



Financial Statements
June 30, 2020

American Indian Model Schools

American Indian Public Charter School (AIPCS)
(Charter Number 0106)

American Indian Public Charter School II (AIPCS II)
(Charter Number 0882)

American Indian Public High School (AIPHS)
(Charter Number 0765)

Independent Auditor’s Report	1
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to Financial Statements	7
Supplementary Information	
Local Education Agency Organization Structure	18
Schedule of Average Daily Attendance.....	19
Schedule of Instructional Time.....	20
Combining Statement of Financial Position.....	21
Combining Statement of Activities.....	23
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	25
Note to Supplementary Information	26
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 <i>Government Auditing Standards</i>	28
Independent Auditor’s Report on State Compliance	30
Schedule of Findings and Questioned Costs	
Summary of Auditor’s Results	33
Financial Statement Findings	34
State Compliance Findings and Questioned Costs	35
Summary Schedule of Prior Audit Findings.....	36



Independent Auditor's Report

Governing Board
American Indian Model Schools
Oakland, California

Report on the Financial Statements

We have audited the accompanying financial statements of American Indian Model Schools (the Organization) (a California Nonprofit Public Benefit Corporation), which are comprised of the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows 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. 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 Organization's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Organization, as of June 30, 2020, 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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying 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 supplementary information as listed in the table of contents 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, the 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 March 23, 2021 on our consideration of the Organization'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 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 Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California
March 23, 2021

American Indian Model Schools
Statement of Financial Position
June 30, 2020

Assets		
Current assets		
Cash	\$	3,569,587
Accounts receivable		4,041,933
Prepaid expenses		<u>64,695</u>
Total current assets		<u>7,676,215</u>
Noncurrent assets		
Security deposit		36,792
Property and equipment, net		<u>8,647,418</u>
Total noncurrent assets		<u>8,684,210</u>
Total assets	\$	<u><u>16,360,425</u></u>
Liabilities		
Current liabilities		
Accounts payable	\$	472,830
Accrued liabilities		237,239
Deferred revenue		46,037
Refundable advance - Paycheck Protection Program (PPP)		1,926,455
Current portion of notes payable		197,976
Current portion of capital leases		<u>19,416</u>
Total current liabilities		<u>2,899,953</u>
Long-term liabilities		
Notes payable, less current portion		8,973,336
Capital leases, less current portion		<u>62,097</u>
Total long-term liabilities		<u>9,035,433</u>
Total liabilities		<u>11,935,386</u>
Net Assets		
Without donor restrictions		<u>4,425,039</u>
Total liabilities and net assets	\$	<u><u>16,360,425</u></u>

American Indian Model Schools

Statement of Activities
Year Ended June 30, 2020

Support and Revenues	
Local Control Funding Formula	\$ 13,567,086
Federal revenue	707,423
Other State revenue	743,202
Local revenues	326,959
Interest income	1,479
Fundraising revenue	18,834
	<u>15,364,983</u>
Expenses	
Program services	15,918,488
Management and general	1,841,984
Fundraising and development	19,514
	<u>17,779,986</u>
Change in Net Assets	(2,415,003)
Net Assets, Beginning of Year	<u>6,840,042</u>
Net Assets, End of Year	<u>\$ 4,425,039</u>

American Indian Model Schools

Statement of Functional Expenses

Year Ended June 30, 2020

	Program Services	Management and General	Fundraising and Development	Total Expenses
Salaries	\$ 5,711,523	\$ 805,745	\$ -	\$ 6,517,268
Employee benefits	317,871	44,766	-	362,637
Payroll taxes	973,428	128,880	-	1,102,308
Fees for services	2,581,758	450,536	-	3,032,294
Advertising and promotions	23,442	3,420	-	26,862
Office expenses	374,941	53,411	-	428,352
Information technology	158,253	22,440	-	180,693
Occupancy	600,123	86,116	-	686,239
Conferences and meeting	195,880	25,882	-	221,762
Interest	386,485	55,285	-	441,770
Depreciation	256,243	35,726	-	291,969
Insurance	94,454	13,461	-	107,915
Other expenses	632,784	10,019	19,514	662,317
Capital outlay	61,403	8,767	-	70,170
Special education	1,518,756	-	-	1,518,756
Instructional materials	1,659,757	79,451	-	1,739,208
Nutrition	252,632	1,163	-	253,795
District oversight fees	118,755	16,916	-	135,671
AIPCS - CO Management Fee Expense	390,373	63,076	-	453,449
AIPCS II - CO Management Fee Expense	1,086,377	148,012	-	1,234,389
AIHS - CO Management Fee Expense	727,996	103,327	-	831,323
	<u>18,123,234</u>	<u>2,156,399</u>	<u>19,514</u>	<u>20,299,147</u>
Eliminations	<u>(2,204,746)</u>	<u>(314,415)</u>	<u>-</u>	<u>(2,519,161)</u>
Total functional expenses	<u>\$ 15,918,488</u>	<u>\$ 1,841,984</u>	<u>\$ 19,514</u>	<u>\$ 17,779,986</u>

American Indian Model Schools
Statement of Cash Flows
Year Ended June 30, 2020

Cash Flows used for Operating Activities	
Change in net assets	\$ (2,415,003)
Adjustments to reconcile change in net assets to net cash used for operating activities	
Depreciation expense	291,969
Changes in operating assets and liabilities	
Accounts receivable	(1,244,937)
Intercompany receivable	1,254,922
Prepaid expenses	(50,509)
Accounts payable	(42,849)
Accrued liabilities	(49,482)
Deferred revenue	46,037
Refundable advance - PPP	1,926,455
Intercompany payable	(1,254,922)
	<hr/>
Net Cash used for Operating Activities	(1,538,319)
	<hr/>
Cash Flows used for Investing Activities	
Purchases of property and equipment	(928,924)
	<hr/>
Cash Flows from Financing Activities	
Proceeds from issuance of notes	3,578,100
Principal payments on notes	(158,946)
Principal payments on capital leases	(18,045)
	<hr/>
Net Cash from Financing Activities	3,401,109
	<hr/>
Net Change in Cash	933,866
	<hr/>
Cash, Beginning of Year	2,635,721
	<hr/>
Cash, End of Year	\$ 3,569,587
	<hr/> <hr/>
Supplemental Cash Flow Disclosure	
Cash paid during the year in interest	\$ 441,770
	<hr/> <hr/>

Note 1 - Principal Activity and Significant Accounting Policies**Organization**

American Indian Model Schools (the Organization) 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. The Organization operates three non-profit charter schools, under a charter granted by the Oakland Unified School District that expires on June 30, 2021. The following authorized charters are operated by the Organization:

American Indian Public Charter School (AIPCS)

Charter school number authorized by the State: 0106

Currently serves 229 students in grades sixth through eight

American Indian Public Charter School II (AIPCS II)

Charter school number authorized by the State: 0882

Currently serves 634 students in grades kindergarten through eight

American Indian Public High School (AIPHS)

Charter school number authorized by the State: 0765

Currently serves 397 students in grades ninth through twelfth

About AIMS

“Our mission at AIMS is to cultivate a community of diverse learners who achieve academic excellence. Our commitment to high expectations is attendance, academic achievement, and character development results in our students being prepared for lifelong success.”

Basis of Accounting

The accompanying financial statements were prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America as applicable to nonprofit organizations. Revenues are recognized as discussed below, and expenditures are recognized in the accounting period in which the liability is incurred.

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. The Governing Board has designated, from net assets without donor restrictions, net assets for discretionary State and local grants.

Net Assets with Donor Restrictions – Net assets subject to donor (or certain grantor) restrictions. Some donor imposed (or grantor) restrictions are temporary 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 Organization reports 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 statement of activities as net assets released from restrictions.

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. No allowance for doubtful accounts has been established, as the Organization deems all amounts to be fully collectible. Substantially all outstanding accounts receivable as of June 30, 2020 are due from state and/or federal sources related to grant contributions and are expected to be collected within a period of less than one year.

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. The Intercompany receivable/payable at each location results from the cumulative payable/receivable entries automatically generated when transactions occur between schools, as well as the Central Office. The net amount either due or receivable by each location is the cumulative of entries over time and reflects the balance at the date of fiscal year end.

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 Organization reviews the carrying values of property and equipment 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, 2020.

Revenue and Revenue Recognition

Revenue is recognized when earned. Operating funds for the Organization are derived principally from state and federal sources. The Organization receives state funding based on each of the enrolled student's average daily attendance (ADA) in its school. Contributions are recognized when cash or notification of an entitlement is received. Conditional contributions, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met. The majority of the Organization's federal and state contracts and grants are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses.

Contributions of goods are recorded at fair value. Contributions of services are recorded at fair value as revenue at the time the service is rendered when specialized skills are required and when the Organization would otherwise purchase the services. No amounts have been reflected in the accompanying financial statements for contributed goods or services during the year being reported because items did not meet the definition above. Contributions with donor restrictions received are recorded as increases in net assets with donor restrictions. Net assets with donor restrictions received are recognized as revenue without donor restrictions when the terms of the restrictions are met, which may be in the same period if the revenue is received and the restriction satisfied during the same period. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The Organization was granted a \$1,922,400 loan under the Paycheck Protection Program (PPP) administered by a Small Business Administration (SBA) approved partner. The loan is uncollateralized and is fully guaranteed by the Federal government. The Organization is eligible for loan forgiveness of up to 100% of the loan, upon meeting certain requirements. The Organization has recorded the loan and any accrued interest as a refundable advance and will record the forgiveness in accordance with guidance for conditional contributions when there is no longer a measurable performance or other barrier and a right to return of the PPP loan or when such conditions are explicitly waived. Proceeds from the loan are eligible for forgiveness if the Organization maintains employment levels during its covered period and uses the funds for certain payroll, rent, and utility expenses. No contribution revenue has been recorded for the year ended June 30, 2020. The Organization will be required to repay any remaining balance, plus interest accrued at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness. At June 30, 2020, the refundable advance related to PPP consists of \$1,922,400 in loan and \$4,055 in accrued interest.

Functional Allocation of Expenses

The financial statements report categories of expenses that are attributed to program service activities or supporting services activities. The costs of program and supporting services activities have been summarized on a functional basis in the statement 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 based on management's estimates. The expenses that are allocated include occupancy, depreciation, and amortization, which are allocated on a square footage basis, as well as salaries and wages, benefits, payroll taxes, professional services, office expenses, information technology, interest, insurance, and other, which are allocated on the basis of estimates of time and effort.

Income Taxes

The Organization is organized as a California nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), and qualifies for the charitable contribution deduction under 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. The Organization is annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, the Organization is subject to income tax on net income that is derived from business activities that are unrelated to its exempt purposes. The Organization 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.

Management believes that the Organization has appropriate support for any tax positions taken affecting its annual filing requirements, and as such, does not have any uncertain tax positions that are material to the financial statements. The Organization would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management 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. Accordingly, actual results could differ from those estimates.

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 management 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 is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from governmental agencies supportive of the Organization's mission.

Recent Accounting Pronouncements

In February 2016, FASB issued Accounting Standards Update (ASU) 2016-02, *Leases*. ASU 2016-02 requires a lessee to recognize a lease asset representing its right to use the underlying asset for the lease term, and a lease liability for the payments to be made to lessor, on its statement of financial position for all operating leases greater than 12 months. Although the full impact of this update on the Organization's financial statements has not yet been determined, the future adoption of this guidance will require the Organization to record assets and liabilities on its statement of financial position relating to facility and other leases currently being accounted for as operating leases.

The ASU is effective for the Organization for the year ended June 30, 2022. Management is evaluating the impact of the adoption of this standard.

FASB Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*, as amended, supersedes or replaces nearly all GAAP revenue recognition guidance. These standards establish a new contract and control-based revenue recognition model, change the basis for deciding when revenue is recognized over time or at a point in time, and expand disclosures about revenue.

Topic 606 is effective for the Organization for the year ended June 30, 2021. Management is evaluating the impact of the adoption of this standard.

Change in Accounting Principle

The Organization has adopted the provisions of ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08) applicable to contributions received and has early adopted the provisions of contributions made. ASU 2018-08 clarifies and improves the scope and the accounting guidance for contributions received and contributions made. Management has adopted this standard because it assists the Organization in evaluating whether transactions should be accounted for as contributions or exchange transactions and in determining whether a contribution is conditional. As of July 1, 2019, the Organization has implemented the provisions of ASU 2018-08 on a modified prospective basis to agreements that were not completed as of the date of adoption or were entered after the date of adoption. Management has determined that the adoption of this standard did not have a significant impact on the Organization's financial statements.

On June 3, 2020, the FASB issued Accounting Standards Update (ASU) 2020-05, *Revenue from Contracts with Customers* (Topic 606) and *Leases* (Topic 842) Effective Dates for Certain Entities, as part of its efforts to support and assist stakeholders as they cope with the many challenges and hardships related to the COVID-19 pandemic.

ASU 2020-05 defers the effective date of FASB ASC 606, *Revenue from Contract with Customers*, for certain entities that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 606. Those entities may elect to adopt FASB ASC 606 for annual reporting periods beginning after December 15, 2019, and for interim reporting periods within annual reporting periods beginning after December 15, 2020. Those entities may elect to follow the original effective date of annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019.

The effective date for a public business entity, a nonprofit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and an employee benefit plan that files or furnishes financial statements with or to the Securities and Exchange Commission (SEC) is not affected by the amendments in this ASU.

The effective date of FASB ASC 842, *Leases*, is deferred by one year, as follows:

For private companies and private nonprofits, to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022.

For public nonprofits that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of FASB ASC 842, to fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.

The Organization has adopted this standard as management believes the standard improves the usefulness and understandability of the Organization’s financial reporting. Accordingly, there is no effect on net assets in connection with the implementation of ASU 2020-05.

Note 2 - Liquidity and Availability

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

Cash		\$ 3,569,587
Accounts receivable		<u>4,041,933</u>
 Total		 <u><u>\$ 7,611,520</u></u>

As part of the Organization’s liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations become due.

Note 3 - Property and Equipment

Property and equipment consist of the following at June 30, 2020:

Land		\$ 2,451,271
Building improvements		1,819,237
Building		5,719,632
Computer and equipment		173,809
Work in progress		<u>928,924</u>
		11,092,873
 Less accumulated depreciation		 <u>(2,445,455)</u>
 Total		 <u><u>\$ 8,647,418</u></u>

Note 4 - Notes Payable

Notes payable consist of the following at June 30, 2020:

Note payable, due in variable monthly installments principal and interest at 5.250%, collateralized by (a) a deed of trust for the real property located in Alameda County, CA; (b) an assignment of all rents to lender on real property located in Alameda County, CA; and (c) all financial contracts and all proceeds thereof, including all accounts and general intangibles, described in the Commercial Security Agreement, with a carrying value of \$9,300,000; maturing in 2029.

\$ 9,171,312

Future maturities of notes payable are as follows:

Year Ending June 30,	Principal
2021	\$ 197,976
2022	210,504
2023	222,692
2024	233,000
2025	244,268
Thereafter	8,062,872
Total	\$ 9,171,312

Note 5 - Capital Leases

The Organization leases vehicles under a lease expiring through 2024.

Future minimum lease payments are as follows:

Year Ending June 30,	
2021	\$ 24,699
2022	24,699
2023	24,699
2024	19,283
Total minimum lease payments	93,380
Less amount representing interest	(11,867)
Total	\$ 81,513

Leased property under capital leases includes the following at June 30, 2020:

Vehicles	\$	<u>103,857</u>
Less accumulated amortization		<u>(41,544)</u>
Total	\$	<u><u>62,313</u></u>

Note 6 - Operating Lease

On June 19, 2019, 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 expires June 30, 2020. Per 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 Charge”). Total annual Pro Rata Share charge due at June 30, 2020, was \$119,718.

Note 7 - Net Assets

Net assets consist of the following at June 30, 2020:

Net assets without donor restrictions		
Designated for Classified School Employee Professional Development	\$	7,701
Designated for Low Performing Students Block Grant		69,184
Designated for Measure G1		105,702
Designated for Measure N		51,600
Designated for College Readiness		6,553
Designated for Scholarship Funds		100,934
Designated for SB 117 COVID-19 Response Funds		131
Undesignated		<u>4,083,234</u>
Total net assets without donor restrictions		<u><u>\$4,425,039</u></u>

Note 8 - Employee Retirement Systems

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

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.

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, 2018, 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, 2020, are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	On or before December 31, 2012	On or after 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	19.721%	19.721%

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 Organization 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, 2020, are presented above and the total Organization's contributions were \$389,110.

Note 9 - Contingencies

The Organization has 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.

Note 10 - Subsequent Events

The Organization's management has evaluated events or transactions that may occur for potential recognition or disclosure in the financial statements through March 23, 2021, 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.

Subsequent to year-end, the Organization has been negatively impacted by the effects of the world-wide coronavirus pandemic. The Organization is closely monitoring its operations, liquidity, and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. As of the issuance date of these financial statements, the full impact to the Organization's financial position is not known beyond increased cash flow monitoring due to state apportionment deferrals.



Supplementary Information
June 30, 2020

American Indian Model Schools

ORGANIZATION

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		
Member	Office	Term Expires
Toni Cook	President	June 2020
Christopher Edington	Director	June 2020
Adrien Abuyen	Director	June 2020
Dana Lang	Director	June 2020
Steven Leung	Director	June 2020
Clifford Thompson	Director	June 2020

Administration	
Name	Title
Maya Woods-Cadiz	Superintendent

American Indian Model Schools
 Schedule of Average Daily Attendance
 Year Ended June 30, 2020

AIPCS

	Second Period Report AD81E3D1	Annual Report 414F4E8A
Regular ADA		
Sixth	81.83	81.83
Seventh and eighth	146.82	146.82
Total Regular ADA	228.65	228.65
Classroom based ADA		
Sixth	81.83	81.83
Seventh and eighth	146.82	146.82
Total Classroom Based ADA	228.65	228.65

AIPCS II

	Second Period Report 6DED8F97	Annual Report 14B9F1C7
Regular ADA		
Kindergarten through third	279.80	279.80
Fourth through sixth	210.10	210.10
Seventh and eighth	144.29	144.29
Total Regular ADA	634.19	634.19
Classroom based ADA		
Kindergarten through third	279.80	279.80
Fourth through sixth	210.10	210.10
Seventh and eighth	144.29	144.29
Total Classroom Based ADA	634.19	634.19

AIPHS

	Second Period Report 96F0F8E1	Annual Report C223D319
Regular ADA		
Ninth through twelfth	397.49	397.49
Total Regular ADA	397.49	397.49
Classroom based ADA		
Ninth through twelfth	397.49	397.49
Total Classroom Based ADA	397.49	397.49

American Indian Model Schools
Schedule of Instructional Time
Year Ended June 30, 2020

AIPCS

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 6 - 8	54,000				
Grade 6		64,290	182	N/A	Complied
Grade 7		64,290	182	N/A	Complied
Grade 8		66,525	182	N/A	Complied

AIPCS II

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,605	182	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,605	182	N/A	Complied
Grade 2		66,525	182	N/A	Complied
Grade 3		66,525	182	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		66,525	182	N/A	Complied
Grade 5		66,525	182	N/A	Complied
Grade 6		64,290	182	N/A	Complied
Grade 7		64,290	182	N/A	Complied
Grade 8		66,525	182	N/A	Complied

AIPHS

Grade Level	1986-1987 Minutes Requirement	2019-2020 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		81,420	182	N/A	Complied
Grade 10		81,420	182	N/A	Complied
Grade 11		81,420	182	N/A	Complied
Grade 12		81,420	182	N/A	Complied

American Indian Model Schools
Combining Statement of Financial Position
June 30, 2020

	Central Office	AIPCS	AIPCS II
Assets			
Current assets			
Cash	\$ -	\$ 299,891	\$ 3,269,696
Accounts receivable	4,638	1,054,477	1,795,757
Intercompany receivable	430,967	-	19,738
Prepaid expenses	-	3,399	16,646
Total current assets	<u>435,605</u>	<u>1,357,767</u>	<u>5,101,837</u>
Noncurrent assets			
Security deposit	-	2,500	27,250
Property and equipment, net	-	194,117	8,432,530
Total noncurrent assets	<u>-</u>	<u>196,617</u>	<u>8,459,780</u>
Total assets	<u>\$ 435,605</u>	<u>\$ 1,554,384</u>	<u>\$ 13,561,617</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 366,488	\$ -	\$ 106,342
Accrued liabilities	68,845	45,843	66,318
Deferred revenue	-	3,373	40,069
Refundable advance - Paycheck Protection Program (PPP)	-	-	1,926,455
Intercompany payable	-	298,568	169,361
Current portion of notes payable	-	-	197,976
Current portion of capital leases	-	6,472	6,472
Total current liabilities	<u>435,333</u>	<u>354,256</u>	<u>2,512,993</u>
Long-term liabilities			
Notes payable, less current portion	-	-	8,973,336
Capital leases, less current portion	-	20,699	20,699
Total long-term liabilities	<u>-</u>	<u>20,699</u>	<u>8,994,035</u>
Total liabilities	<u>435,333</u>	<u>374,955</u>	<u>11,507,028</u>
Net Assets			
Without donor restrictions	<u>272</u>	<u>1,179,429</u>	<u>2,054,589</u>
Total liabilities and net assets	<u>\$ 435,605</u>	<u>\$ 1,554,384</u>	<u>\$ 13,561,617</u>

American Indian Model Schools
Combining Statement of Financial Position
June 30, 2020

	AIPHS	Elimination	Total
Assets			
Current assets			
Cash	\$ -	\$ -	\$ 3,569,587
Accounts receivable	1,187,061	-	4,041,933
Intercompany receivable	17,224	(467,929)	-
Prepaid expenses	44,650	-	64,695
Total current assets	<u>1,248,935</u>	<u>(467,929)</u>	<u>7,676,215</u>
Noncurrent assets			
Security deposit	7,042	-	36,792
Property and equipment, net	20,771	-	8,647,418
Total noncurrent assets	<u>27,813</u>	<u>-</u>	<u>8,684,210</u>
Total assets	<u>\$ 1,276,748</u>	<u>\$ (467,929)</u>	<u>\$ 16,360,425</u>
Liabilities			
Current liabilities			
Accounts payable	\$ -	\$ -	\$ 472,830
Accrued liabilities	56,233	-	237,239
Deferred revenue	2,595	-	46,037
Refundable advance - Paycheck Protection Program (PPP)	-	-	1,926,455
Intercompany payable	-	(467,929)	-
Current portion of notes payable	-	-	197,976
Current portion of capital leases	6,472	-	19,416
Total current liabilities	<u>65,300</u>	<u>(467,929)</u>	<u>2,899,953</u>
Long-term liabilities			
Notes payable, less current portion	-	-	8,973,336
Capital leases, less current portion	20,699	-	62,097
Total long-term liabilities	<u>20,699</u>	<u>-</u>	<u>9,035,433</u>
Total liabilities	<u>85,999</u>	<u>(467,929)</u>	<u>11,935,386</u>
Net Assets			
Without donor restrictions	<u>1,190,749</u>	<u>-</u>	<u>4,425,039</u>
Total liabilities and net assets	<u>\$ 1,276,748</u>	<u>\$ (467,929)</u>	<u>\$ 16,360,425</u>

American Indian Model Schools
Combining Statement of Activities
June 30, 2020

	Central Office	AIPCS	AIPCS II
Support and Revenues			
Local Control Funding Formula	\$ -	\$ 2,315,504	\$ 6,612,315
Federal revenue	-	210,636	331,975
Other State revenue	-	240,229	366,861
Local revenues	2,519,433	57,540	201,951
Interest income	-	158	1,043
Fundraising revenue	-	1,760	7,267
	<u>2,519,433</u>	<u>2,825,827</u>	<u>7,521,412</u>
Expenses			
Program services	2,204,746	2,548,471	8,733,680
Management and general	314,415	326,448	965,594
Fundraising and development	-	-	7,119
	<u>2,519,161</u>	<u>2,874,919</u>	<u>9,706,393</u>
Change in Net Assets	272	(49,092)	(2,184,981)
Net Assets, Beginning of Year	-	1,228,521	4,239,570
Net Assets, End of Year	<u>\$ 272</u>	<u>\$ 1,179,429</u>	<u>\$ 2,054,589</u>

American Indian Model Schools
Combining Statement of Activities
June 30, 2020

	AIPHS	Elimination	Total
Support and Revenues			
Local Control Funding Formula	\$ 4,639,267	\$ -	\$ 13,567,086
Federal revenue	164,812	-	707,423
Other State revenue	136,112	-	743,202
Local revenues	67,196	(2,519,161)	326,959
Interest income	278	-	1,479
Fundraising revenue	9,807	-	18,834
Total support and revenues	<u>5,017,472</u>	<u>(2,519,161)</u>	<u>15,364,983</u>
Expenses			
Program services	4,636,337	(2,204,746)	15,918,488
Management and general	549,942	(314,415)	1,841,984
Fundraising and development	12,395	-	19,514
Total expenses	<u>5,198,674</u>	<u>(2,519,161)</u>	<u>17,779,986</u>
Change in Net Assets	(181,202)	-	(2,415,003)
Net Assets, Beginning of Year	<u>1,371,951</u>	<u>-</u>	<u>6,840,042</u>
Net Assets, End of Year	<u>\$ 1,190,749</u>	<u>\$ -</u>	<u>\$ 4,425,039</u>

American Indian Model Schools
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
 Year Ended June 30, 2020

Summarized below are the net asset reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	AIPCS	AIPCS II
Net Assets		
Balance, June 30, 2020, Unaudited Actuals	\$ 1,199,167	\$ 2,141,193
Increase in		
Intercompany receivables	-	19,738
Intercompany payables	(19,738)	-
Accounts payable	-	(106,342)
	\$ 1,179,429	\$ 2,054,589
Balance, June 30, 2020, Audited Financial Statements		

Note 1 - Purpose of Supplementary Schedules

Local Education Agency Organization Structure

This schedule provides information about the Organization's operations, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the Organization. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to local education agencies. This schedule provides information regarding the attendance of students at the Organization.

Schedule of Instructional Time

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

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

Due to school closures caused by COVID-19, the Organization filed the COVID-19 School Closure Certification certifying that schools were closed for 48 days due to the pandemic. As a result, the Organization received credit for these 48 days in meeting the annual instructional days requirement. In addition, planned minutes covered by the COVID-19 School Certification were included in the Actual Minutes column but were not actually offered due to the COVID-19 school closure.

Combining Statement of Financial Position and Combining Statement of Activities

The Combining Statement of Financial Position and Combining Statement of Activities are included to provide information regarding the individual programs of the Charter Schools within the Organization and are presented on the accrual basis of accounting. Eliminating entries in the Combining Statement of Financial Position and Combining Statement of Activities are for activities between each charter school.

Reconciliation of Annual Financial Report with Audited Financial Statements

This schedule provides the information necessary to reconcile the net assets reported on the unaudited actual financial report to the audited financial statements.



Independent Auditor's Reports
June 30, 2020

American Indian Model Schools



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
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 Organization) which comprise the statement of financial position as of June 30, 2020, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2021.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Rancho Cucamonga, California

March 23, 2021



Independent Auditor's Report on State Compliance

Governing Board
American Indian Model Schools
Oakland, California

Report on State Compliance

We have audited American Indian Model Schools' (the Organization) compliance with the types of compliance requirements described in the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* applicable to the state laws and regulations listed in the table below for the year ended June 30, 2020.

Management's Responsibility

Management is responsible for compliance with the state laws and regulations as identified in the table below.

Auditor's Responsibility

Our responsibility is to express an opinion on the Organization's compliance with state laws and regulations based on our audit of the types of compliance requirements referred to below. 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 audit requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements listed below has occurred. An audit includes examining, on a test basis, evidence about the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on state compliance. However, our audit does not provide a legal determination of the Organization's compliance.

Compliance Requirements Tested

In connection with the audit referred to above, we selected and tested transactions and records to determine the Organization’s 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
Ratio 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	Yes
After School	Yes
Before School	No, see below ¹
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 ²

CHARTER SCHOOLS

Procedures
Performed

Attendance	Yes
Mode of Instruction	Yes
Nonclassroom-Based Instruction/Independent Study	No, see below ³
Determination of Funding for Nonclassroom-Based Instruction	No, see below ⁴
Annual Instructional Minutes – Classroom Based	Yes
Charter School Facility Grant Program	No, see below ⁵

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

The Organization does not offer a Before School Education and Safety Program; therefore, we did not perform procedures related to the Before School Education and Safety Program.¹

The Organization does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.²

We did not perform procedures for the Nonclassroom-Based Instruction/Independent Study nor for Determination of Funding for Nonclassroom-Based Instruction because the Organization is classroom-based.^{3,4}

We did not perform procedures for the Charter School Facility Grant Program because the Organization did not receive funding for this program.⁵

Unmodified Opinion

In our opinion, American Indian Model Schools complied with the laws and regulations of the state programs referred to above for the year ended June 30, 2020.

The purpose of this report on state compliance is solely to describe the results of our testing based on the requirements of the *2019-2020 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Rancho Cucamonga, California
March 23, 2021

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

STATE COMPLIANCE

Type of auditor's report issued on compliance for programs:	Unmodified
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None reported.

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.