

**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)**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2018**

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**JUNE 30, 2018**

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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, 2018, and the related statements of activities 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; and the *2017-2018 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, 2018, and the changes in its net assets, and its cash flows thereof 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 \_\_\_\_\_, 2018, 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  
\_\_\_\_\_, 2018

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

**DRAFT 11/29/2018**

**STATEMENT OF FINANCIAL POSITION  
JUNE 30, 2018**

	Central Office	AIPCS	AIPCS II
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 258	\$ 233,213	\$ 3,242,440
Accounts receivable	-	173,862	801,234
Intercompany receivable	444,718	535,330	200,000
Prepaid expenses/deposits	-	25,761	85,415
Total Current Assets	<u>444,976</u>	<u>968,166</u>	<u>4,329,089</u>
Non-Current Assets			
Fixed assets	-	769,563	8,995,268
Less: accumulated depreciation	-	(497,656)	(1,265,705)
Total Non-Current Assets	<u>-</u>	<u>271,907</u>	<u>7,729,563</u>
Total Assets	<u>\$ 444,976</u>	<u>\$ 1,240,073</u>	<u>\$ 12,058,652</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts payable	\$ 244,976	\$ 268,016	\$ 538,035
Intercompany payable	200,000	-	1,519,594
Current portion of long-term debt	-	-	113,616
Total Current Liabilities	<u>444,976</u>	<u>268,016</u>	<u>2,171,245</u>
Long-Term Obligations			
Non-current portion of long-term debt	-	-	5,752,158
Total Liabilities	<u>444,976</u>	<u>268,016</u>	<u>7,923,403</u>
<b>NET ASSETS</b>			
Designated	-	137,942	105,657
Unrestricted	-	834,115	4,029,592
Total Net Assets	<u>-</u>	<u>972,057</u>	<u>4,135,249</u>
Total Liabilities and Net Assets	<u>\$ 444,976</u>	<u>\$ 1,240,073</u>	<u>\$ 12,058,652</u>

See the accompanying notes to financial statements.

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AIPHS	Elimination	Total
\$ -	\$ -	\$ 3,475,911
544,244	-	1,519,340
539,546	(1,719,594)	-
43,196	-	154,372
<u>1,126,986</u>	<u>(1,719,594)</u>	<u>5,149,623</u>
284,500	-	10,049,331
<u>(284,500)</u>	<u>-</u>	<u>(2,047,861)</u>
-	-	8,001,470
<u>\$ 1,126,986</u>	<u>\$ (1,719,594)</u>	<u>\$ 13,151,093</u>
\$ 278,617	\$ -	\$ 1,329,644
-	(1,719,594)	-
-	-	113,616
<u>278,617</u>	<u>(1,719,594)</u>	<u>1,443,260</u>
-	-	5,752,158
<u>278,617</u>	<u>(1,719,594)</u>	<u>7,195,418</u>
58,153	-	301,752
<u>790,216</u>	<u>-</u>	<u>5,653,923</u>
848,369	-	5,955,675
<u>\$ 1,126,986</u>	<u>\$ (1,719,594)</u>	<u>\$ 13,151,093</u>

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

**DRAFT 11/29/2018**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

	Central Office	AIPCS	AIPCS II
<b>REVENUES</b>			
Local Control Funding Formula	\$ -	\$ 1,306,553	\$ 5,843,530
Federal revenue	-	161,990	631,379
Other State revenue	-	291,829	530,711
Local revenues	796,052	2,579	79,896
Rental income	-	35,707	54,022
Fundraising revenue	27	-	7,592
Total Revenues	<u>796,079</u>	<u>1,798,658</u>	<u>7,147,130</u>
<b>EXPENSES</b>			
Program services			
Teacher salaries and benefits	-	713,361	3,496,594
District supervisory fee	-	9,852	46,765
Educational programs	-	3,243	20,087
Occupancy	-	632	2,971
Student supplies	35,679	31,948	264,625
Student nutrition	-	-	262,746
Special education fee	-	125,728	553,076
Operating expenses	697,131	177,504	641,497
Depreciation	-	21,788	186,625
Insurance	56,040	5,429	19,366
Capital outlay	3,399	12,134	44,488
Scholarship expense (Non-Public Funds)	-	-	-
Debt interest expense	-	104,806	177,801
Total Program Services	<u>792,249</u>	<u>1,206,425</u>	<u>5,716,641</u>
Fundraising			
Fundraising expense	3,830	237	1,078
Management and general			
Administrative salaries and benefits	-	102,933	433,861
Clerical salaries and benefits	-	105,991	371,879
District supervisory fee	-	3,214	11,670
Student supplies	-	1,773	3,479
Occupancy	-	206	741
Depreciation	-	7,109	46,570
Insurance	-	-	4,833
Operating expenses	-	44,094	141,926
Capital outlay	-	3,959	11,101
Debt interest expense	-	34,197	44,368
Total Management and General	<u>-</u>	<u>303,476</u>	<u>1,070,428</u>
Total Expenses	<u>796,079</u>	<u>1,510,138</u>	<u>6,788,147</u>
<b>CHANGE IN NET ASSETS</b>	<u>-</u>	<u>288,520</u>	<u>358,983</u>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<u>-</u>	<u>683,537</u>	<u>3,776,266</u>
<b>NET ASSETS, END OF YEAR</b>	<u>\$ -</u>	<u>\$ 972,057</u>	<u>\$ 4,135,249</u>

See the accompanying notes to financial statements.

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AIPHS	Elimination	Total
\$ 3,705,646	\$ -	\$ 10,855,729
144,851	-	938,220
127,708	-	950,248
5,700	(796,052)	88,175
-	-	89,729
10,154	(27)	17,746
<u>3,994,059</u>	<u>(796,079)</u>	<u>12,939,847</u>
1,783,462	-	5,993,417
31,302	-	87,919
5,139	-	28,469
130,586	-	134,189
668,071	(35,679)	964,644
-	-	262,746
290,919	-	969,723
337,049	(697,131)	1,156,050
-	-	208,413
8,201	(56,040)	32,996
15,528	(3,399)	72,150
14,870	-	14,870
-	-	282,607
<u>3,285,127</u>	<u>(792,249)</u>	<u>10,208,193</u>
-	-	-
<u>17,175</u>	<u>(3,830)</u>	<u>18,490</u>
163,696	-	700,490
260,159	-	738,029
5,754	-	20,638
3,428	-	8,680
24,005	-	24,952
-	-	53,679
1,508	-	6,341
51,561	-	237,581
2,854	-	17,914
-	-	78,565
<u>512,965</u>	<u>-</u>	<u>1,886,869</u>
<u>3,815,267</u>	<u>(796,079)</u>	<u>12,113,552</u>
<u>178,792</u>	<u>-</u>	<u>826,295</u>
<u>669,577</u>	<u>-</u>	<u>5,129,380</u>
<u>\$ 848,369</u>	<u>\$ -</u>	<u>\$ 5,955,675</u>



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2018**

	Central Office	AIPCS	AIPCS II	AIPHS	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Change in net assets	\$ -	\$ 288,520	\$ 358,983	\$ 178,792	\$ 826,295
Adjustments to reconcile change in net assets to net cash provided by operating activities					
Depreciation expense	-	28,897	233,195	-	262,092
Changes in operating assets and liabilities					
Increase (Decrease) in accounts receivable	-	98,812	141,338	(134,013)	106,137
Decrease (Increase) in intercompany receivable/payable, net	851,679	(166,776)	(200,000)	(101,158)	383,745
Decrease (Increase) in prepaid expenses and other assets, net	-	(21,311)	(44,165)	(38,006)	(103,482)
Increase in accounts payable	199,981	100,621	150,069	94,385	545,056
(Decrease) Increase in intercompany payable	(1,051,660)	-	667,915	-	(383,745)
Decrease in current loans	-	-	(107,616)	-	(107,616)
Net Cash Provided by Operating Activities	-	328,763	1,199,719	-	1,528,482
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Capital expenditures	-	(248,925)	(156,713)	-	(405,638)
<b>NET INCREASE IN CASH CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	-	79,838	1,043,006	-	1,122,844
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	258	153,375	2,199,434	-	2,353,067
	<u>\$ 258</u>	<u>\$ 233,213</u>	<u>\$ 3,242,440</u>	<u>\$ -</u>	<u>\$ 3,475,911</u>
<b>Supplemental cash flow disclosure:</b>					
Cash paid during the period in interest	\$ -	\$ 139,003	\$ 222,169	\$ -	\$ 361,172

See the accompanying notes to financial statements.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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***NOTE 1 - NATURE OF ORGANIZATION***

**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 operates 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.

***NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

**Financial Statement Presentation**

The significant policies followed by the Schools are described below to enhance the financial statements.

The Schools are required to report information about its financial position and activities in three classes of net assets: unrestricted, temporarily restricted, and permanently restricted net assets. The Schools have no temporarily or permanently restricted net assets, as of June 30, 2018. In addition, the Schools are required to present a Statement of Cash Flows.

**Basis of Accounting**

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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The Schools' financial statements are prepared utilizing the accrual basis of accounting. Support and revenues are recorded in the period earned. Expenditures are recognized in the period the liability is incurred.

**Income Taxes**

The Schools are nonprofit public benefit corporations that are 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. 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. Income tax returns for 2014 and forward may be audited by regulatory agencies; however, the Schools are not aware of any such actions at this time.

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.

**Cash and Cash Equivalents**

For purposes of the Statement of Cash Flows, the Schools consider all cash on hand and in banks to be cash equivalents.

**Accounts Receivable**

The Schools consider accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

**Inter-Company Receivable/Payable**

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

**Prepaid Expenses / Security Deposit**

Prepaid expenses represent amounts paid in advance of receiving goods or services. The Schools have reported prepaid items either when purchased or during the benefiting period. Security deposits represent amounts paid per the rental agreement of facilities that will not be returned within one year and are recorded as non-current assets.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**Fixed Assets**

It is the Schools' policy to capitalize individual property and equipment purchases over \$5,000. Lesser amounts are expensed. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific purpose. Furniture and equipment are depreciated using the straight-line method, over 3 to 5 years. Depreciation expense for the year ended June 30, 2018, was \$28,897 and \$233,195, respectively.

**Donated Services, Goods, and Facilities**

A few volunteers have donated their time and experience to the Schools' program services and fundraising campaigns during the year. However, these donated services are not reflected in the financial statements since there is no readily determined method of valuing the services.

**Use of Estimates**

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

**New Accounting Pronouncements**

In February 2016, the FASB issued Accounting Standards Update (ASU) 2016-02, *Leases* (ASU 2016-02). 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 balance sheet for all operating leases greater than 12 months. ASU 2016-02 will be effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Schools have not yet assessed the potential impact of this guidance on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (ASU 2016-14). ASU 2016-14 changes how a not-for-profit organization classifies its net assets, as well as the information it presents in financial statements and notes about its liquidity, financial performance, and cash flows. ASU 2016-14 requires amended presentation and disclosures to help not-for-profits provide more relevant information about their resources (and the changes in those resources) to donors, grantors, creditors, and other users. These include qualitative and quantitative requirements in the following areas: (1) net asset classes; (2) investment return; (3) expenses; (4) liquidity and availability of resources; and (5) presentation of operating cash flows. ASU 2016-14 will be effective for annual financial statements issued for fiscal years beginning after December 15, 2017, and for interim periods within fiscal years beginning after December 15, 2018. Application to interim financial statements is permitted, but not required in the initial year of application. Early application of the amendments is permitted. The Schools have not yet assessed the potential impact of this guidance on its financial statements.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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**NOTE 3 - CASH**

Cash at June 30, 2018, consisted of the following:

Deposits	Reported Amount			Bank Balance	
	Central Office	AIPCS	AIPCS II		Total
Cash on hand and in banks	\$ 258	\$ 233,213	\$ 3,242,440	\$ 3,475,911	\$ 3,909,369

Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC). The Charter Schools maintain its cash in bank deposit accounts that at times may exceed federally insured limits. The Charter Schools have not experienced any losses in such accounts. At June 30, 2018, the Schools had a balance of \$3,500,837 in excess of FDIC insured limits. Management believes that the Schools are not exposed to any significant risk related to cash.

**NOTE 4 - ACCOUNTS RECEIVABLE**

Receivables at June 30, 2018, consisted of the following:

	AIPCS	AIPCS II	AIPHS	Total
Local Control Funding Formula	\$ 132,003	\$ 628,626	\$ 477,556	\$ 1,238,185
Federal receivables	17,340	102,115	19,757	139,212
Other State receivables	-	2,270	-	2,270
Lottery	15,608	68,223	46,931	130,762
Local receivables	8,911	-	-	8,911
Total Accounts Receivable	\$ 173,862	\$ 801,234	\$ 544,244	\$ 1,519,340

**NOTE 5 - PREPAID EXPENSES/DEPOSITS**

Prepaid expenses at June 30, 2018, consisted of the following:

	AIPCS	AIPCS II	AIPHS	Total
Security deposit	\$ -	\$ 14,000	\$ -	\$ 14,000
Employee advances	-	2,763	-	2,763
Insurance	21,429	45,155	36,113	102,697
Other	4,332	23,497	7,083	34,912
Total Prepaid Expenses	\$ 25,761	\$ 85,415	\$ 43,196	\$ 154,372

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - FIXED ASSETS**

Fixed assets at June 30, 2018, 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	706,561	824,365	284,500	1,815,426
Equipment	63,002	5,719,632	-	5,782,634
Subtotal	<u>769,563</u>	<u>8,995,268</u>	<u>284,500</u>	<u>10,049,331</u>
Less: accumulated depreciation	(497,656)	(1,265,705)	(284,500)	(2,047,861)
Total Fixed Assets	<u>\$ 271,907</u>	<u>\$ 7,729,563</u>	<u>\$ -</u>	<u>\$ 8,001,470</u>

During the year ended June 30, 2018, \$28,897 and \$233,195 was charged to the Schools, respectively, for depreciation expense.

**NOTE 7 - ACCOUNTS PAYABLE**

Accounts payables at June 30, 2018 consisted of the following:

	<u>Central Office</u>	<u>AIPCS</u>	<u>AIPCS II</u>	<u>AIPHS</u>	<u>Total</u>
Salaries and benefits	\$ 77,309	\$ 166,814	\$ 281,621	\$ 153,968	\$ 679,712
Vendor payables	167,667	101,202	256,414	124,649	649,932
Total Accounts Payable	<u>\$ 244,976</u>	<u>\$ 268,016</u>	<u>\$ 538,035</u>	<u>\$ 278,617</u>	<u>\$ 1,329,644</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, 2018, are as follows:

	<u>Balance</u> <u>July 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2018</u>	<u>Due in</u> <u>One Year</u>
East West Bank - Promissory Note	<u>\$ 5,973,390</u>	<u>\$ -</u>	<u>\$ 107,616</u>	<u>\$ 5,865,774</u>	<u>\$ 113,616</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.

**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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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 2017-2018, the interest rate ranged from 4.25 to 5.25 percent. The loan has a maturity date of February 9, 2022.

Debt service requirements for the loan as of June 30, 2018, are as follows:

Fiscal Year Ending June 30,	Principal	Interest*	Total
2019	\$ 113,616	\$ 305,268	\$ 418,884
2020	122,640	299,069	421,709
2021	129,438	292,474	421,912
2022	5,500,080	191,121	5,691,201
	<u>\$ 5,865,774</u>	<u>\$ 1,087,932</u>	<u>\$ 6,953,706</u>

\*Interest estimated at 5.25%

***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 2017-2018 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, 2018, was \$152,524.

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

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - NET ASSETS**

Net assets at June 30, 2018, consisted of the following:

	Central Office	AIPCS	AIPCS II	AIPHS	Total
Designated for:					
California Clean Energy Jobs Act	\$ -	\$ 37,008	\$ 105,657	\$ -	\$ 142,665
College Readiness State program	-	-	-	6,553	6,553
Measure N	-	-	-	51,600	51,600
Scholarship Funds	-	100,934	-	-	100,934
Unrestricted	-	834,115	4,029,592	790,216	5,653,923
Total Net Assets	\$ -	\$ 972,057	\$ 4,135,249	\$ 848,369	\$ 5,955,675

**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. According to the most recently available Actuarial Valuation Report for the year ended June 30, 2016, the Schools Pool total plan assets are \$55.8 billion, the total accrued liability is \$77.5 billion, contributions from all employers totaled \$1.43 billion, and the plan is 71.9 percent funded.

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, 2016, 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>.



**NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018**

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**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, 2018, 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%	6.50%
Required employer contribution rate	15.531%	15.531%

**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, 2018, are presented above and the total Schools contributions were \$373,791.

**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.

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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***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, 2018, are as follows:

	Amounts Due From/(To)
Central office	\$ 244,718
AIPCS	535,330
AIPCS II	(1,319,594)
AIPHS	539,546
	<u>\$ -</u>

During the year, the Schools paid \$108,557 for oversight fees to Oakland Unified School District.

***NOTE 14 - RENTAL INCOME***

Rental income on annual agreements at June 30, 2018, is as follows:

Wells Fargo Bank - ATM	\$ 31,245
AT&T - Cell Towers	48,829
Parking	9,655
	<u>\$ 89,729</u>

**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

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***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 \_\_\_\_\_, 2018, 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.

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*SUPPLEMENTARY INFORMATION*

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2018**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education (CDE):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	\$ 341,393
Title II, Part A - Supportive Effective Instruction	84.367	14341	42,364
English Language Acquisition Program:			
Title III - Immigrant Education Program	84.365	15146	14,227
Title III - Limited English Proficient Student Program	84.365	14346	<u>3,823</u>
Total English Language Acquisition Program			<u>18,050</u>
Passed through California School Finance Authority (CSFA):			
State Charter School Facilities Incentive Grant Program	84.282D	[1]	<u>330,114</u>
Total U.S. Department of Education			<u>731,921</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through CDE:			
National School Lunch Program	10.555	13524	<u>206,299</u>
Total Federal Programs			<u>\$ 938,220</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, 2018**

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**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.

**SCHEDULE OF AVERAGE DAILY ATTENDANCE  
FOR THE YEAR ENDED JUNE 30, 2018**

**AIPCS**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Sixth	45.35	45.17
Seventh and eighth	97.74	97.57
Total Regular ADA	<u>143.09</u>	<u>142.74</u>
Classroom based ADA		
Sixth	45.35	45.17
Seventh and eighth	97.74	97.57
Total Classroom Based ADA	<u>143.09</u>	<u>142.74</u>

**AIPCS II**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Kindergarten through third	209.02	209.97
Fourth through sixth	220.58	220.51
Seventh and eighth	201.66	201.41
Total Regular ADA	<u>631.26</u>	<u>631.89</u>
Classroom based ADA		
Kindergarten through third	209.02	209.97
Fourth through sixth	220.58	220.51
Seventh and eighth	201.66	201.41
Total Classroom Based ADA	<u>631.26</u>	<u>631.89</u>

**AIPHS**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Ninth through twelfth	342.96	341.38
Total Regular ADA	<u>342.96</u>	<u>341.38</u>
Classroom based ADA		
Ninth through twelfth	342.96	341.38
Total Classroom Based ADA	<u>342.96</u>	<u>341.38</u>

The Schools do not operate any non-classroom based programs.  
See the accompanying notes to supplementary information.

**SCHEDULE OF INSTRUCTIONAL TIME**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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**AIPCS**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grade - 6	54,000				
Grade 6		66,000	181	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,000	181	N/A	Complied
Grade 8		66,000	181	N/A	Complied

**AIPCS II**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Kindergarten	36,000	55,920	181	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		55,920	181	N/A	Complied
Grade 2		55,920	181	N/A	Complied
Grade 3			181	N/A	Complied
Grades 4 - 6	54,000				
Grade 4		66,000	181	N/A	Complied
Grade 5		66,000	181	N/A	Complied
Grade 6		66,000	181	N/A	Complied
Grades 7 - 8	54,000				
Grade 7		66,000	181	N/A	Complied
Grade 8		66,000	181	N/A	Complied

**AIPHS**

Grade Level	1986-87 Minutes Requirement	2017-18 Actual Minutes	Number of Days		Status
			Traditional Calendar	Multitrack Calendar	
Grades 9 - 12	64,800				
Grade 9		71,770	181	N/A	Complied
Grade 10		71,770	181	N/A	Complied
Grade 11		71,770	181	N/A	Complied
Grade 12		71,770	181	N/A	Complied

See the accompanying notes to supplementary information.



**RECONCILIATION OF ANNUAL FINANCIAL REPORT WITH AUDITED  
 FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED JUNE 30, 2018**

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

**AIPCS**

**NET ASSETS**

Balance, June 30, 2018, Unaudited Actuals	\$ 1,001,013
Decrease in:	
Accounts receivable	2,941
Intercompany receivables	11,870
Fixed assets	43,914
Accounts payable	(87,681)
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 972,057</u>

**AIPCS II**

**NET ASSETS**

Balance, June 30, 2018, Unaudited Actuals	\$ 4,175,200
Decrease in:	
Accounts receivables	2,173
Accounts payable	(93,258)
Intercompany receivables	(200,000)
Increase in:	
Cash and cash equivalents	200,000
Intercompany payables	51,134
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 4,135,249</u>

**AIPHS**

**NET ASSETS**

Balance, June 30, 2018, Unaudited Actuals	\$ 814,321
Decrease in:	
Accounts receivables	6,860
Intercompany receivables	28,306
Accounts payable	(1,118)
Balance, June 30, 2018, Audited Financial Statements	<u>\$ 848,369</u>

See the accompanying notes to supplementary information.

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

**NOTE TO SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

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***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.

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***INDEPENDENT AUDITOR'S REPORTS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

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, 2018, and the related statements of activities and cash flows for the fiscal year then ended, and the related notes to the financial statements, and have issued our report thereon dated \_\_\_\_\_, 2018.

**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  
\_\_\_\_\_, 2018

**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, 2018. 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  
\_\_\_\_\_, 2018

**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 *2017-2018 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, 2018.

***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 *2017-2018 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, 2018.



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>
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
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
<b>CHARTER SCHOOLS</b>	
Attendance	Yes
Mode of Instruction	Yes
Non Classroom-Based Instruction/Independent Study for Charter Schools	No, see below
Determination of Funding for Non Classroom-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 Charter School does 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 Charter School does not operate Independent Study – Course Based instruction; therefore, we did not perform any related procedures.

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

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

Rancho Cucamonga, California  
\_\_\_\_\_, 2018

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*SCHEDULE OF FINDINGS AND QUESTIONED COSTS*

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**SUMMARY OF AUDITORS RESULTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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**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>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>

Identification of major Federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
<u>84.282D</u>	<u>State Charter School Facilities</u>
<u>10.555</u>	<u>Incentive Grant Program</u>
	<u>National School Lunch Program</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

**STATE AWARDS**

Type of auditor's report issued on compliance for programs:	<u>Unmodified</u>
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**FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**FEDERAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

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None reported.

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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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.