self-determination, and empowerment of the Native people residing in the Eastern Kenai Peninsula. Operations are financed principally by contributions from federal, State, and local agencies, including grants for educational, and community service.

##### **Basis of Presentation**

The financial statements have been prepared on an accrual basis whereby revenues are recognized when earned and expenses are recognized when incurred.

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

- *Unrestricted Net Assets* - Net assets not subject to donor-imposed stipulations.
- *Temporarily Restricted Net Assets* - Temporarily restricted resources restricted by the donor, grantor, or other outside parties whose restrictions either expire by the passage of time or can be fulfilled and removed by actions of QNT. Revenues associated with these resources are earned when QNT undertakes the necessary action or other restrictions are met. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporary restricted net assets are classified to unrestricted net assets and reported in the statements of activities as net assets released from restriction.

##### **Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and cash equivalents are all highly liquid instruments with an original maturity of 3 months or less.

##### **Revenue Recognition**

Revenue received from federal and State of Alaska grants is recognized to the extent that eligible expenses are incurred. Program services revenue is recognized when earned. Contributions are recognized as received. Restricted revenues are recognized to the extent of incurred expenses. Unrecognized restricted fund revenues are accounted for as deferred revenue.

##### **Income Tax Status**

The Tribe qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes has been made in the financial statements.

##### **Annual Leave**

Annual leave is accrued as earned by employees and recorded as an expense in the period earned.

## QUTEKCAK NATIVE TRIBE

### *Notes to Financial Statements, continued*

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#### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

##### **Property and Equipment**

Qutekcak Native Tribe follows the practice of capitalizing, at cost, all expenditures for fixed assets of a lasting nature. All expenses in excess of \$5,000 are capitalized. Depreciation is computed on a straight-line basis over the useful lives of assets, generally, as follows:

Buildings and improvements	30 years
Furniture and equipment	5 to 15 years

Fixed assets acquired by the Tribe are considered to be owned by the Tribe. However, in the event of disposal of equipment, the Tribe obtains consent from the appropriate funding source along with disposal instructions. If equipment was purchased with general fund money, the Board of Directors directs disposal of the equipment.

##### **Deferred Revenue**

Qutekcak Native Tribe receives grant funds from various federal, State, and local agencies and organizations. Amounts received are recognized as revenue when they are expended; unexpended portions are shown as deferred revenue.

##### **In-kind Donations of Goods and Services**

In-kind revenues consist of volunteers' time and donated goods. Volunteers' time is recorded at prevailing wage rates for social service workers and donated goods are recorded at fair market value at the time of the donation.

##### **Concentration of Support and Revenue**

During years ended September 30, 2010 and 2009, respectively, Qutekcak Native Tribe received 48 percent and 58 percent of its public support and revenue, respectively, in the form of federal awards. Without these monies, the Organization would not be able to provide the same level of services.

##### **Use of Estimates**

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect reported amounts of assets and liabilities, disclosure of contingent assets and liabilities, and reported revenues and expenses. Actual results could vary from estimates that were assumed in preparing the financial statements.

#### **NOTE 2 - CASH**

At September 30, 2010, the carrying amount of Qutekcak Native Tribe's deposits was \$51,347, and the bank balance was \$49,884. Of the bank balance, the entire amount was covered by Federal Depository Insurance or insured or collateralized. At September 30, 2009, the carrying amount of Qutekcak Native Tribe's deposits was \$404,765, and the bank balance was \$409,302. Of the bank balance, the entire amount was covered by Federal Depository Insurance or insured or collateralized.

**QUTEKCAK NATIVE TRIBE**

*Notes to Financial Statements, continued*

**NOTE 3 - PROPERTY AND EQUIPMENT**

Property and equipment are carried at cost and consist of the following:

	2010	2009
Equipment	\$ 49,829	\$ 46,750
Land	62,848	62,848
Building	547,252	547,252
	659,929	656,850
Less accumulated depreciation	(146,678)	(124,938)
<b>Net fixed assets</b>	<b>\$ 513,251</b>	<b>\$ 531,912</b>

**NOTE 4 - LONG-TERM DEBT**

Following is a summary of long-term debt as of September 30, 2010:

Variable interest rate, 3 percent over the weekly average rate on United States Treasury securities initially calculated at 6.66 percent per annum; note payable to Wells Fargo of \$294,776, payable in monthly installments of \$2,339, commencing March 10, 2004; maturity date of February 10, 2019, secured by building.	\$ 189,855
Non-interest bearing note payable to North Pacific Rim Housing Authority for \$100,000; no payments necessary as long as the Tribe does not sell the new office building within the next 4 years; debt to be forgiven at \$10,000 per year.	40,000
<i>Total</i>	229,855
Less current portion	(28,297)
<b>Total</b>	<b>\$ 201,558</b>

As noted above, the note payable to North Pacific Rim Housing Authority is not expected to have to be repaid, as the Tribe has no intention of selling the new facility within the next 4 years.

**QUTEKCAK NATIVE TRIBE**

*Notes to Financial Statements, continued*

**NOTE 4 - LONG-TERM DEBT, continued**

Total principal payments under the terms of this debt for the next 5 years and thereafter are as follows:

Year ended September 30,					
	2011		\$	28,297	
	2012			29,296	
	2013			30,371	
	2014			30,556	
	2015			22,679	
	2016-2019			88,656	
<b>Total</b>			<b>\$</b>	<b>229,855</b>	

**NOTE 5 - RETIREMENT PLAN**

During fiscal year 2001, the Tribe entered into a 401k retirement plan managed by Mutual of America, Inc. The plan was amended during fiscal year 2008. Employees over age 18 are eligible to make contributions to the plan with no minimum service requirement. Employer matching contributions are available to all participating employees completing one year of employment and 1,000 hours of service. The employer match is calculated as the lesser of 100% of the salary amount that the employee contributes during the plan year or 6% of the employee's compensation received during the plan year. Employees can contribute any percentage from 1% to 100% of their compensation each year provided they do not contribute more than the maximum permitted by law. Employee contributions are fully vested; however the employer matching component is subject to a 5-year vesting schedule. Total employer contributions to the plan were \$3,107 and \$5,678 respectively, for 2010 and 2009.

**NOTE 6 - LEASES**

Following is a summary of leases and terms:

Lessor	Property	Lease Expiration	Remaining Term	Monthly Lease Payment
Pitney Bowes	Postage machine	July 30, 2012	20	\$ 54
Xerox	Copier	February 28, 2013	29	285

Future minimum lease payments are as follows:

September 30,					
	2011			4,068	
	2012			3,960	
	2013			1,425	

**QUTEKCAK NATIVE TRIBE**

*Notes to Financial Statements, continued*

**NOTE 7 – INVESTMENTS**

Investments are presented in the financial statements at market value. Amounts at September 30, 2010 are as follows:

September 30, 2010	Cost	Cumulative Unrealized Gain/(Loss)	Market Value
Domestic equity/mutual funds	\$ 697,092	21,642	718,734
Unit trusts	33,871	(740)	33,131
	<u>730,963</u>	<u>20,902</u>	<u>751,865</u>
Endowment fund	10,851	3,239	14,090
	<u>\$ 741,814</u>	<u>24,141</u>	<u>765,955</u>

Amounts at September 30, 2009 are as follows:

September 30, 2009	Cost	Cumulative Unrealized Gain	Market Value
Domestic equity/mutual funds	\$ 50,000	5,707	55,707
Unit trusts	83,000	8,864	91,864
	<u>133,000</u>	<u>14,571</u>	<u>147,571</u>
Endowment fund	9,929	2,763	12,692
	<u>\$ 142,929</u>	<u>17,334</u>	<u>160,263</u>

Qutekcak Native Tribe earned \$35,011 and \$22,015 of investment income in 2010 and 2009, respectively.

Qutekcak Native Tribe maintains a Board-designated endowment with the Alaska Community Foundation. The foundation includes this investment as assets owned by the Foundation and is presented as component fund in their financials. As defined by United States Treasury Regulations, the Foundation has the right to modify the terms of the fund agreement if in the judgment of the Foundation's Board of Trustees the restrictions and conditions in the agreement become unnecessary, incapable of fulfillment, or inconsistent with the charitable needs of the community. The authority to modify restrictions is sometimes referred to as "variance power" and is a legal standard imposed on all community foundations. As a result of the variance power all component funds are considered to be part of a single public charity, in this case the Alaska Community Foundation. Therefore, the Foundation is the legal owner of all assets contributed to any of its component funds.

## QUTEKCAK NATIVE TRIBE

### *Notes to Financial Statements, continued*

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#### **NOTE 7 – INVESTMENTS, continued,**

The fiscal year activity of this fund is summarized as follows:

	<u>2010</u>	<u>2009</u>
Beginning balance	\$ 12,692	-
Contributions	500	10,000
Investment income	573	(5)
Unrealized gains (losses)	476	2,763
Management fees	<u>(151)</u>	<u>(66)</u>
<b>Balance, end of year</b>	<b><u>\$ 14,090</u></b>	<b><u>12,692</u></b>

#### **NOTE 8 - RENT**

Quteckak Native Tribe charges rent to its various programs based on space occupied. The Tribe collected \$28,064 and \$31,021 of rental revenue in 2010 and 2009, respectively.

#### **NOTE 9- RISK MANAGEMENT**

The Organization is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant reduction in coverage during the year.

#### **NOTE 10 — SUBSEQUENT EVENTS**

In October 2010, Quteckak Native Tribe purchased land south to the Tribe's building to build parking lot. The price was \$87,500. The acquisition was approved by the Tribe's Council.

## **COMPLIANCE REPORT**



**NEWHOUSE & VOGLER**  
*Certified Public Accountants*

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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*

Council Members  
Qutekcak Native Tribe  
Seward, Alaska

Ladies and Gentlemen:

We have audited the financial statements of Qutekcak Native Tribe., as of and for the year ended September 30, 2010, and have issued our report thereon dated March 8, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Qutekcak Native Tribe's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Qutekcak Native Tribe's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

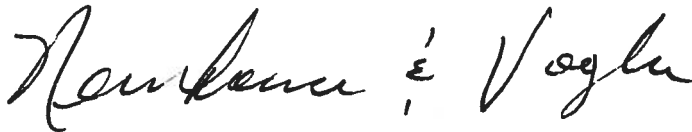
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Our consideration of the internal control over financial reporting was for the limited purposes described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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



March 8, 2011