

American Indian OIC, Inc.
Minneapolis, Minnesota

Financial Statements
Auditor's Report
For the Years Ended
June 30, 2015 and 2014

Carpenter *Evert*
Certified Public Accountants



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Independent Auditor's Report

Carpenter Evert

Board of Directors
American Indian OIC
Minneapolis, Minnesota

We have audited the accompanying financial statements of American Indian OIC, Inc., which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities and changes in net assets, functional expense, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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 audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the 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 financial position of American Indian OIC, Inc. as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Carpenter, Evert & Associates, Ltd.
Certified Public Accountants

Minneapolis, Minnesota
December 10, 2015

AMERICAN INDIAN OIC, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

	2015		2014	
	Unrestricted	Temporarily Restricted	Unrestricted	Temporarily Restricted
Support and Revenue:				
Grants and Contributions	\$ 147,814	\$ 30,000	\$ 177,814	\$ 133,000
United Way	116,981	164,646	281,627	100,000
Government Grants and Contracts	2,943,865	-	2,943,865	-
Tuition	905,485	-	905,485	-
Investment Income	125	-	125	84
Other Earned Income	-	-	-	76,681
Miscellaneous Income	29,662	-	29,662	36,981
Net Assets Released from Restrictions:				
Satisfaction of Time Restrictions	100,000	(100,000)	100,000	(100,000)
Satisfaction of Program Restrictions	45,000	(45,000)	137,680	(137,680)
Total Support and Revenue	4,288,932	49,646	4,338,578	(4,680)
Expense:				
Direct Program Services	3,704,628	-	3,704,628	-
Support Services:				
Management and General	498,124	-	498,124	-
Fundraising	56,378	-	56,378	-
Total Support Services	554,502	-	554,502	-
Total Expense	4,259,130	-	4,259,130	-
Change in Net Assets	29,802	49,646	79,448	(4,680)
Net Assets - Beginning of Year	1,277,569	140,000	1,417,569	144,680
Net Assets - End of Year	\$ 1,307,371	\$ 189,646	\$ 1,497,017	\$ 140,000
			\$ 1,277,569	\$ 1,417,569
			3,842,492	3,842,492
			554,400	554,400
			59,220	59,220
			613,620	613,620
			4,456,112	4,456,112
			28,976	24,296
			1,248,593	1,393,273
			\$ 1,277,569	\$ 1,417,569

The accompanying Notes to Financial Statements are an integral part of these statements.

AMERICAN INDIAN OIC, INC.
STATEMENT OF FUNCTIONAL EXPENSE
FOR THE YEAR ENDED JUNE 30, 2015
WITH COMPARATIVE TOTALS FOR 2014

	2015				2014	
	Direct Program Services	Management & General	Fund- raising	Total Support Services	Total All Services	Total All Services
Salaries	\$ 1,801,963	\$ 262,760	\$ 34,279	\$ 297,039	\$ 2,099,002	\$ 2,127,280
Employee Benefits	189,003	29,666	1,373	31,039	220,042	242,885
Payroll Taxes	162,061	22,453	3,015	25,468	187,529	189,765
Total Personnel Costs	2,153,027	314,879	38,667	353,546	2,506,573	2,559,930
Client Supporting Services	868,404	-	-	-	868,404	1,058,284
Contract Services	347,546	12,753	13,600	26,353	373,899	250,900
Occupancy	92,808	3,704	565	4,269	97,077	144,892
Equipment Rental and Maintenance	5,296	46,370	-	46,370	51,666	63,536
Professional Fees	841	35,309	-	35,309	36,150	23,973
Training and Conferences	16,565	19,361	-	19,361	35,926	36,045
Supplies	19,672	12,861	1,751	14,612	34,284	56,984
Dues, Memberships and Fees	26,947	5,139	-	5,139	32,086	27,752
Insurance	26,961	3,931	513	4,444	31,405	39,618
Travel and Mileage	27,618	839	-	839	28,457	40,947
Telephone	3,009	20,079	-	20,079	23,088	24,294
Printing and Copying	21,436	1,380	-	1,380	22,816	24,815
Miscellaneous	8,534	14,018	-	14,018	22,552	17,527
Advertising and Promotion	13,926	-	-	-	13,926	-
Food	13,697	-	-	-	13,697	18,279
Student Allowances	4,661	-	-	-	4,661	2,159
Postage	1,683	91	316	407	2,090	2,356
Graduation	1,172	-	-	-	1,172	369
Interest	19	2	-	2	21	53
Depreciation	50,806	7,408	966	8,374	59,180	63,399
Total Expense	\$ 3,704,628	\$ 498,124	\$ 56,378	\$ 554,502	\$ 4,259,130	\$ 4,456,112

The accompanying Notes to Financial Statements
are an integral part of this statement.

AMERICAN INDIAN OIC, INC.
 STATEMENT OF FUNCTIONAL EXPENSE
 FOR THE YEAR ENDED JUNE 30, 2014

	Support Services				Total All Services
	Direct Program Services	Management & General	Fund- raising	Total Support Services	
Salaries	\$ 1,794,304	\$ 280,329	\$ 52,647	\$ 332,976	\$ 2,127,280
Employee Benefits	191,831	48,462	2,592	51,054	242,885
Payroll Taxes	159,833	28,552	1,380	29,932	189,765
Total Personnel Costs	2,145,968	357,343	56,619	413,962	2,559,930
Client Supporting Services	1,058,284	-	-	-	1,058,284
Contract Services	250,900	-	-	-	250,900
Occupancy	137,965	6,661	266	6,927	144,892
Equipment Rental and Maintenance	11,162	52,374	-	52,374	63,536
Professional Fees	964	23,009	-	23,009	23,973
Training and Conferences	16,684	19,361	-	19,361	36,045
Supplies	35,495	21,489	-	21,489	56,984
Dues, Memberships and Fees	13,622	14,130	-	14,130	27,752
Insurance	33,212	5,530	876	6,406	39,618
Travel and Mileage	40,108	839	-	839	40,947
Telephone	2,666	21,628	-	21,628	24,294
Printing and Copying	19,980	4,835	-	4,835	24,815
Miscellaneous	40	17,487	-	17,487	17,527
Advertising and Promotion	-	-	-	-	-
Food	18,279	-	-	-	18,279
Student Allowances	2,159	-	-	-	2,159
Postage	1,443	857	56	913	2,356
Graduation	369	-	-	-	369
Interest	45	7	1	8	53
Depreciation	53,147	8,850	1,402	10,252	63,399
Total Expense	\$ 3,842,492	\$ 554,400	\$ 59,220	\$ 613,620	\$ 4,456,112

The accompanying Notes to Financial Statements
 are an integral part of this statement.

AMERICAN INDIAN OIC, INC.
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2015 AND 2014

<u>ASSETS</u>	<u>2015</u>	<u>2014</u>
Current Assets:		
Cash and Cash Equivalents	\$ 445,936	\$ 205,366
Grants and Contracts Receivable	371,522	427,067
Accounts Receivable	16,781	13,310
Prepaid Expenses	36,289	62,551
Total Current Assets	<u>870,528</u>	<u>708,294</u>
Property and Equipment - Net	<u>787,485</u>	<u>824,332</u>
TOTAL ASSETS	<u>\$ 1,658,013</u>	<u>\$ 1,532,626</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current Liabilities:		
Accounts Payable	\$ 37,091	\$ 30,647
Accrued Salaries and Vacation	74,198	62,946
Other Accrued Expenses	49,707	21,464
Total Current Liabilities	<u>160,996</u>	<u>115,057</u>
Net Assets:		
Unrestricted	1,307,371	1,277,569
Temporarily Restricted	<u>189,646</u>	<u>140,000</u>
Total Net Assets	<u>1,497,017</u>	<u>1,417,569</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,658,013</u>	<u>\$ 1,532,626</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

AMERICAN INDIAN OIC, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014

<u>Increase (Decrease) in Cash and Cash Equivalents</u>	<u>2015</u>	<u>2014</u>
Cash Flows from Operating Activities:		
Change in Net Assets	\$ 79,448	\$ 24,296
Total Adjustments	<u>183,455</u>	<u>51,336</u>
Net Cash Provided by Operating Activities	262,903	75,632
Cash Flows from Investing Activities:		
Purchase of Property & Equipment	(22,333)	-
Cash Flows from Financing Activities:		
None	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	240,570	75,632
Cash and Cash Equivalents - Beginning of Year	<u>205,366</u>	<u>129,734</u>
Cash and Cash Equivalents - End of Year	<u>\$ 445,936</u>	<u>\$ 205,366</u>
 <u>Supplemental Disclosures of Cash Flow Information</u>		
Cash Paid for:		
Interest	<u>\$ 21</u>	<u>\$ 53</u>

The accompanying Notes to Financial Statements
are an integral part of these statements.

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies

Organizational Purpose

American Indian OIC, Inc. (AIOIC) is a progressive education, job training, and employment agency focused on improving the quality of life for American Indians. Our mission is to empower American Indians to pursue career opportunities by providing individualized education, training, and employment services in a culturally rich environment.

AIOIC's programs are as follows:

Vocational Education/Training – We offer accredited post-secondary short-term training programs through the Takoda Institute of Higher Education. Certificate programs currently include small business management, human services, and a variety of administrative, health occupation, information technology, and public relations.

Employment – Our employment placement services include the Minnesota Family Investment Program (MFIP), Minneapolis Employment and Training Program (METP), and the Workforce Investment Act (WIA) for adults and youth. All of these programs offer support services as well as work readiness training, job placement, and job retention services with the help of our career center.

Education – Takoda Prep focuses our education style to support students ages 14-21 that have not advanced through the mainstream public schools. We also offer Adult Basic Education and GED preparation. Both of these programs operate with an emphasis on connecting students to post-secondary training/education and employment.

Fund Accounting

In order to observe the limitation and restrictions placed on resources available to AIOIC, the accounts are maintained in accordance with the principles of fund accounting. This is the procedure whereby resources are classified for accounting and reporting purposes into net asset groupings established according to their nature and purpose. A description of the groupings is as follows:

Unrestricted Net Assets – Net assets which are neither permanently nor temporarily restricted by donor-imposed stipulations. These net assets include both board designated and undesignated amounts. Property and equipment is reported as unrestricted net assets.

Temporarily Restricted Net Assets – The part of net assets of AIOIC resulting from contributions and other inflows of assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions pursuant to those stipulations.

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (continued)

Promises-To-Give (Grants Receivable)

Unconditional promises-to-give are recognized in the period the promises are made. Conditional promises-to-give are recognized when the conditions on which they depend are substantially met, that is, when the conditional promise becomes unconditional.

Accounts Receivable and Doubtful Accounts

AIOIC extends credit to its customers on terms it establishes for individual customers. Receivables are recorded at amounts billed and are generally due when billed. Amounts outstanding for more than 30 days are considered delinquent. Accounts receivable are generally uncollateralized and AIOIC does not charge interest on accounts receivable balances. AIOIC reviews accounts receivable balances on a periodic basis and writes off delinquent receivables when they are considered uncollectible. No allowance for doubtful accounts has been provided as accounts receivable are considered collectable.

Property and Equipment

All major expenditures for property and equipment over \$1,000 are capitalized at cost. Contributed items are recorded at fair market value at date of donation. Depreciation is provided through the use of the straight-line method.

Contributions

Contributions are recorded when received and recognized as support in the period received. If donor-imposed restrictions accompany the contribution, the amount is recorded as temporarily or permanently restricted until the donor-imposed restrictions expire or are fulfilled. Temporarily restricted net assets are reclassified to unrestricted in the period donor-imposed restrictions expire or are fulfilled and are reported in the Statement of Activities under the Support and Revenue Category – Net Assets Released from Restrictions.

Government Grants and Contracts

Government grants and contract funds are recorded as revenue when earned. Revenue is earned when eligible expenditures, as defined in each grant or contract, are made. Funds received but not yet earned are shown as refundable advances. Expenditures under government contracts are subject to review by the granting authority. To the extent, if any, that such a review reduces expenditures allowable under these contracts, AIOIC will record such disallowance at the time the final assessment is made.

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

1. Summary of Significant Accounting Policies (continued)

Functional Allocation of Expense

Salaries and related expenses are allocated based on job descriptions and estimates. Expenses, other than salaries and related expenses, which are not directly identifiable by program or supporting service, are allocated by AIOIC's indirect cost allocation system.

Reclassifications

Certain amounts in prior year financial statements have been reclassified to conform with the presentation in the current year financial statements.

Income Tax

AIOIC has a tax-exempt status under Section 501(c)(3) of the Internal Revenue Code and has adopted *Accounting for Uncertainty in Income Taxes*, ASC 740-10. AIOIC's policy is to evaluate uncertain tax positions, at least annually, for the potential for income tax exposure from unrelated business income or from loss of nonprofit status. AIOIC continues to operate consistent with its original exemption application and each year takes the necessary actions to maintain its exempt status. It has been classified as an organization that is not a private foundation under the Internal Revenue Code and charitable contributions by donors are tax deductible. In compliance with its exempt status, AIOIC annually files a Return of Organization Exempt From Income Tax (Form 990). The returns for the years ending June 30, 2012 and later remain subject to examination by the Internal Revenue Service.

Risks and Uncertainties

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses.

Subsequent Events

AIOIC has evaluated the effect that subsequent events would have on the financial statements through December 10, 2015, which is the date financial statements were available to be issued.

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

2. Major Sources of Support

Major sources of support were as follows as of:

	June 30,	
	2015	2014
U.S. Department of Labor	\$ 1,505,397	\$ 1,932,819
Minneapolis Schools	398,914	368,808
Hennepin County	177,651	191,305

3. Significant Concentrations of Credit Risk

AIOIC provides services within the Twin Cities area. The amounts due for services provided are from individuals, or their third-party payors, substantially all of whom are local residents. In addition, grants and accounts receivable are primarily from the U.S. Department of Labor and local governments or institutions.

4. Grants and Contracts Receivable

The outstanding balance of grants and contracts receivable at June 30, 2015 is expected to be collected over the following fiscal year:

<u>Due in the Year Ending June 30,</u> 2016	<u>\$ 371,522</u>
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5. Property and Equipment

AIOIC owned the following assets as of:

	June 30,		<u>Estimated Useful Lives</u>
	2015	2014	
Land	\$ 310,000	\$ 310,000	
Building and Improvements	2,060,203	2,037,870	10–35 years
Equipment	168,295	168,295	3-10 years
Furniture and Fixtures	79,347	79,347	5 years
Vehicles	27,155	27,155	5 years
	2,645,000	2,622,667	
Less Accumulated Depreciation	1,857,515	1,798,335	
	\$ 787,485	\$ 824,332	

Depreciation expense of \$59,180 and \$63,399 was recorded for the years ended June 30, 2015 and 2014, respectively

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

6. Notes Payable

AIOIC maintains a \$200,000, variable rate line-of-credit due on September 15, 2016 with Sunrise Bank. The line is secured by accounts receivable and equipment .The line-of-credit balance as of June 30, 2015 and 2014 was \$-0-.

7. Temporarily Restricted Net Assets

Temporarily restricted net assets consisted of amounts from the following grants and contributions as of:

	June 30,	
	2015	2014
Future Years Operations	\$ 164,646	\$ 100,000
Summer and Afterschool Program	25,000	25,000
Communications Job Program	-	15,000
	\$ 189,646	\$ 140,000

8. Defined Contribution Plan

AIOIC maintains a 403(b) defined contribution plan covering all eligible employees. AIOIC's contribution totaled \$39,374 and \$38,576 for the years ended June 30, 2015 and 2014, respectively.

9. Operating Leases

Rental commitments under noncancelable operating leases for equipment in effect at June 30, 2015, totaled \$43,537. The future annual rental commitments are as follows:

<u>Due in the Year Ending June 30,</u>	
2016	\$ 43,537

Rental expense was \$31,472 and \$87,164 for the years ended June 30, 2015 and 2014, respectively.

AMERICAN INDIAN OIC, INC.
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015 AND 2014

10. Cash Flow Operating Adjustments

Adjustments to reconcile Change in Net Assets to Net Cash Provided (Used) by Operating Activities were as follows as of:

	<u>June 30,</u>	
	<u>2015</u>	<u>2014</u>
Depreciation Expense	\$ 59,180	\$ 63,399
Increase (Decrease) in Current Liabilities:		
Accounts Payable	6,444	30,647
Accrued Salaries and Vacation	11,252	(39,541)
Other Accrued Expenses	28,243	(5,782)
Decrease (Increase) in Current Assets:		
Grants and Contracts Receivable	55,545	17,567
Accounts Receivable	(3,471)	(13,310)
Prepaid Expenses	<u>26,262</u>	<u>(1,644)</u>
Total Adjustments	<u>\$ 183,455</u>	<u>\$ 51,336</u>