FIRST NATIONS DEVELOPMENT INSTITUTE

Consolidated Financial Statements
and
Independent Auditors' Report
June 30, 2008 and 2007

FIRST NATIONS DEVELOPMENT INSTITUTE

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
First Nations Development Institute
Longmont, Colorado

We have audited the accompanying consolidated statements of financial position of First Nations Development Institute (a Virginia non-profit corporation) and its subsidiary (collectively, the "Organization") as of June 30, 2008, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Organization as of June 30, 2007, were audited by other auditors whose report dated January 2, 2008, expressed an unqualified opinion on those statements.

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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Nations Development Institute and its subsidiary as of June 30, 2008, and the results of their activities and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

December 1, 2008
Denver, Colorado

FIRST NATIONS DEVELOPMENT INSTITUTE

Consolidated Statements of Financial Position

	June 30, 2008	June 30, 2007
Assets		
Current assets		
Cash and cash equivalents	$ 1,749,375	$ 2,201,670
Short term investments	1,025,268	279,777
Grants receivable	654,242	432,502
Notes receivable, current portion	200,000	650,000
Government grants receivable	170,723	8,273
Interest receivable	16,000	6,743
Other current receivables, net of allowance of $15,717 (2008) and $10,000 (2007)	625,501	126,937
Prepaid expenses	17,364	11,095
Total current assets	4,458,473	3,716,997
Property and equipment		
Furniture and fixtures	261,030	176,243
Less accumulated depreciation	(155,958)	(135,753)
Total property and equipment	105,072	40,490
Other assets		
Long-term notes receivable, less valuation allowance	1,130,000	300,000
Long-term grants receivable, net of current portion and discount	504,084	80,670
Investments	895,787	1,132,512
Assets restricted for endowment	3,277,700	3,277,700
Security deposit	12,618	8,295
Total other assets	5,820,189	4,799,177
Total assets	$ 10,383,734	$ 8,556,664
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	$ 201,358	$ 123,007
Due to First Peoples Worldwide, Inc.	-	140,330
Regrants payable	449,741	555,487
Deferred revenue	600,592	862,658
Short-term debt	2,500	2,500
Current maturities of long-term debt	150,000	340,000
Total current liabilities	1,404,191	2,023,982
Long-term liabilities		
Long-term debt, net of current maturities	3,002,000	1,490,000
Total liabilities	4,406,191	3,513,982
Commitments and contingencies		
Net assets		
Unrestricted	415,349	28,408
Temporarily restricted	2,284,494	1,736,574
Permanently restricted	3,277,700	3,277,700
Total net assets	5,977,543	5,042,682
Total liabilities and net assets	$ 10,383,734	$ 8,556,664

See notes to consolidated financial statements.

FIRST NATIONS DEVELOPMENT INSTITUTE

Consolidated Statements of Activities

	For the Years Ended							
	June 30, 2008				June 30, 2007			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public support								
Grants	$ 370,798	$ 3,450,192	$ -	$ 3,820,990	$ 263,106	$ 2,494,313	$ 3,025,000	$ 5,782,419
Contributions	85,552	120,636	-	206,188	28,641	86,300	-	114,941
Total public support	456,350	3,570,828	-	4,027,178	291,747	2,580,613	3,025,000	5,897,360
Other revenue								
Program service fee	1,645,276	-	-	1,645,276	647,562	-	-	647,562
Interest/dividend income	180,554	143,301	-	323,855	163,131	79,817	-	242,948
Unrealized loss on investments	(5,446)	-	-	(5,446)	(1,162)	-	-	(1,162)
Other	2,895	-	-	2,895	3,579	-	-	3,579
Total other revenue	1,823,279	143,301	-	1,966,580	813,110	79,817	-	892,927
Net assets released from restrictions	3,166,209	(3,166,209)	-	-	3,492,409	(3,492,409)	-	-
Total public support and other revenue	5,445,838	547,920	-	5,993,758	4,597,266	(831,979)	3,025,000	6,790,287
Functional expenses								
Program services								
Grantmaking	1,342,288	-	-	1,342,288	1,134,767	-	-	1,134,767
Native Assets Research Center	415,077	-	-	415,077	398,703	-	-	398,703
Policy	186,472	-	-	186,472	237,875	-	-	237,875
Strengthening Native American Philanthropy	20,866	-	-	20,866	-	-	-	-
Public Education	141,384	-	-	141,384	82,409	-	-	82,409
First Nations Oweesta Corporation	1,748,381	-	-	1,748,381	998,666	-	-	998,666
International	-	-	-	-	853,502	-	-	853,502
Total program services	3,854,468	-	-	3,854,468	3,705,922	-	-	3,705,922
Support services								
Administration	870,054	-	-	870,054	440,312	-	-	440,312
Development	334,375	-	-	334,375	327,887	-	-	327,887
Total support services	1,204,429	-	-	1,204,429	768,199	-	-	768,199
Total functional expenses	5,058,897	-	-	5,058,897	4,474,121	-	-	4,474,121
Change in net assets	386,941	547,920	-	934,861	123,145	(831,979)	3,025,000	2,316,166
Net assets at beginning of year	28,408	1,736,574	3,277,700	5,042,682	(84,683)	3,384,476	252,700	3,552,493
Separation of First Peoples Worldwide, Inc.	-	-	-	-	(10,054)	(815,923)	-	(825,977)
Net assets at end of year	$ 415,349	$ 2,284,494	$ 3,277,700	$ 5,977,543	$ 28,408	$ 1,736,574	$ 3,277,700	$ 5,042,682

See notes to consolidated financial statements.

FIRST NATIONS DEVELOPMENT INSTITUTE

Consolidated Statements of Cash Flows

	For the Years Ended June 30, 2008	2007
Cash flows from operating activities		
Change in net assets	$ 934,861	$ 2,316,166
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Proceeds from endowment funds	-	(3,025,000)
Depreciation and amortization	20,205	18,898
Unrealized loss on investments	5,446	3,566
Loss on disposal of assets	-	83
Loan loss reserve expense	20,000	10,000
Bad debt expense	5,717	10,000
Discount on long-term grant	(5,130)	(5,507)
Changes in operating assets and liabilities		
Grants receivable	(640,024)	716,154
Government grants receivable	(162,450)	253,211
Interest receivable	(9,257)	3,994
Other receivables	(504,281)	(83,966)
Prepaid expenses	(6,269)	(1,912)
Security deposit	(4,323)	5,347
Accounts payable and accrued expenses	78,351	(85,163)
Due to First Peoples Worldwide, Inc.	(140,330)	140,330
Deferred revenue	(262,066)	347,841
Regrants payable	(105,746)	(85,254)
	(1,710,157)	(1,777,378)
Net cash (used in) provided by operating activities	(775,296)	538,788
Cash flows from investing activities		
Proceeds from sale of investments	351,575	900,000
Purchases of investments	(865,787)	(895,122)
Purchases of property and equipment	(84,787)	(11,476)
Disbursements related to notes receivable	(400,000)	(220,000)
Collections of notes receivable	-	20,000
Net cash used in investing activities	(998,999)	(206,598)
Cash flows from financing activities		
Proceeds from long-term debt	1,482,000	200,000
Payments on long-term debt	(160,000)	(50,000)
Net cash provided by financing activities	1,322,000	150,000
Net (decrease) increase in cash and cash equivalents	(452,295)	482,190
Cash and cash equivalents at beginning of year	2,201,670	1,719,480
Cash and cash equivalents at end of year	$ 1,749,375	$ 2,201,670
Supplemental cash flow information:		
Cash paid for interest	$ 48,442	$ 32,675

See notes to consolidated financial statements.

FIRST NATIONS DEVELOPMENT INSTITUTE

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

First Nations Development Institute ("FNDI"), is a non-profit organization dedicated to advancing and promoting the direct participation of tribes, tribal members, and other indigenous peoples in the full use of the economy. FNDI is funded by grants from foundations and corporations and program fees.

Summary of Program Activities

Grantmaking - Combines technical assistance with grants to assist tribes and Native nonprofits in their efforts to achieve economic self-reliance through acquiring, controlling, retaining, and increasing assets. Technical assistance is provided to grantees throughout the entire grantmaking process, from initial application to post-grantee status. Technical assistance is provided via workshops and convenings, site visits, phone conversations, regular mailings of informational packets, and referrals to other resource providers.

Native Assets Research Center (NARC) - The Native Assets Research Center is dedicated to promoting Indigenous community-based knowledge and assisting tribal communities in building sound, sustainable reservation economies. NARC conducts independent research projects on asset development; analyzes culturally appropriate practices, policies, and theories affecting self-sufficiency for Native peoples; and serves as an information clearinghouse. NARC works closely with the Organization's grantmaking department to collect research data from our grantee field sites to identify key policy issues, lessons learned, and promising practices.

Policy - Through its Native American Asset Watch Initiative, the Organization seeks to identify, advocate for, and coordinate policy changes at the tribal, state, and federal levels that will help tribes and individual Indians regain control of their resources. Asset Watch is a comprehensive strategy for systemic economic change, which seeks to provide a range of support for Native American communities in taking control of their assets, whatever their form, and in re-establishing sustainable approaches to use of the their land and natural and cultural resources.

Strengthening Native American Philanthropy (SNAP) – the "Strengthening Native American Philanthropy" program was created in 1995. SNAP works to help tribes control, retain, and utilize their community assets - be they land, human potential, cultural heritage, financial, and/or natural resources. SNAP’s mission is to empower tribes and Native organizations to exercise self-determination by taking control of their financial assets through the creation of Native-controlled grantmaking philanthropic vehicles and thus ensure Native communities’ long-term sustainability through capitalizing Indian communities and increasing sovereignty for tribes.

Public Education - Through the use of print, electronic and personal contact methods, the public education program develops and implements strategies to increase public awareness about the organization and the current challenges facing rural and reservation-based Native American communities. The program serves the educational and information needs of tribes and Native nonprofit organizations and leverages this awareness to increase support for the benefit of Native peoples throughout the nation.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Summary of Program Activities (continued)

First Nations Oweesta Corporation - By providing technical assistance and loan capital, First Nations Oweesta seeks to enhance the capacity of tribes, Native communities and individuals to access, control, create, leverage, utilize, and retain financial assets and to provide access to appropriate financial capital for Native development efforts.

International Programs

First Peoples Worldwide - First Peoples works to facilitate and foster the equitable participation of indigenous peoples in the resolution of environmental, legal, and economic issues in national and international arenas through Field Sites and Corporate Engagement Strategy (Note 10).

International Funders for Indigenous Peoples (IFIP) - IFIP seeks to foster a greater commitment from philanthropic institutions and to promote effective funding of indigenous development projects and communities by improving networking opportunities, enhancing collaboration, building capacity, and promoting the advancement of philanthropic leadership. IFIP has a network of more than 200 individual funders who actively support and seek to increase funding opportunities for Indigenous Peoples around the world (Note 10).

Principles of Consolidation

The financial statements include the accounts of FNDI and its wholly-owned subsidiary, First Nations Oweesta Corporation ("First Nations Oweesta") (collectively, the "Organization"). All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Board of Directors for use in the Organization's operations, and those amounts invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; but the Organization is permitted to use or expend part or all of any income derived from those assets.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Use of 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, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, investments, notes receivable, and grants receivable. The Organization places its cash and money market accounts with creditworthy, high-quality financial institutions

Cash and Cash Equivalents

The Organization considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents excluding balances restricted for endowment. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. As of the balance sheet date, balances of cash and cash equivalents exceeded the federally insured limit by approximately $920,000.

Investments

Investments in marketable securities with readily determinable fair values are stated at their fair values in the consolidated statements of financial position. Unrealized gains and losses are included in the changes in net assets in the consolidated statement of activities.

Assets Restricted for Endowment

Assets restricted for endowment are investments held related to the Organization's permanently restricted net assets.

Receivables

Receivables relate to amounts due from customers for fees from program services provided. An allowance for uncollectible receivables is provided based upon prior years' experience and management's analysis of specific balances.

Grant receivables from foundation and government agencies are considered by management to be fully collectible at June 30, 2008 and 2007.

Note 1 - Organization and Summary of Significant Accounting Policies (continued)

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Donated fixed assets are also capitalized at fair value at the date of donation. Depreciation is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to seven years.

Regrants Payable

Regrants payable represents confirmed grants to other organizations.

Income Tax Status

The Organizations are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and have been classified as public charities pursuant to Section 509(A)(1). Accordingly, contributions are deductible to the extent allowed by law. The financial statements do not include provision for income taxes.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Indirect expenditures are allocated to program and supporting services based on various direct costs related to each program.

Revenue Recognition

Revenue from exchange transactions is recorded at the time the service is provided. Amounts received in advance are deferred until such time as they are earned.

Contributions

Contributions, including grants receivable, are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions.

Note 2 - Grants Receivable

Grants receivable consist of:

	June 30, 2008		
	FNDI	First Nations Oweesta	Consolidated
Temporarily restricted	$ 1,162,526	$ -	$ 1,162,526
Amounts due in			
Less than one year	$ 654,242	$ -	$ 654,242
One to five years	508,284	-	508,284
	1,162,526	-	1,162,526
Less discounts	(4,200)	-	(4,200)
	$ 1,158,326	$ -	$ 1,158,326

	June 30, 2007		
	FNDI	First Nations Oweesta	Consolidated
Temporarily restricted	$ 442,502	$ 80,000	$ 522,502
Amounts due in			
Less than one year	$ 352,502	$ 80,000	$ 432,502
One to five years	90,000	-	90,000
	442,502	80,000	522,502
Less discounts	(9,330)	-	(9,330)
	$ 433,172	$ 80,000	$ 513,172

Grants receivable due in more than one year are reflected at the present value of estimated future cash flows using discount rates of 3% and 4% in 2008 and 2007, respectively.

Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions. The notes accrue interest at rates of 3 1/2% to 5% and are payable, including accrued interest, at various dates ranging from July 2008 to August 2013.

Note 3 - Note Receivable (continued)

Loans are recorded at the principal balance outstanding. Interest income is recognized on the accrual basis. A loan is considered to be impaired when based on current information, it is probable the Organization will not receive all amounts due in accordance with the contractual terms of a loan agreement. The fair value is measured based on the present value of expected future cash flows discounted at the loan's effective interest rate.

When the ultimate collectibility of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged off.

The accrual of interest is generally discontinued on loans that become 90 days past due as to principal or interest. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan is returned to accrual status.

Notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to notes receivable.

The Organization has accounted for the doubtful collection of notes receivable by providing a valuation allowance of $70,000 and $50,000 at June 30, 2008 and 2007, respectively.

Annual maturities of notes receivable are as follows:

Year Ending June 30,	
2009	$ 200,000
2010	50,000
2011	480,000
2012	20,000
2013	550,000
Thereafter	100,000
Total notes receivable	1,400,000
Less loan loss reserve	(70,000)
Net notes receivable	$ 1,330,000

Note 4 - Investments

Investments are stated at fair values based on quoted market value as follows:

	June 30, 2008	June 30, 2007
Short-term investments		
Certificates of deposits	$ 1,025,268	$ 279,777
Long-term investments		
Certificates of deposit	471,611	356,008
Mortgage and asset-backed securities	49,176	776,504
Preferred stocks	375,000	-
	$ 895,787	$ 1,132,512
Assets restricted for endowment		
Money market funds	$ 1,852,700	$ 1,852,700
Preferred stocks	1,425,000	1,425,000
	$ 3,277,700	$ 3,277,700

Subsequent to year end and through the report date December 1, 2008, the market value of certain investment assets declined significantly due to the downturn in the U.S. and world-wide markets. These unrealized losses are not reflected in the accompanying financial statements or disclosures above.

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Note 5 - Short-Term and Long-Term Debt

Long-term debt consists of:

Lender	Dated	Maturity	Rate	June 30, 2008	June 30, 2007
Arthur & Susan Lloyd	5/9/2006	5/9/2008	2.00%	$ 100,000	$ 100,000
James A. Babson Irrevocable Trust	8/1/2005	7/31/2008	3.00%	10,000	10,000
James A. Babson Trust 1958	9/1/2005	8/31/2008	3.00%	10,000	10,000
James Adams Babson Trust - 1996	12/1/2006	12/1/2009	3.00%	50,000	50,000
Sisters of Blessed Sacrament	4/5/2005	4/5/2010	3.50%	25,000	25,000
Sisters of Loretto	2/12/2004	2/12/2007	2.00%	-	10,000
Sisters of Loretto	6/1/2008	2/12/2013	3.00%	10,000	-
Sisters of St. Francis of Philadelphia	6/17/2007	6/1/2012	2.50%	30,000	30,000
Sisters of Charity St. Elizabeth	4/3/2005	4/3/2008	2.00%	-	40,000
Sisters of Mercy of the Americas NE Community	12/1/2006	12/1/2008	2.00%	20,000	20,000
Sisters of Charity Incarnate	6/22/2004	6/22/2008	2.00%	-	100,000
Unitarian Universalist Association	8/1/2004	8/1/2010	3.00%	50,000	50,000
Karl Thomas Keller IRA	7/12/2005/	7/12/2007	4.00%	-	10,000
Rural Community Assistance Corporation	5/2/2005	6/1/2010	4.00%	200,000	200,000
Larry Dansinger & Karen Marysdaughter	1/15/2007	1/15/2010	0.00%	5,000	5,000
The Ford Foundation	9/17/2004	9/17/2012	1.00%	250,000	250,000
The Ford Foundation	9/17/2004	9/17/2013	1.00%	250,000	250,000
The Ford Foundation	9/17/2004	9/17/2014	1.00%	250,000	250,000
The Ford Foundation	11/15/2007	9/17/2016	1.00%	250,000	-
The Ford Foundation	11/15/2007	9/17/2017	1.00%	250,000	-
The Ford Foundation	11/15/2007	9/17/2018	1.00%	250,000	-
Mercy Investment Program, Inc.	5/2/2005	5/1/2010	3.00%	100,000	100,000
Sisters of St. Benedict	3/4/2005	7/1/2009	2.00%	30,000	30,000
Donna K. Altschuler	3/4/2005	7/1/2009	2.00%	50,000	50,000
Wendy Walsh	11/7/2005	1/2/2011	2.00%	10,000	10,000
The Ho'oli Foundation	12/5/2005	7/1/2009	2.00%	15,000	15,000
John CB Webster	12/5/2005	7/1/2009	2.00%	5,000	5,000
Sara McCay Trust	12/5/2005	1/2/2009	2.00%	10,000	10,000
Mercy Investment Program, Inc.	5/1/2007	5/1/2010	3.00%	200,000	200,000
Calvert Foundation	8/31/2007	8/31/2010	4.00%	200,000	-
Charles Schwab - Simon Rose	11/30/2007	11/30/2010	3.00%	10,000	-
Peter & Sharon Moller	1/28/2008	1/28/2011	0.00%	5,000	-
Veronica Frost	5/16/2008	5/16/2010	2.00%	7,000	-
Bank of America	12/15/2007	12/15/2012	2.75%	500,000	-
Total				3,152,000	1,830,000
Less current maturities				(150,000)	(340,000)
Long-term debt less current maturities				$3,002,000	$1,490,000

None of the notes are collateralized.

Note 5 - Short-Term and Long-Term Debt (continued)

Aggregate maturities of principle under long-term debt obligations are:

Year Ending June 30,	
2009	$ 150,000
2010	687,000
2011	275,000
2012	30,000
2013	1,010,000
Thereafter	1,000,000
	$ 3,152,000

Short-term debt consists of a promissory note dated June 17, 2007 bearing no interest, principal due June 17, 2008. The Organization is in the process of renewing this note.

Note 6 - Line-of-Credit

The Organization has an agreement with Fannie Mae for a $500,000 line-of-credit expiring in August 2008. Per the terms of the agreement, the Organization is required to maintain a cash balance of at least 5% of the outstanding balance on the line-of-credit. There was no loan balance outstanding at June 30, 2008 and 2007.

Note 7 - Net Assets

Permanently restricted net assets consist of endowment funds to be held in perpetuity. During the year ended June 30, 2007, FNDI received a grant of $3,000,000 from the Ford Foundation. The earnings on this grant for the first five years are restricted for use in Grantmaking: 75% to be regranted to other organizations and 25% for grant administration and technical assistance to grantees. The income from the other endowment balances is not restricted and can be used to support the Organization's general activities.

Note 7 - Net Assets (continued)

Temporarily restricted net assets consist of:

	June 30, 2008		
	FNDI	First Nations Oweesta	Consolidated
Time-restricted operating	$ 55,800	$ -	$ 55,800
Grantmaking	885,816	-	885,816
Native Assets Research Center	33,958	-	33,958
Policy	287,450	-	287,450
Supporting Native American Philanthropy	291,650	-	291,650
Public Education	180,746	-	180,746
Organizational Capacity	200,000	-	200,000
First Nations Oweesta Corporation	-	349,074	349,074
	$ 1,935,420	$ 349,074	$ 2,284,494

	June 30, 2007		
	FNDI	First Nations Oweesta	Consolidated
Time-restricted operating	$ 180,670	$ -	$ 180,670
Grantmaking	663,249	-	663,249
Native Assets Research Center	39,001	-	39,001
Policy	376,634	-	376,634
First Nations Oweesta Corporation	-	477,020	477,020
	$ 1,259,554	$ 477,020	$ 1,736,574

Net assets belonging to First Nations Oweesta are not available to be used by FNDI for its operations.

Net assets of FNDI were adjusted for transfers to First Peoples Worldwide, Inc. in accordance with a separation agreement (Note 10).

Note 8 - Retirement Plan

Eligible employees may make contributions to a 403(b) savings plan operated by FNDI. FNDI is not required to match employee contributions.

First Nations Oweesta has a Simple IRA plan. Under the plan, First Nations Oweesta matches up to 3% of employee salary reduction contributions. Contributions to the plan during the years ended June 30, 2008 and 2007 totaled $13,387 and $4,175, respectively.

Note 9 - Commitments and Contingencies

Operating Leases

FNDI occupies office space in Fredericksburg, Virginia and Longmont, Colorado. The Colorado lease, effective March 1, 2005 was extended to April 30, 2009 at a monthly rate of $3,516. Total rent expense for FNDI for the years ended June 30, 2008 and 2007 was $61,361 and $93,337, respectively.

First Nations Oweesta occupies office space in Rapid City, South Dakota. During the year ending June 30, 2008, the First Nations Oweesta increased its occupancy and monthly rent from $2,699 to $3,149. First Nations Oweesta negotiated early termination of this lease at no cost and entered into a new agreement for office space at a different location in Rapid City. The new lease expires April 30, 2011, at a monthly rate of $7,314. Rent expense for the years ended June 30, 2008 and 2007 was $38,585 and $26,539, respectively.

FNDI leases mailing equipment at an annual rate of $11,137, which expires in January 2010.

First Nations Oweesta negotiated a change in its office equipment lease. Accordingly, the lease payments increased from $2,376 per year to $5,486 per year. The new lease expires in June 2012.

Future minimum lease payments under these leases are as follows:

Year Ending June 30,	FNDI	First Nations Oweesta	Consolidated
2009	$ 68,673	$ 93,254	$ 161,927
2010	5,568	93,254	98,822
2011	-	78,626	78,626
2012	-	5,258	5,258
Total	$ 74,241	$ 270,392	$ 344,633

Government Grants

The Organization receives certain revenues from grants from various governmental agencies. The disbursement of funds received under those grants generally requires compliance with the terms and conditions specified in the grant contracts and is subject to audit by the governmental agencies. The amount of charges to these grants that may be disallowed, if any, by such audits would not have a significant impact on the financial statements, and accordingly, no provision has been made in the financial statements for any liability that may result.

Note 10 - Organizations Separated From FNDI

During the year ended June 30, 2007, First Peoples Worldwide, a project of FNDI, established a separate corporation and obtained exemption under section 501(c)(3) of the Internal Revenue Code. A separation agreement, effective May 4, 2007, was signed July 12, 2007. In accordance with the agreement, office furnishings and equipment with an original cost of $34,629 and a net book value of $10,054 were granted to the new organization, First Peoples Worldwide, Inc. ("FPW"). This transfer is recorded as an adjustment to net assets.

Upon approval of the respective grantors, unexpended funds that had been restricted to the First Peoples Worldwide program, along with responsibility for reporting, program performance and fiscal accountability were transferred to the new organization. Transfers of unexpended funds for grants received during the fiscal year ended June 30, 2007 are recorded as exchange transactions and are therefore not included in the accompanying Statements of Activities. Transfers of unexpended funds for grants recognized in prior years, aggregating $815,923, are recorded as an adjustment to net assets. Unexpended funds due to FPW, net of charges for non-program expenditures, amounting to $140,330, which were accrued at June 30, 2007, were transferred to FPW during 2008.

During the year ended June 30, 2007, International Funders for Indigenous Peoples ("IFIP"), a project of FNDI, established a separate corporation and obtained exemption under section 501(c)(3) of the Internal Revenue Code. FNDI obtained approval from its grantors to regrant to the new organization unexpended funds that had been restricted to the IFIP program. Unexpended funds amounting to $43,082 were transferred to IFIP in 2007 and are included in regrant expense in the accompanying Consolidated Statements of Activities.

Note 11 - Related Party Transactions

The Organization makes grants to tribal groups as part of their programmatic mission. They also have a policy of investing in Native American businesses. As a result the Organization has grantor and business relationships with groups headed by members of their boards of directors. All grants are made in accordance with long-standing procedures in which board members do not participate. All business dealings are conducted at market rates on terms consistent with those available to similar organizations or from similar businesses.

An officer of the company is related to a vendor who provides graphic design and print services to the Organization. Payments during the year ended June 30, 2008 aggregated approximately $77,000.

The Board of Directors has approved all related party transactions.

Note 12 - Supporting Services and Regrants

Development costs reported in the statement of activities reflect costs associated with raising funds for both program operations and the Organization's regranting programs. Regranting funds do not directly support the program operations of the Organization, but are instead regranted to other Native nonprofits, tribal projects, and individual participants in their projects. Regrants and related stipends consisted of:

	FNDI	First Nations Oweesta	Eliminations	Consolidated
June 30, 2008	$ 845,843	$ 8,000	$ -	$ 853,843
June 30, 2007	$ 873,580	$ -	$ (5,000)	$ 868,580