

Draft 11/23/19

Annual Financial Report
June 30, 2019

American Indian Model Schools
(A California Nonprofit Public Benefit Corporation)

American Indian Public Charter School (AIPCS)
American Indian Public Charter School II (AIPCS II)
American Indian Public High School (AIPHS)

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

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INDEPENDENT AUDITOR'S REPORT

Governing Board
American Indian Model Schools
(A California Nonprofit Public Benefit Corporation)
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of American Indian Model Schools (the Schools) (a California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Schools, as of June 30, 2019, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information such as the 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* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The accompanying supplementary information is the responsibility of management, and was derived from, and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, Schedule of Expenditures of Federal Awards and the other accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated _____, 2019, on our consideration of the Schools' 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 the Schools' 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 the Schools' internal control over financial reporting and compliance.

Rancho Cucamonga, California
_____, 2019

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Corporation)

STATEMENT OF FINANCIAL POSITION
JUNE 30, 2019

	Central Office	AIPCS	AIPCS II
ASSETS			
Current Assets			
Cash and cash equivalents	\$ -	\$ 291,139	\$ 2,344,582
Accounts receivable	-	372,699	1,655,765
Intercompany receivable	665,680	385,537	-
Prepaid expenses/deposits	-	3,261	38,528
Total Current Assets	<u>665,680</u>	<u>1,052,636</u>	<u>4,038,875</u>
Non-Current Assets			
Property and equipment	-	767,582	9,077,248
Less: accumulated depreciation	-	(537,716)	(1,324,346)
Total Non-Current Assets	<u>-</u>	<u>229,866</u>	<u>7,752,902</u>
Total Assets	<u>\$ 665,680</u>	<u>\$ 1,282,502</u>	<u>\$ 11,791,777</u>
LIABILITIES			
Current Liabilities			
Accounts payable	\$ 665,680	\$ 20,795	\$ 44,012
Intercompany payable	-	-	1,722,851
Current portion of long-term debt	-	6,015	128,654
Total Current Liabilities	<u>665,680</u>	<u>26,810</u>	<u>1,895,517</u>
Long-Term Obligations			
Non-current portion of long-term debt	-	27,171	5,656,690
Total Liabilities	<u>665,680</u>	<u>53,981</u>	<u>7,552,207</u>
NET ASSETS			
Without Donor Restrictions			
Designated	-	161,118	179,200
Unrestricted	-	1,067,403	4,060,370
Total Net Assets	<u>-</u>	<u>1,228,521</u>	<u>4,239,570</u>
Total Liabilities and Net Assets	<u>\$ 665,680</u>	<u>\$ 1,282,502</u>	<u>\$ 11,791,777</u>

See the accompanying notes to financial statements.

AIPHS	Elimination	Total
\$ -	\$ -	\$ 2,635,721
768,532	-	2,796,996
671,634	(1,722,851)	-
9,189	-	50,978
<u>1,449,355</u>	<u>(1,722,851)</u>	<u>5,483,695</u>
319,119	-	10,163,949
(291,424)	-	(2,153,486)
<u>27,695</u>	<u>-</u>	<u>8,010,463</u>
<u>\$ 1,477,050</u>	<u>\$ (1,722,851)</u>	<u>\$ 13,494,158</u>
\$ 71,913	\$ -	\$ 802,400
-	(1,722,851)	-
6,015	-	140,684
<u>77,928</u>	<u>(1,722,851)</u>	<u>943,084</u>
27,171	-	5,711,032
<u>105,099</u>	<u>(1,722,851)</u>	<u>6,654,116</u>
97,561	-	437,879
1,274,390	-	6,402,163
<u>1,371,951</u>	<u>-</u>	<u>6,840,042</u>
<u>\$ 1,477,050</u>	<u>\$ (1,722,851)</u>	<u>\$ 13,494,158</u>

**AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Corporation)**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2019**

	Central Office	AIPCS	AIPCS II
REVENUES			
Local Control Funding Formula	\$ -	\$ 1,524,303	\$ 7,690,535
Federal revenue	-	229,944	530,355
Other State revenue	-	137,013	589,828
Local revenues	2,048,069	253,520	334,831
Rental income	-	7,757	35,428
Fundraising revenue	-	21	4,132
Total Revenues	<u>2,048,069</u>	<u>2,152,558</u>	<u>9,185,109</u>
EXPENSES			
Program Services	2,048,069	1,625,930	8,127,413
Management and General	-	267,693	950,874
Fundraising	-	2,471	2,501
Total Expenses	<u>2,048,069</u>	<u>1,896,094</u>	<u>9,080,788</u>
CHANGE IN NET ASSETS	-	256,464	104,321
NET ASSETS, BEGINNING OF YEAR	-	972,057	4,135,249
NET ASSETS, END OF YEAR	<u>\$ -</u>	<u>\$ 1,228,521</u>	<u>\$ 4,239,570</u>

See the accompanying notes to financial statements.

<u>AIPHS</u>	<u>Elimination</u>	<u>Total</u>
\$ 4,420,417	\$ -	\$ 13,635,255
203,274	-	963,573
262,194	-	989,035
123,193	(2,048,069)	711,544
-	-	43,185
1,427	-	5,580
<u>5,010,505</u>	<u>(2,048,069)</u>	<u>16,348,172</u>
3,993,137	(2,048,069)	13,746,480
465,915	-	1,684,482
27,871	-	32,843
<u>4,486,923</u>	<u>(2,048,069)</u>	<u>15,463,805</u>
523,582	-	884,367
848,369	-	5,955,675
<u>\$ 1,371,951</u>	<u>\$ -</u>	<u>\$ 6,840,042</u>

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Corporation)

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2019

	Central Office	AIPCS	AIPCS II	AIPHS	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ -	\$ 256,464	\$ 104,321	\$ 523,582	\$ 884,367
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities					
Depreciation expense	-	40,060	58,641	6,924	105,625
Changes in operating assets and liabilities					
Increase (Decrease) in accounts receivable	-	(198,837)	(854,531)	(224,288)	(1,277,656)
Decrease (Increase) in intercompany receivable/payable, net	(665,680)	149,793	200,000	(132,088)	(447,975)
Decrease (Increase) in prepaid expenses and other assets, net	-	22,500	46,887	34,007	103,394
Increase in accounts payable	420,704	(247,221)	(494,023)	(206,704)	(527,244)
(Decrease) Increase in intercompany payable	244,718	-	203,257	-	447,975
Decrease in current loans	-	-	(80,430)	33,186	(80,430)
Net Cash Provided by (Used for) Operating Activities	(258)	22,759	(815,878)	34,619	(791,944)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	-	1,981	(81,980)	(34,619)	(79,999)
NET INCREASE (DECREASE) IN CASH CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	(258)	57,926	(897,858)	-	(840,190)
CASH AND CASH EQUIVALENTS, END OF YEAR	258	233,213	3,242,440	-	3,475,911
	<u>\$ -</u>	<u>\$ 291,139</u>	<u>\$ 2,344,582</u>	<u>\$ -</u>	<u>\$ 2,635,721</u>
Supplemental cash flow disclosure:					
Cash paid during the period in interest	<u>\$ -</u>	<u>\$ 118,263</u>	<u>\$ 234,554</u>	<u>\$ -</u>	<u>\$ 352,817</u>

See the accompanying notes to financial statements.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Corporation)

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total Expenses
AIPCS				
Teacher salaries and benefits	\$ 644,282	\$ -	\$ -	\$ 644,282
Administrative salaries and benefits	-	14,413	-	14,413
Clerical salaries and benefits	-	134,524	-	134,524
District supervisory fee	13,101	2,142	-	15,243
Educational programs	3,359	-	-	3,359
Occupancy	995	163	-	1,158
Student supplies	106,741	6,209	-	112,950
Student nutrition	51,425	-	-	51,425
Special education fee	93,104	-	-	93,104
Operating expenses	326,463	47,065	-	373,528
Depreciation	34,435	5,625	-	40,060
Insurance	3,104	507	-	3,611
Capital outlay	247,276	40,427	-	287,703
Debt interest expense	101,645	16,618	-	118,263
Fundraising expense	-	-	2,471	2,471
Total	<u>\$ 1,625,930</u>	<u>\$ 267,693</u>	<u>\$ 2,471</u>	<u>\$ 1,896,094</u>

	Program Services	Management and General	Fundraising	Total Expenses
AIPCS II				
Teacher salaries and benefits	\$ 4,052,034	\$ -	\$ -	\$ 4,052,034
Administrative salaries and benefits	237,954	169,115	-	407,069
Clerical salaries and benefits	-	423,533	-	423,533
District supervisory fee	66,879	10,026	-	76,905
Occupancy	107,425	16,105	-	123,530
Student supplies	506,798	19,624	-	526,422
Student nutrition	318,512	-	-	318,512
Special education fee	720,553	-	-	720,553
Operating expenses	1,618,410	237,684	-	1,856,094
Depreciation	50,996	7,645	-	58,641
Insurance	10,530	1,579	-	12,109
Capital outlay	233,348	34,983	-	268,331
Debt interest expense	203,974	30,580	-	234,554
Fundraising expense	-	-	2,501	2,501
Total	<u>\$ 8,127,413</u>	<u>\$ 950,874</u>	<u>\$ 2,501</u>	<u>\$ 9,080,788</u>

See the accompanying notes to financial statements.

AMERICAN INDIAN MODEL SCHOOLS
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STATEMENT OF FUNCTIONAL EXPENSES, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2019

	Program Services	Management and General	Fundraising	Total Expenses
AIPHS				
Teacher salaries and benefits	\$ 1,661,836	\$ -	\$ -	\$ 1,661,836
Administrative salaries and benefits	283,844	56,907	-	340,751
Clerical salaries and benefits	-	234,469	-	234,469
District supervisory fee	38,062	6,142	-	44,204
Occupancy	155,213	25,048	-	180,261
Student supplies	554,181	6,903	-	561,084
Student nutrition	94,622	-	-	94,622
Special education fee	341,739	-	-	341,739
Operating expenses	816,086	130,737	-	946,823
Depreciation	5,962	962	-	6,924
Insurance	8,616	1,391	-	10,007
Capital outlay	20,260	3,269	-	23,529
Scholarship expense (Non-Public Funds)	12,178	-	-	12,178
Debt interest expense	538	87	-	625
Fundraising expense	-	-	27,871	27,871
Total	<u>\$ 3,993,137</u>	<u>\$ 465,915</u>	<u>\$ 27,871</u>	<u>\$ 4,486,923</u>

See the accompanying notes to financial statements.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 - PRINCIPAL ACTIVITY AND SIGNIFICANT ACCOUNTING POLICIES

Organization

The American Indian Model Schools (the Schools) was incorporated in the State of California in 1996 as a nonprofit public benefit corporation that is organized under the Nonprofit Public Benefit Corporation Law exclusively for charitable and educational purposes within the meaning of 501(c)(3) of the Internal Revenue Code of 1954 or the corresponding provision of any future United States internal revenue law.

The American Indian Model Schools operate three non-profit charter schools: American Indian Public Charter School (AIPCS, charter number 0106), American Indian Public Charter School II (AIPCS II, charter number 0882), and American Indian Public High School (AIPHS, charter number 0765). The Schools are operating under a charter granted by the Oakland Unified School District that expires on June 30, 2021.

The primary objective and purpose of the Schools is to meet the academic social, cultural and developmental needs of American Indian students, and all students, in an environment that respects the integrity of the individual student and diverse cultures and knowledge and which creates educational partnerships among teachers, students, parents, and the wider community consisting of individuals, businesses, institutions, and cultural organizations on grade levels K through 12.

Central Office

The Central Office account was created as a clearing account for the Schools. Funds for both Charter Schools are received through the Central Office account. Payments are processed through the Central Office main bank account.

Cash and Cash Equivalents

The Schools consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents.

Receivables and Credit Policies

Accounts receivable consist primarily of noninterest-bearing amounts due for educational programs. Management determines the allowance for uncollectable accounts receivable based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Accounts receivable are written off when deemed uncollectable. At June 30, 2019, the allowance was \$0.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Property and Equipment

Property and equipment additions over \$5,000 are recorded at cost or, if donated, at fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 30 years or, in the case of capitalized leased assets or leasehold improvements, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any remaining gain or loss is included in the statement of activities. Cost of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

The Schools review the carrying values of fixed assets for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2019.

Intercompany Receivable/Payable

Intercompany receivable/payable results from a net cumulative difference between resources provided by the Central Office account to each charter school and reimbursement for those resources from each charter school to the Central Office account. Operating transfers include certain costs of shared liabilities and shared assets between the Schools.

Net Assets

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

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor restrictions. Net assets without donor restrictions also include the investment in property and equipment, net of accumulated depreciation. The Schools' policy is to designate donor gifts without restriction at the discretion of the board of directors.

Net Assets With Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporarily in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. The Schools report contributions restricted by donors as increases in net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. 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 statements of activities as net assets released from restrictions.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Schools are derived principally from state and federal sources. The Schools receive state funding based on each of the enrolled student's average daily attendance (ADA) in its schools. The Schools receive federal grants, which are paid through the California Department of Education or other federal and state agencies. Revenues related to these federal grants are recognized when qualifying expenses have been incurred and when all other grant requirements have been met. Unrestricted support given by the state is recognized as revenue when received. Any such funds received in advance are deferred to the applicable period in which the related services are performed, or expenditures are incurred, respectively.

Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Debt Issuance Costs

Debt issuance costs are amortized over the period the related obligation is outstanding using the effective interest method. Debt issuance costs are included within long-term debt in the consolidated statements of financial position. Amortization of debt issuance costs is included in interest expense in the accompanying consolidated financial statements.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. Donated professional services are recorded at the respective fair values of the services received. No significant contributions of such goods or services were received during the year ended June 30, 2019.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statements of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

The financial statements report certain categories of expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. All expenses, excluding depreciation and grant disbursements are allocated on the basis of estimates of time and effort.

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The expenses are generally directly attributable to a functional category with no significant allocations between program service activities and supporting service activities occurring.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Income Taxes

The Schools are a California non-profit public benefit corporation that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and classified by the Internal Revenue Service as other than a private foundation and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi). It is also exempt from State franchise and income taxes under Section 23701(d) of the California Revenue and Taxation Code. Accordingly, no provision for income taxes has been reflected in these financial statements. The Schools determined that it is not subject to unrelated business income tax and has not filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS.

The Schools have adopted Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 740 that clarifies the accounting for uncertainty in tax positions taken or expected to be taken on a tax return and provides that the tax effects from an uncertain tax position can be recognized in the financial statements only if, based on its merits, the position is more likely than not to be sustained on audit by the taxing authorities. Management believes that all tax positions taken to date are highly certain, and, accordingly, no accounting adjustment has been made to the financial statements.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the Schools to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates, and those differences could be material.

Financial Instruments and Credit Risk

Deposit concentration risk is managed by placing cash, money market accounts, and certificates of deposit with financial institutions believed by the Schools to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, no losses have been experienced in any of these accounts. Credit risk associated with accounts receivable and promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, governmental agencies, and foundations supportive of the Schools' mission.

Recent Accounting Pronouncements

On June 21, 2018, the FASB completed its project on revenue-recognition of grants and contracts by not-for-profit entities by issuing Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in the Update provide a more robust framework for determining whether a transaction should be accounted for as a contribution or as an exchange transaction.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Specifically, the amendments in the Update:

- Clarify how a not-for-profit entity determines whether a resource provider is participating in an exchange transaction or a contribution.
- Help an entity to evaluate whether contributions are conditional or unconditional by stating that a conditional contribution must have (1) a barrier that must be overcome and (2) a right of return or release of obligation.
- Modify the simultaneous release option currently in generally accepted accounting principles (GAAP), which allows a not-for-profit entity to recognize a restricted contribution directly in unrestricted net assets/net assets without donor restrictions if the restriction is not in the same period that revenue is recognized.

The ASU is effective for the Schools for the year ended June 30, 2020. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

As of July 1, 2018, the Schools adopted the provisions of Accounting Standards Update (ASU) 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities*. The provisions of the ASU replace the existing three classes of net assets with two new classes (net assets without donor restrictions and net assets with donor restrictions) and enhance the disclosure requirements for the Schools donor restricted endowment funds and underwater endowments. The ASU introduces new disclosure requirements to provide information about what is included or excluded from the Schools' intermediate measure of operations as well as disclosures to improve a financial statement user's ability to assess the Schools' liquidity and exposure to risk. The ASU also introduces new reporting requirements to present expenses by both function and natural classification in a single location and to present investment returns on the statements of activities net of external and direct internal investment expenses.

The amendments should be applied on a retrospective basis; however, if presenting comparative financial statements, the ASU allows for the option to omit, for any periods presented before the period of adoption, the analysis of expenses by both natural classification and functional classification (the separate presentation of expenses by functional classification and expenses by natural classification is still required), and the disclosure about liquidity and availability of resources. The Schools have elected not to present comparative information for these amendments.

The Schools have adopted this standard as management believes the standard improves the usefulness and understandability of the Schools financial reporting.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Adjustments Resulting from Change in Accounting Policy

As disclosed above, the Schools adopted the provisions of ASU 2016-14, *Presentation of Financial Statements for Not-For-Profit Entities* as of June 30, 2019. Following is a summary of the effects of the change in accounting policy in the Schools' June 30, 2018 financial statements.

	As Previously Reported	Adoption of ASU 2016-14	As Adjusted
Unrestricted	\$ 5,653,923	\$ (5,653,923)	\$ -
Temporarily restricted net assets	301,752	(301,752)	-
Net assets without donor restrictions	-	(5,955,675)	5,955,675

NOTE 2 - LIQUIDITY AND AVAILABILITY

Financial assets for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprises the following:

	AIPCS	AIPCS II	AIPHS
Cash and cash equivalents	\$ 291,139	\$ 2,344,582	\$ -
Accounts receivable and other assets	375,960	1,694,293	777,721
	<u>\$ 667,099</u>	<u>\$ 4,038,875</u>	<u>\$ 777,721</u>

NOTE 3 - CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following at June 30, 2019:

	Reported Amount			Bank Balance
	AIPCS	AIPCS II	Total	
Deposits				
Cash on hand and in banks	\$ 291,139	\$ 2,344,582	\$ 2,635,721	\$ 2,891,993

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Schools maintain its cash in bank deposit accounts that at times may exceed federally insured limits. The Schools have not experienced any losses in such accounts. At June 30, 2019, the Schools had a balance of \$2,391,993 in excess of FDIC insured limits. Management believes that the Schools are not exposed to any significant risk related to cash.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 4 - ACCOUNTS RECEIVABLE

Receivables at June 30, 2019, consisted of the following:

	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Local Control Funding Formula	\$ 217,551	\$ 1,190,138	\$ 618,211	\$ 2,025,900
Federal receivables	68,094	150,357	35,424	253,875
Other State receivables	59,198	211,592	87,177	357,967
Lottery	18,946	103,678	27,720	150,344
Local receivables	8,910	-	-	8,910
Total Accounts Receivable	<u>\$ 372,699</u>	<u>\$ 1,655,765</u>	<u>\$ 768,532</u>	<u>\$ 2,796,996</u>

NOTE 5 - PREPAID EXPENSES/DEPOSITS

Prepaid expenses at June 30, 2019, consisted of the following:

	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Security deposit	\$ -	\$ 27,250	\$ 7,042	\$ 34,292
Employee advances	2,500	2,763	-	5,263
Insurance	761	4,015	2,147	6,923
Other	-	4,500	-	4,500
Total Prepaid Expenses	<u>\$ 3,261</u>	<u>\$ 38,528</u>	<u>\$ 9,189</u>	<u>\$ 50,978</u>

NOTE 6 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2019, consisted of the following:

	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Land	\$ -	\$ 2,451,271	\$ -	\$ 2,451,271
Building improvements	669,961	6,584,408	284,500	7,538,869
Equipment	97,621	41,569	34,619	173,809
Subtotal	767,582	9,077,248	319,119	10,163,949
Less: accumulated depreciation	(537,716)	(1,324,346)	(291,424)	(2,153,486)
Total Property and Equipment	<u>\$ 229,866</u>	<u>\$ 7,752,902</u>	<u>\$ 27,695</u>	<u>\$ 8,010,463</u>

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2019 consisted of the following:

	<u>Central Office</u>	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Salaries and benefits	\$ 172,840	\$ 19,591	\$ 36,456	\$ 57,838	\$ 286,725
Vendor payables	492,840	1,204	7,556	14,075	515,675
Total Accounts Payable	<u>\$ 665,680</u>	<u>\$ 20,795</u>	<u>\$ 44,012</u>	<u>\$ 71,913</u>	<u>\$ 802,400</u>

NOTE 8 - LONG-TERM OBLIGATIONS

Long-term obligations activity includes debt and other long-term obligations. Changes in obligations for the fiscal year ended June 30, 2019, are as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2019</u>	<u>Due in</u> <u>One Year</u>
East West Bank - Promissory Note	\$ 5,865,774	\$ -	\$ 113,616	\$ 5,752,158	\$ 122,640
TEQ Lease, Inc.	-	103,856	4,298	99,558	18,044
Total	<u>\$ 5,865,774</u>	<u>\$ 103,856</u>	<u>\$ 117,914</u>	<u>\$ 5,851,716</u>	<u>\$ 140,684</u>

East West Bank

On February 9, 2015, the Schools issued a note payable to East West Bank for \$5.2 million. The loan was interest only with a floating interest rate of Prime plus 3.7 percent.

On March 11, 2015, the Schools issued a note payable to KC Capital Mortgage Inc. for \$800,000 with an interest rate of 12 percent to refinance a commercial real property. The entire principal was due on the maturity date of April 1, 2017.

On February 9, 2017, the Schools consolidated and refinanced the \$5,200,000 loan from East West Bank and the \$800,000 loan from KC Capital Mortgage for one loan from East West Bank for \$6,000,000. The loan has a floating variable interest rate using the daily Wall Street Journal Prime Rate (3.25 at starting rate in 2017) with a 1.00 percentage point over the index rate. For the fiscal year 2018-2019, the interest rate ranged from 4.25 to 5.25 percent. The loan has a maturity date of February 9, 2022.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

Debt service requirements for the loan as of June 30, 2019, are as follows:

Fiscal Year Ending June 30,	Principal	Interest*	Total
2020	\$ 122,640	\$ 299,069	\$ 421,709
2021	129,438	292,474	421,912
2022	5,500,080	191,121	5,691,201
	<u>\$ 5,752,158</u>	<u>\$ 782,664</u>	<u>\$ 6,534,822</u>

*Interest estimated at 5.25%

TEQ Lease, Inc.

On February 5, 2019, the Schools entered into a capital lease agreement with TEQ Lease, Inc. for the purchase of three Ford vans. The term of the lease is for five years with 7.29 percent annual interest, commencing April 1, 2019 and ending on March 1, 2024. The total purchase price was \$103,856 (including tax and interest). Additionally, the lease will be split evenly between the three schools. As of June 30, 2019, the balance on the capital lease obligation is \$99,558.

Fiscal Year Ending June 30,	
2020	\$ 24,699
2021	24,699
2022	24,699
2023	24,699
2024	19,282
Total minimum lease payments	<u>118,078</u>
Less amount representing interest	<u>(18,520)</u>
	<u>\$ 99,558</u>

NOTE 9 - FACILITIES USE AGREEMENT

On August 7, 2015, American Indian Charter School entered into a Single-Year Co-Location Use Agreement (Agreement) with Oakland Unified School District (OUSD) for the property located at 746 Grand Avenue, Oakland, California 94610. The single-year term of the Agreement expired June 30, 2017, but has been renewed for the 2018-2019 fiscal year. Per the terms of the Agreement, American Indian Charter School agrees to pay OUSD an annual fee for use of the District premises consistent with California Code of Regulations, Title 5, Section 11969.7 (the "Pro Rata Share"). Total annual Pro Rata Share paid at June 30, 2019, was \$198,555.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 - NET ASSETS

Net assets at June 30, 2019, consisted of the following:

	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Without Donor Restrictions				
Designated for:				
California Clean Energy Jobs Act	\$ 37,008	\$ 105,657	\$ -	\$ 142,665
Classified School Employee Professional Development	982	4,979	1,740	7,701
Low Performing Students Block Grant	3,952	16,796	1,976	22,724
College Readiness State program	-	-	6,553	6,553
Measure G1	18,242	51,768	35,692	105,702
Measure N	-	-	51,600	51,600
Scholarship Funds	100,934	-	-	100,934
Unrestricted	<u>1,067,403</u>	<u>4,060,370</u>	<u>1,274,390</u>	<u>6,402,163</u>
Total Net Assets	<u>\$1,228,521</u>	<u>\$4,239,570</u>	<u>\$1,371,951</u>	<u>\$6,840,042</u>

NOTE 11 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer defined benefit pension plans maintained by agencies of the State of California. AIMS has employees that are members of the California Public Employees' Retirement System (CalPERS).

The risks of participating in these multi-employer defined benefit pension plans are different from single-employer plans because: (a) assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers, (b) the required member, employer, and State contribution rates are set by the California Legislature, and (c) if the Schools choose to stop participating in the multi-employer plan, it may be required to pay a withdrawal liability to the plan. The Schools have no plans to withdraw from this multi-employer plan.

The details of each plan are as follows:

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2017, annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The CalPERS provisions and benefits in effect at June 30, 2019, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before	On or after
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	7.00%
Required employer contribution rate	18.062%	18.062%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The Schools is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2019, are presented above and the total Schools contributions were \$583,853.

AMERICAN INDIAN MODEL SCHOOLS
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

On Behalf Payments

The State of California makes contributions to CalSTRS and CalPERS on behalf of the Schools. These payments consist of State General Fund contributions to CalPERS in the amount of \$148,708 (SB 90 contribution only). Senate Bill 90 (Chapter 33, Statutes of 2019), which was signed by the Governor on June 27, 2019, appropriated for an additional 2018-2019 contribution on behalf of school employers of \$2.2456 billion for CalSTRS and \$904 million for CalPERS.). Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, both amounts have been recorded in these financial statements.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS/CalPERS) must be covered by social security or an alternative plan. The Schools have elected to use the social security as its alternative plan.

NOTE 12 - CONTINGENCIES

The Schools have received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate disallowances under terms of the grants, it is believed that any reimbursement, if required, would not be material.

Litigation

The Schools are not currently a party to any legal proceedings.

NOTE 13 - OTHER RELATED PARTY TRANSACTIONS

During the year, the Schools had amounts due to and from between each individual school. The balances for these activities as of June 30, 2019, are as follows:

	Amounts Due From/(To)
Central office	\$ 665,680
AIPCS	385,537
AIPCS II	(1,722,851)
AIPHS	671,634
	<u>\$ -</u>

During the year, the Schools paid \$136,352 for oversight fees to Oakland Unified School District.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 14 - RENTAL INCOME

Rental income on annual agreements at June 30, 2019, is as follows:

Wells Fargo Bank - ATM	\$	15,750
AT&T - Cell Towers		23,755
Parking		3,680
	\$	<u>43,185</u>

NOTE 15 - SUBSEQUENT EVENTS

The Schools' management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through _____, 2019, which is the date the financial statements were available to be issued. Management has determined that there were no subsequent events or transactions that would have a material impact on the current year financial statements.

SUPPLEMENTARY INFORMATION

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Every Student Succeeds Act (ESSA):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 327,322
Title II, Part A - Supportive Effective Instruction	84.367	14341	45,060
Title IV, Part A, Student Support and Academic Enrichment Grants	84.424	15396	32,325
English Language Acquisition Program:			
Title III - Immigrant Education Program	84.365	15146	2,065
Title III - Limited English Proficient Student Program	84.365	14346	28,307
Total English Language Acquisition Program			<u>30,372</u>
Passed through California School Finance Authority (CSFA):			
State Charter School Facilities Incentive Grant Program	84.282D	[1]	152,617
Total U.S. Department of Education			<u>587,696</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition Cluster:			
National School Lunch Program	10.555	13524	375,877
Total Federal Programs			<u>\$ 963,573</u>

[1] Pass-Through Entity Identifying Number not available.

See the accompanying notes to supplementary information.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2019

ORGANIZATION

The American Indian Model Schools operate three non-profit charter schools: American Indian Public Charter School (Charter Number 0106), American Indian Public Charter School II (Charter Number 0882), and American Indian Public High School (Charter Number 0765). The Schools are operating under a charter granted by the Oakland Unified School District and offer classroom-based instruction for grades K - 12.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Steven Leung	President	June 2021
Toni Cook	Director	June 2020
Benson Wan	Director	June 2020
Clifford Thompson	Director	June 2020
Christopher Edington	Director	June 2020

ADMINISTRATION

Maya Woods-Cadiz Superintendent

See the accompanying notes to supplementary information.

AMERICAN INDIAN MODEL SCHOOLS
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SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2019

AIPCS

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	56.46	56.26
Seventh and eighth	99.68	99.39
Total Regular ADA	<u>156.14</u>	<u>155.65</u>
Classroom based ADA		
Sixth	56.46	56.26
Seventh and eighth	99.68	99.39
Total Classroom Based ADA	<u>156.14</u>	<u>155.65</u>

AIPCS II

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Kindergarten through third	301.79	301.35
Fourth through sixth	264.89	264.07
Seventh and eighth	204.42	203.32
Total Regular ADA	<u>771.10</u>	<u>768.74</u>
Classroom based ADA		
Kindergarten through third	301.79	301.35
Fourth through sixth	264.89	264.07
Seventh and eighth	204.42	203.32
Total Classroom Based ADA	<u>771.10</u>	<u>768.74</u>

AIPHS

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	386.83	379.39
Total Regular ADA	<u>386.83</u>	<u>379.39</u>
Classroom based ADA		
Ninth through twelfth	386.83	379.39
Total Classroom Based ADA	<u>386.83</u>	<u>379.39</u>

The Schools do not operate any non-classroom based programs.

See the accompanying notes to supplementary information.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2019

AIPCS

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grade - 6	54,000				
Grade 6		66,255	182	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,255	182	N/A	Complied
Grade 8		66,255	182	N/A	Complied

AIPCS II

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	60,795	182	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,335	182	N/A	Complied
Grade 2		55,335	182	N/A	Complied
Grade 3		66,255	182	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		66,255	182	N/A	Complied
Grade 5		66,255	182	N/A	Complied
Grade 6		66,255	182	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,255	182	N/A	Complied
Grade 8		66,255	182	N/A	Complied

AIPHS

Grade Level	1986-87 Minutes Requirement	2018-19 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		66,920	182	N/A	Complied
Grade 10		66,920	182	N/A	Complied
Grade 11		66,920	182	N/A	Complied
Grade 12		66,920	182	N/A	Complied

See the accompanying notes to supplementary information.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

There were no adjustments to the Unaudited Actual Financial Report, which required reconciliation to the audited financial statements at June 30, 2019.

See the accompanying notes to supplementary information.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2019

NOTE 1 - PURPOSE OF SUPPLEMENTARY SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of the Schools and is presented on the accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The Schools has not elected to use the ten percent de minimis cost rate as covered in Section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Local Education Agency Organization Structure

This schedule provides information about the schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

This schedule presents information on the amount of instructional time offered by the Schools and whether the Schools complied with provisions of *Education Code* Sections 46200 and 46206. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made through the Oakland Unified School District to American Indian Model Schools.

Schedule of Instructional Time

This schedule presents information on the amount of instructional time offered by the Schools and whether the Schools complied with the provisions of *Education Code* Sections 47612 and 47612.5, if applicable.

The Schools must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 47612.5.

Reconciliation of Annual Financial Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets of all funds reported on the Unaudited Actual Financial Report to the audited financial statements.

INDEPENDENT AUDITOR'S REPORTS

**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***

Governing Board
American Indian Model Schools
(A California Nonprofit Public Benefit Corporation)
Oakland, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of American Indian Model Schools (the Schools) which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, cash flows, and functional expenses for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated _____, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Schools' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Schools' internal control. Accordingly, we do not express an opinion on the effectiveness of the Schools' 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 Schools' 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 the Schools' 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 Schools' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Schools' internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2019

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
American Indian Model Schools
Oakland, California

Report on Compliance for Each Major Federal Program

We have audited American Indian Model Schools' (the Schools) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of American Indian Model Schools' major Federal programs for the year ended June 30, 2019. American Indian Model Schools' major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 American Indian Model Schools' 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 American Indian Model Schools' 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 American Indian Model Schools' compliance.

Opinion on Each Major Federal Program

In our opinion, American Indian Model Schools 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 June 30, 2018.

Report on Internal Control over Compliance

Management of American Indian Model Schools 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 American Indian Model Schools' 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 American Indian Model Schools' 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. 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rancho Cucamonga, California
_____, 2019

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
American Indian Model Schools
(A California Nonprofit Public Benefit Corporation)
Oakland, California

Report on State Compliance

We have audited American Indian Model Schools' (the Schools) compliance with the types of compliance requirements as identified in the *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Schools' State government programs as noted below for the year ended June 30, 2019.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, 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 of each of the Schools' State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit 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 *2018-2019 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the Schools' 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 opinions. Our audit does not provide a legal determination of the Schools' compliance with those requirements.

Unmodified Opinion

In our opinion, the Schools complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2019.

In connection with the audit referred to above, we selected and tested transactions and records to determine the Schools' compliance with the State laws and regulations applicable to the following items:

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	No, see below
Teacher Certification and Misassignments	No, see below
Kindergarten Continuance	No, see below
Independent Study	No, see below
Continuation Education	No, see below
Instructional Time	No, see below
Instructional Materials	No, see below
Ratios of Administrative Employees to Teachers	No, see below
Classroom Teacher Salaries	No, see below
Early Retirement Incentive	No, see below
Gann Limit Calculation	No, see below
School Accountability Report Card	No, see below
Juvenile Court Schools	No, see below
Middle or Early College High Schools	No, see below
K-3 Grade Span Adjustment	No, see below
Transportation Maintenance of Effort	No, see below
Apprenticeship: Related and Supplemental Instruction	No, see below
Comprehensive School Safety Plan	No, see below
District of Choice	No, see below
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	No, see below
After School	No, see below
Before School	No, see below
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No, see below
CHARTER SCHOOLS	
Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Nonclassroom-Based Instruction	No, see below
Annual Instruction Minutes – Classroom Based	Yes
Charter School Facility Grant Program	No, see below

Programs listed above for local education agencies are not applicable to charter schools; therefore, we did not perform any related procedures.

The Schools do not operate a before or after school program within the After School Education and Safety Program; therefore, we did not perform any related procedures.

The Schools do not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

The Schools do not offer Nonclassroom-Based Instruction; therefore, we did not perform any procedures related to Nonclassroom-Based Instruction/Independent Study for Charter Schools or Determination of Funding for Nonclassroom-Based Instruction.

The Schools did not receive funding related to the Charter School Facility Grant Program; therefore, we did not perform any related procedures.

Rancho Cucamonga, California
_____, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

SUMMARY OF AUDITORS RESULTS
FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major Federal programs:	
Material weakness identified?	<u>No</u>
Significant deficiency identified?	<u>None reported</u>

Type of auditor's report issued on compliance for major Federal programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
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Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>10.555</u>	<u>Child Nutrition Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

FEDERAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

None reported.

AMERICAN INDIAN MODEL SCHOOLS
(A California Nonprofit Public Benefit Corporation)

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's Schedule of Findings and Questioned Costs.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.