

AMERICAN INDIAN SERVICES

FINANCIAL STATEMENTS

Year Ended December 31, 2018

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
American Indian Services

Report on the Financial Statements

We have audited the accompanying financial statements of American Indian Services (a Utah nonprofit organization), which comprise the statement of financial position as of December 31, 2018, and the related statements 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. 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 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 Services as of December 31, 2018, 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

Report on Summarized Comparative Information

We have previously audited American Indian Services' 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 29, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Squire & Company, PC

Orem, Utah
June 11, 2019

**AMERICAN INDIAN SERVICES
STATEMENT OF FINANCIAL POSITION**

December 31, 2018 with Comparative Totals for 2017

	2018	2017
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,376,041	\$ 1,570,898
Investments	5,885,554	5,590,452
Prepaid expenses	62,800	19,425
Accounts receivable	11,250	213,409
Contributions receivable	-	142,856
Total current assets	7,335,645	7,537,040
Net Fixed Assets	120,164	99,557
Cash Value of Life Insurance	34,865	67,083
Total assets	<u>\$ 7,490,674</u>	<u>\$ 7,703,680</u>
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Accounts payable	\$ 80,916	\$ 5,000
Accrued expenses	20,965	15,253
Scholarships payable	1,140,964	755,359
Deferred revenue	75,000	50,305
Total current liabilities	1,317,845	825,917
Post-Retirement Obligation	210,000	210,000
Total liabilities	1,527,845	1,035,917
Net Assets:		
Without donor restrictions	5,048,466	5,427,460
With donor restrictions	914,363	1,240,303
Total net assets	5,962,829	6,667,763
Total liabilities and net assets	<u>\$ 7,490,674</u>	<u>\$ 7,703,680</u>

The accompanying notes are an integral part of this financial statement.

**AMERICAN INDIAN SERVICES
STATEMENT OF ACTIVITIES**

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
Net Assets without Donor Restrictions:		
Revenues, gains, and support:		
Special events:		
Revenues	\$ 2,134,210	\$ 1,241,422
Noncash donations	305,373	328,241
Cost of special events directly benefiting attendees	<u>(1,136,735)</u>	<u>(527,017)</u>
Net special event revenue	1,302,848	1,042,646
Contributions	931,845	867,457
Grants	89,369	251,634
Investment income, net	123,016	129,192
Investment gains (losses)	(651,787)	711,911
Gain on sale of fixed assets	-	15,949
Net assets released from restrictions	<u>1,240,303</u>	<u>503,760</u>
Total revenues, gains, and support	3,035,594	3,522,549
Expenses:		
Program services:		
Scholarships	2,169,544	1,525,993
Tribal projects	816,772	661,103
Supporting services:		
Management and general	162,985	155,709
Fundraising	<u>265,287</u>	<u>216,650</u>
Total expenses	<u>3,414,588</u>	<u>2,559,455</u>
Change in net assets without donor restrictions	(378,994)	963,094
Net Assets with Donor Restrictions:		
Contributions	914,363	1,240,303
Net assets released from restrictions	<u>(1,240,303)</u>	<u>(503,760)</u>
Change in net assets with donor restrictions	<u>(325,940)</u>	<u>736,543</u>
Change in Net Assets	(704,934)	1,699,637
Net Assets at Beginning of Year	<u>6,667,763</u>	<u>4,968,126</u>
Net Assets at End of Year	<u><u>\$ 5,962,829</u></u>	<u><u>\$ 6,667,763</u></u>

The accompanying notes are an integral part of this financial statement.

AMERICAN INDIAN SERVICES
STATEMENT OF FUNCTIONAL EXPENSES

Year Ended December 31, 2018 with Comparative Totals for 2017

	Program Services		Supporting Services		Totals	
	Scholarships	Tribal Projects	Management and General	Fundraising	2018	2017
Expenses:						
Salaries	\$ 51,893	\$ 428,264	\$ 33,141	\$ 61,119	\$ 574,417	\$ 459,291
Payroll taxes and benefits	7,820	64,546	4,996	9,211	86,573	65,772
Scholarships	2,102,888	-	-	-	2,102,888	1,416,459
Tribal outreach	-	273,703	-	-	273,703	264,212
Office	2,236	18,450	29,881	2,633	53,200	73,946
Insurance	-	-	82,218	-	82,218	76,879
Communications	626	5,167	400	737	6,930	6,712
Occupancy	108	895	69	128	1,200	3,500
Professional fees	1,324	10,931	10,921	1,560	24,736	18,010
Postage	853	-	213	3,198	4,264	2,885
Printing	-	-	-	145,640	145,640	93,750
Travel	654	5,395	417	770	7,236	11,231
Promotion and awards	-	-	-	38,947	38,947	53,207
Depreciation	1,142	9,421	729	1,344	12,636	13,601
Total expenses	<u>\$ 2,169,544</u>	<u>\$ 816,772</u>	<u>\$ 162,985</u>	<u>\$ 265,287</u>	<u>\$ 3,414,588</u>	<u>\$ 2,559,455</u>

The accompanying notes are an integral part of this financial statement.

**AMERICAN INDIAN SERVICES
STATEMENT OF CASH FLOWS**

Year Ended December 31, 2018 with Comparative Totals for 2017

	2018	2017
Cash Flows from Operating Activities:		
Change in net assets	\$ (704,934)	\$ 1,699,637
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Noncash contribution of fixed assets	-	(38,090)
Investment (gains) losses recognized	651,787	(711,911)
Gain on the sale of fixed assets	-	(15,949)
Depreciation	12,636	13,601
Changes in operating assets and liabilities:		
Prepaid expenses	(43,375)	1,575
Accounts receivable	202,159	(179,989)
Contributions receivable	142,856	(142,856)
Cash value of life insurance	32,218	76,879
Accounts payable	75,916	5,000
Accrued expenses	5,712	1,250
Scholarships payable	385,605	145,296
Deferred revenue	24,695	(13,195)
Net cash provided by operating activities	<u>785,275</u>	<u>841,248</u>
Cash Flows from Investing Activities:		
Proceeds from sale of fixed assets	-	8,880
Purchases of fixed assets	(33,243)	(39,733)
Net purchases of investments	<u>(946,889)</u>	<u>(145,108)</u>
Net cash used by investing activities	<u>(980,132)</u>	<u>(175,961)</u>
Net Change in Cash and Cash Equivalents	(194,857)	665,287
Cash and Cash Equivalents at Beginning of Year	<u>1,570,898</u>	<u>905,611</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,376,041</u>	<u>\$ 1,570,898</u>

Supplementary Data:

The Organization paid no interest or income taxes during the year ended December 31, 2018.

AMERICAN INDIAN SERVICES

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

The financial statements of American Indian Services (the Organization) have been prepared on the accrual basis of accounting. The significant accounting policies followed are described below to enhance the usefulness of the financial statements to the reader.

Organization - American Indian Services was incorporated in 1981 in the state of Utah. The mission of the Organization is to raise and administer funds to assist Native Americans in developing their human and natural resources in order to help them make a contribution to society without detracting from the culture and background from which they have emerged. The Organization seeks to accomplish this mission primarily through scholarship awards to college and vocational schools, housing, conferences, and workshops. The Organization also collects and disburses non-monetary donations of goods and materials to Native Americans.

Financial Statement Presentation - The Organization reports information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization. These net assets may be used at the discretion of the Organization's management and board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. The donor restrictions are temporary in nature and are described in Note 5.

Donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets are reclassified from net assets with donor restrictions to net assets without donor restrictions in the statement of activities. Donor-restricted contributions whose restrictions are met in the same reporting period are reported as contributions without donor restrictions.

Income Taxes - The Organization is exempt from federal income tax under Internal Revenue Code Section 501(a) and is classified as a Section 501(c)(3) public charity. Also, the Organization is exempt from state income taxes.

Donated Services - Individuals donate services to the Organization in relation to various special events, the value of these services have been measured and recorded in the financial statements as a component of "noncash contributions" on the statement of activities. During the year ended December 31, 2018 the Organization recognized revenue of \$100,000 for donated services.

Gifts in Kind - Donations of equipment and materials to the Organization are usually transferred to Native Americans and are recorded by the Organization at estimated fair value at the time of the donation as contributions with a corresponding program service expense. Donations that remain with the Organization are recorded at estimated fair value at the time of the donation as contributions.

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NOTES TO FINANCIAL STATEMENTS

Cash and Cash Equivalents - For purposes of the statements of cash flows, the Organization considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. The Organization also considers amounts deposited in brokerage accounts to be cash equivalents.

Investments - Investments are presented in the financial statements at fair value. Gains and losses on investments and changes in fair values are considered elements of revenue.

Fixed Assets - Fixed assets are recorded at cost or estimated fair value if donated. Fixed assets valued at more than \$1,000 are capitalized and depreciated using the straight-line depreciation method over the estimated useful lives of the assets.

Scholarships Payable - The Organization awards scholarships quarterly with applications being due during the months of February, May, August and November. Scholarship payments are made to the schools where the student attends. At December 31, 2018, the Organization recognized a liability of \$1,140,964 for the amount of scholarships awarded to eligible applicants but not yet paid.

Allocation of Expenses - Directly identifiable expenses are charged to programs and support services and indirect costs are allocated based on personnel costs. Management and general expenses include those expenses that are not directly identifiable with any specific function, but provide overall support and direction of the Organization. Fundraising expenses include those activities involved in soliciting contributions, conducting fundraising events, and other similar activities.

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 and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and support and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncement - On August 18, 2016, FASB issued Accounting Standards Update (ASU) 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The ASU addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and lack of consistency in the type of information provided about expenses and investment return. The Organization has followed the ASU's guidance in the presentation of these financial statements.

Reclassifications - Certain amounts in the 2017 financial statements have been reclassified to conform to the presentation of the 2018 financial statements. These reclassifications have no effect on the 2017 change in net assets.

Summarized Comparative Financial Information - The financial statements include certain prior-year summarized comparative information in total but not by function. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended December 31, 2017, from which the summarized information was derived.

AMERICAN INDIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

Subsequent Events - The Organization has evaluated subsequent events through June 11, 2019, the date which the financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the financial statements would be required.

Note 2. Availability and Liquidity

The following represents the Organization’s financial assets at December 31, 2018:

Financial assets at year end:	
Cash	\$ 1,376,041
Investments	5,885,554
Accounts receivable	<u>11,250</u>
Total financial assets	7,272,845
Less amounts not available to be used within one year:	
Net assets with donor restrictions	914,363
Less net assets with purpose restrictions to be met in less than a year	<u>(624,363)</u>
Total amount not available to be used within one year	<u>290,000</u>
Financial assets available to meet general expenditures over the next twelve months	<u><u>\$ 6,982,845</u></u>

The Organization’s goal is generally to maintain financial assets to meet 6 months of operating expenses (approximately \$1,700,000).

Note 3. Investments

Investments consisted of the following at December 31, 2018:

Common and preferred stocks	\$ 786,068
Mutual funds	<u>5,099,486</u>
	<u><u>\$ 5,885,554</u></u>

Note 4. Contributions Receivable

Contributions are recorded when collection of the unconditional promise to give is expected in the near term and is probable. No allowance for uncollectible contributions has been recorded because the Organization believes that all amounts will be collected. All contributions receivable are restricted for the Organization’s scholarships. All of the Organization’s unconditional promises to give will be received within one year.

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NOTES TO FINANCIAL STATEMENTS

Note 5. Fixed Assets

Fixed assets consisted of the following at December 31, 2018:

		<u>Depreciable Lives (Years)</u>
Vehicles	\$ 132,489	5 to 10
Office equipment	32,346	5 to 10
Software	<u>16,370</u>	5
	181,205	
Accumulated depreciation	<u>(61,041)</u>	
Net fixed assets	<u><u>\$ 120,164</u></u>	

Note 6. Cash Value of Life Insurance

The Organization is the owner and beneficiary of a life insurance policy on the Organization's executive director. Accordingly, the Organization has access to the cash value of the policy. Total insurance in force and cash value were \$1,000,000 and \$34,865 at December 31, 2018, respectively. The Organization is responsible for paying the insurance premiums.

Note 7. Fair Value Measurements

As described in Note 1, the Organization uses various methods to measure the fair value of its investments on a recurring basis. Generally accepted accounting principles establish a hierarchy that prioritizes inputs to valuation methods. The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the School has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

A description of the valuation techniques applied to the Organization's major categories of assets and liabilities measured at fair value on a recurring basis follows:

Common and preferred stocks: Valued at the closing price reported on the active market on which the individual securities are traded.

Mutual funds: Valued at the net asset value (NAV) of shares.

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The following table sets forth by level, within the fair value hierarchy, the Organization’s assets at fair value at December 31, 2018:

	<u>Fair Value Measurements at Reporting Date Using:</u>			
	<u>Fair Value</u>	<u>Quoted Prices in Active Markets for Identical Assets/Liabilities (Level 1)</u>	<u>Significant Other Observable Inputs (Level 2)</u>	<u>Significant Unobservable Inputs (Level 3)</u>
Common and preferred stocks	\$ 786,068	\$ 786,068	\$ -	\$ -
Mutual funds	5,099,486	5,099,486	-	-
	<u>\$ 5,885,554</u>	<u>\$ 5,885,554</u>	<u>\$ -</u>	<u>\$ -</u>

Note 8. Post-retirement Obligation

The Organization has a post-retirement benefit agreement with its executive director whereby the Organization has agreed to pay a death benefit of \$210,000 to specified beneficiaries. The Organization has purchased a life insurance policy (see Note 2) to fund this obligation.

Note 9. Net Assets

Net assets with donor restrictions had purpose restrictions for scholarship awards (\$692,971) and tribal projects (\$221,392) at December 31, 2018.

Net assets released from donor restrictions are as follows:

Satisfaction of Purpose Restrictions	
Scholarships	\$ 801,544
Tribal projects	438,759
Total	<u>\$ 1,240,303</u>

Note 10. Related Party Transactions

The Organization received cash donations totaling \$614,131 and noncash donations totaling \$64,023 from board members during the year ended December 31, 2018.

The Organization made payments totaling \$58,030 to a company owned by a board member for air travel.

AMERICAN INDIAN SERVICES
NOTES TO FINANCIAL STATEMENTS

Note 11. Concentrations

At December 31, 2018, the Organization's carrying amount of cash was \$1,250,867 and the bank balance was \$1,216,145 of which \$500,000 was covered by federal depository insurance.

The Organization also had cash equivalents held by brokers totaling \$125,174, none of which was covered by federal depository insurance.