

**First Nations Development Institute
and Subsidiary**

**Consolidated Financial Statements and
Supplementary Information**

June 30, 2013 and 2012

(With Independent Auditor's Report Thereon)

First Nations Development Institute and Subsidiary

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Independent Auditor's Report

Board of Directors

First Nations Development Institute and Subsidiary:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of First Nations Development Institute and Subsidiary (collectively, the "Organization"), which comprise the consolidated statements of financial position as of June 30, 2013 and 2012, and the related consolidated statements of activities, and cash flows for the years 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 consolidated 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 consolidated financial statements based on our audits. We conducted our audits 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 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 consolidated financial statements.

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

**Board of Directors
First Nations Development Institute and Subsidiary**

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 Subsidiary as of June 30, 2013 and 2012, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the accompanying consolidating schedules and consolidated schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such 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. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Kundinger, Corder & Engle, P.C.

December 10, 2013

First Nations Development Institute and Subsidiary
Consolidated Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,355,454	4,391,993
Short-term investments (note 4)	647,496	-
Grants receivable (note 2)	1,713,842	2,052,045
Notes receivable, current (note 3)	1,210,000	650,000
Government grants receivable (note 11)	357,432	301,333
Interest receivable	30,007	25,053
Other current receivables, net	133,885	16,534
Prepaid expenses	7,538	24,103
Total current assets	8,455,654	7,461,061
Property and equipment, net (note 6)	872,074	55,180
Other assets:		
Long-term notes receivable, net of valuation allowance (note 3)	2,132,850	3,359,750
Long-term grants receivable, net of discount (note 2)	497,218	995,364
Investments (note 4)	189,375	1,072,538
Investments restricted for endowment (notes 4 and 14)	2,280,083	3,127,700
Security deposits	3,096	2,865
Total other assets	5,102,622	8,558,217
Total assets	\$ 14,430,350	16,074,458
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 370,984	296,523
Regrants payable	821,800	1,070,945
Deferred revenue	55,813	110,074
Short-term debt (note 7)	5,000	5,000
Current maturities of long-term debt (note 7)	705,000	660,000
Total current liabilities	1,958,597	2,142,542
Noncurrent liabilities:		
Long-term debt, net of current maturities (note 7)	3,450,000	4,130,000
Total liabilities	5,408,597	6,272,542
Net assets:		
Unrestricted	2,116,526	2,383,754
Temporarily restricted (note 9)	3,777,527	4,290,462
Permanently restricted (notes 9 and 14)	3,127,700	3,127,700
Total net assets	9,021,753	9,801,916
Commitments and contingencies (notes 7, 8, 10, and 11)		
Total liabilities and net assets	\$ 14,430,350	16,074,458

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2013 and 2012

	June 30, 2013			June 30, 2012		
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently
		Restricted	Restricted		Restricted	Restricted
	Total	Total	Total	Total	Total	Total
Revenue, Gains and Support:						
Public support:						
Grants	\$ 440,718	4,131,378	-	1,632,168	6,768,695	-
Contributions	70,712	1,370	-	59,148	575	-
In-kind contributions	-	-	-	79,917	-	-
Total public support	511,430	4,132,748	-	1,771,233	6,769,270	-
Other revenue:						
Program service fees	314,052	-	-	186,091	-	-
Interest income on notes receivable	134,431	-	-	141,324	-	-
Interest and dividend income	87,241	-	-	34,454	56,179	-
Realized and unrealized gains (losses) on investments	79,997	-	-	(21,953)	-	-
Other	20,322	-	-	16,683	1,125	-
Total other revenue	636,043	-	-	356,599	57,304	-
Net assets released from restrictions (note 9)	4,645,683	(4,645,683)	-	4,630,698	(4,630,698)	-
Reclassification of net assets (note 14)	-	-	-	-	150,000	(150,000)
Total revenue, gains and support	5,793,156	(512,935)	-	6,758,530	2,345,876	(150,000)
Expenses:						
Program services:						
Combating Predatory Lending	16,031	-	-	41,712	-	-
Financial and Investor Education	1,142,915	-	-	965,552	-	-
Native American Foods and Health	1,251,785	-	-	1,358,330	-	-
Native American Business Development	87,102	-	-	20,199	-	-
Strengthening Native American Nonprofits	881,863	-	-	1,040,649	-	-
Public Education	106,336	-	-	212,270	-	-
First Nations Oweesta Corporation	1,537,140	-	-	1,260,909	-	-
Total program services	5,023,172	-	-	4,899,621	-	-
Supporting services:						
Administration	673,292	-	-	601,136	-	-
Development	363,920	-	-	452,513	-	-
Total supporting services	1,037,212	-	-	1,053,649	-	-
Total expenses	6,060,384	-	-	5,953,270	-	-
Change in net assets	(267,228)	(512,935)	-	(780,163)	2,345,876	(150,000)
Net assets at beginning of year	2,383,754	4,290,462	3,127,700	1,578,494	1,944,586	6,800,780
Net assets at end of year	\$ 2,116,526	3,777,527	3,127,700	2,383,754	4,290,462	9,801,916

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2013 and 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Change in net assets	\$ (780,163)	3,001,136
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	25,999	25,882
Net realized and unrealized (gain) loss on investments	(79,997)	23,441
Loan loss reserve provision	(35,100)	22,500
Amortization of discount on long-term grants	(3,357)	(12,741)
Provision for bad debts	(5,717)	-
Donated stock	-	(232)
Decrease (increase) in operating assets:		
Grants receivable	839,706	(1,633,987)
Government grants receivable	(56,099)	(86,301)
Interest receivable	(4,954)	(19,252)
Other receivables	(111,634)	297,642
Prepaid expenses	16,565	15,751
Security deposits	(231)	475
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	74,461	79,881
Deferred revenue	(54,261)	(373,789)
Regrants payable	(249,145)	431,716
Net cash (used in) provided by operating activities	<u>(423,927)</u>	<u>1,772,122</u>
Cash flows from investing activities:		
Net (purchases) proceeds from sales of investments	1,163,281	(16,950)
Purchases of property and equipment	(842,893)	(22,017)
Disbursements related to notes receivable	(143,000)	(1,610,000)
Collections of notes receivable	845,000	1,160,000
Net cash provided by (used in) investing activities	<u>1,022,388</u>	<u>(488,967)</u>
Cash flows from financing activities:		
Proceeds from debt	30,000	355,000
Payments on debt	(665,000)	(340,000)
Net cash (used in) provided by financing activities	<u>(635,000)</u>	<u>15,000</u>
Net (decrease) increase in cash and cash equivalents	(36,539)	1,298,155
Cash and cash equivalents at beginning of year	<u>4,391,993</u>	<u>3,093,838</u>
Cash and cash equivalents at end of year	<u>\$ 4,355,454</u>	<u>4,391,993</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 106,281</u>	<u>78,563</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2013 and 2012

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

First Nations Development Institute (“First Nations”) is a nonprofit organization dedicated to advancing and promoting the direct participation of tribes, tribal members, and other indigenous peoples in the full use of the economy. First Nations is funded by grants from foundations, corporations, federal awards and program fees.

Summary of Program Activities

First Nations holds as its key belief that “when armed with the appropriate resources, Native Peoples hold the capacity and ingenuity to ensure the sustainable, economic, spiritual and cultural well-being of their communities.” First Nations’ mission is to invest in and create innovative institutions and models that strengthen asset control and support economic development for American Indian people and their communities. First Nations’ three strategies are to 1) educate grassroots practitioners, 2) advocate for systemic change and, 3) capitalize American Indian communities.

First Nations has seven program areas.

Combating Predatory Lending

For Native Americans, the impact of predatory lending is devastating because it destroys the potential for asset-building that is needed to bring economic security to Indian families and communities. First Nations’ research has demonstrated that predatory lending is stripping money from low-income tribal citizens, especially those who are unbanked or under banked. First Nations’ studies on predatory lending in Indian Country include best practices to combat abusive lending and prevent the bleeding of assets from Native communities.

Financial and Investor Education

First Nations Development Institute, and its wholly-owned subsidiary, First Nations Oweesta Corporation (a community development financial institution), work in partnership with Native American tribes and communities throughout the U.S. to assist them in designing and administering financial and investor education programs. The projects range from helping individuals and families understand the basics of financial management – opening and maintaining a bank account and using credit wisely – to helping individuals understand financial markets and a variety of financial instruments for borrowing and saving.

Native American Foods and Health

First Nations’ work in food systems is at the intersection between food systems/food security and economic development. First Nations supports tribes and Native communities as they strengthen food systems in their communities, improve health and nutrition and build food security. First Nations increases the control over Native agriculture and food systems by providing financial and technical support, including training materials, to projects that address the agriculture and food sectors in Native communities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Native American Business Development

To create systemic economic change, First Nations works with Native American communities in reclaiming direct control of their assets. Working directly with grassroots community partners, individuals and tribes, First Nations supports and provides Native asset-development strategies and models to help communities understand, create and control the way in which Native assets are valued, as well as the decision-making process in deciding whether to monetize those assets.

Strengthening Native American Nonprofits

Through grant support, technical assistance and training, First Nations provides Native communities with the tools and resources necessary to create new community-based nonprofit organizations and to strengthen the capacity of existing nonprofits. For 32 years, First Nations has supported hundreds of model projects that revitalize Native communities, while integrating social empowerment and economic strategies. An essential component of First Nations nonprofit capacity building strategy is the Leadership, Entrepreneurial and Apprenticeship Development (LEAD) program that is identifying and training the next generation of Native nonprofit leaders.

Public Education

The public education program develops and implements strategies to increase public awareness about the Organization's programs and projects and the current challenges facing Native American communities. The program works across the Organization and serves the educational and informational needs of the Organization's constituents including those of tribes and Native nonprofit organizations. The Public Education program leverages this awareness to increase support for the benefit of Native peoples throughout the nation.

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.

Principles of Consolidation

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

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Basis of Presentation

The Organization reports 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 Boards 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; however, the Organization is permitted to use or expend part or all of any income derived from those assets.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. 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 consolidated 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.

The Organization provides financing to Native Tribal Governments and not-for-profit organizations. Concentrations of credit risk with respect to loans receivable is limited due to the Organization's loan policies which set a maximum loan size and also limit the total amount loaned to a borrower. As of June 30, 2013, approximately 40% of the total notes receivable balance is owed by two borrowers, which could impact the Organization in the event of non-collection of either or both of these notes. Credit risk with respect to grants receivable is limited due to the number and credit worthiness of the organizations from whom the amounts are due.

Also, a significant amount of the Organization's revenue is from the federal government. Should a significant reduction in the level of this funding occur, it could affect the Organization's programs and activities. Subsequent to June 30, 2013, First Nations Oweesta was notified that it is a recipient of a \$1.116 million federal award for the upcoming year's core funding.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents excluding assets restricted for endowment. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Throughout the year, the Organization held balances of cash and cash equivalents in excess of the federally insured limit.

Investments and Investment Returns

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the statements of activities and changes in net assets. Investment return includes dividends, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets.

Fair Value Measurements

The Organization follows the requirements of the *Fair Value Measurements* standard of accounting, which among other things requires enhanced disclosures about investments that are measured and reported at fair value. The standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

Investments Restricted for Endowment

Investments restricted for endowment consist of investments held related to the Organization's permanently restricted net assets.

Receivables

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

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. The Organization capitalizes property and equipment in excess of \$2,000. Depreciation and amortization is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to twenty years.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Regrants Payable

Regrants payable represents confirmed grants to other organizations.

Income Tax Status

First Nations is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity pursuant to Section 509(a)(1). First Nations Oweesta is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity pursuant to Section 509(a)(2). Accordingly, contributions are deductible to the extent allowed by law.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2013 and 2012.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest and penalties have been assessed as of June 30, 2013 and 2012.

Tax years that remain subject to examination include 2010 through the current period for the federal returns.

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. Development costs reported in the consolidated statements of activities reflect costs associated with raising funds for both program operations and the Organization's regranting programs.

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 statements of activities as net assets released from restrictions.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 1 - Organization and Summary of Significant Accounting Policies, Continued

Contributions, Continued

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. Conditional contributions are recognized as income when the conditions are met.

Donated marketable securities are recorded at market value on the date received.

In-kind Contributions

Contributed goods and services are recorded as in-kind contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind contributions for the year ended June 30, 2013 totaled \$120,694 and consisted of in-kind advertising from Google Grants. This amount is not reflected in the accompanying financial statements because the Organization provided minimal input in producing and placing the ads. In 2012, in-kind advertising reflected in the accompanying financial statements totaled \$79,917.

A number of volunteers have donated time in connection with the Organization's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria of recognition.

Subsequent Events

The Organization has evaluated all subsequent events through December 10, 2013, which is the date the financial statements were available to be issued.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year's financial statement presentation. The reclassifications had no effect on previously reported net assets.

(Continued)

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 2 - Grants Receivable

Grants receivable (including contributions receivable) from grantors other than the federal government consist of the following at June 30:

	2013	2012
First Nations	\$ 2,024,839	\$ 3,052,045
First Nations Oweesta	187,500	-
	\$ 2,212,339	\$ 3,052,045

	First Nations	First Nations Oweesta	Consolidated
Grants receivable	\$ 2,024,839	187,500	2,212,339
Amounts due in:			
Less than one year	\$ 1,651,342	62,500	1,713,842
One to five years	\$ 373,497	125,000	498,497
	\$ 2,024,839	187,500	2,212,339
Less discount	(1,279)	-	(1,279)
	\$ 2,023,560	187,500	2,211,060

Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions. The notes accrue interest at rates from 3.0% to 4.5% and are payable, including accrued interest, at various dates ranging from May 2013 to January 2017.

Loans are recorded at the principal balance outstanding. Interest income is recognized on the accrual basis. A loan is considered to be impaired if, 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. When the ultimate collectability 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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

Notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a loan loss reserve 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 loan loss reserve of \$185,150 and \$220,250 at June 30, 2013 and 2012, respectively.

Annual maturities of notes receivable at June 30, 2013 are as follows for the years ending June 30:

2014	\$ 1,210,000
2015	483,000
2016	675,000
2017	<u>1,160,000</u>
Total notes receivable	3,528,000
Less loan loss reserve	<u>(185,150)</u>
Net notes receivable	\$ <u>3,342,850</u>

The following is an aging of the Organization's notes receivable at June 30, 2013:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:					
Capital loans	\$ 3,075,000	-	200,000	-	3,275,000
First In loans	<u>203,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>253,000</u>
Total	<u>\$ 3,278,000</u>	<u>-</u>	<u>250,000</u>	<u>-</u>	<u>3,528,000</u>

The following is an aging of the Organization's notes receivable at June 30, 2012:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:					
Capital loans	\$ 4,075,000	-	-	-	4,075,000
First In loans	<u>155,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,000</u>
Total	<u>\$ 4,230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,230,000</u>

Loans for which no payments are due are considered current.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

A summary of the activity in the allowance for loan losses for the years ended June 30 is as follows:

	Capital loans	First In loans	Total
Beginning balance, June 30, 2011	\$ 193,900	3,850	197,750
Provision for loan losses	<u>14,750</u>	<u>7,750</u>	<u>22,500</u>
Ending balance, June 30, 2012	208,650	11,600	220,250
(Reversal of)/provision for loan losses	<u>(36,150)</u>	<u>1,050</u>	<u>(35,100)</u>
Ending balance, June 30, 2013	\$ <u>172,500</u>	<u>12,650</u>	<u>185,150</u>

Credit Quality

At least quarterly, the loan loss reserve is adjusted to reflect the loan rating updates for the borrowers' delinquency status. Credit quality of loans is adjusted based on the following assessments:

<u>Payment Status</u>	<u>Loan Downgrade</u>	<u>Loan Rating Recovery</u>
30 days delinquent	Reduce loan rating by one category	60 days of on-time payments
60 days delinquent	Reduce loan rating by two categories	90 days of on-time payments
90 days delinquent	Reduce loan rating by three categories	120 days of on-time payments

The following is the credit quality classification of the notes receivable by loan type at June 30, 2013:

	Capital loans	First In loans	Total
Non-delinquent	\$ 3,075,000	203,000	3,278,000
30 days delinquent	-	-	-
60 days delinquent	200,000	50,000	250,000
90 days delinquent	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>3,275,000</u>	<u>253,000</u>	<u>3,528,000</u>

The following is the credit quality classification of the notes receivable by loan type at June 30, 2012:

	Capital loans	First In loans	Total
Non-delinquent	\$ 4,075,000	155,000	4,230,000
30 days delinquent	-	-	-
60 days delinquent	-	-	-
90 days delinquent	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>4,075,000</u>	<u>155,000</u>	<u>4,230,000</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 4 - Investments

Investments, stated at fair value, consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Certificates of deposit	\$ 794,798	\$ 794,411
Corporate bonds	397,256	713,598
Money market funds	63,321	806,442
Mutual funds – equities	974,098	809,941
Mutual funds - fixed income	737,606	747,145
Government and agency	<u>149,875</u>	<u>328,701</u>
	<u>\$ 3,116,954</u>	<u>\$ 4,200,238</u>

Investments are presented in the consolidated statements of financial position as follows at June 30:

	<u>2013</u>	<u>2012</u>
Investments restricted for endowment	\$ 2,280,083	\$ 3,127,700
Short-term investments	647,496	-
Investments	<u>189,375</u>	<u>1,072,538</u>
	<u>\$ 3,116,954</u>	<u>\$ 4,200,238</u>

Short-term investments consist of certificates of deposit with maturities of less than one year.

Note 5 - Fair Value Measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives highest priority to Level 1 inputs.
- Level 2: Quoted prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 5 - Fair Value Measurements, Continued

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds, fixed income securities, certificates of deposit: Valued based on prices currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Mutual funds: Valued at the closing price reported on the active market on which the securities are traded.

There have been no changes in the valuation methodologies during the current year.

Financial assets and liabilities carried at fair value at June 30, 2013 are classified in the following table in one of the three categories described above:

Description	Level 1	Level 2	Level 3	Total
Mutual funds – equities	\$ 974,098	-	-	974,098
Mutual funds – fixed income	737,606	-	-	737,606
Money market funds	-	63,321	-	63,321
Certificate of deposit	-	794,798	-	794,798
Corporate bonds	-	397,256	-	397,256
Government and agency	-	149,875	-	149,875
	<u>\$ 1,711,704</u>	<u>1,405,250</u>	<u>-</u>	<u>3,116,954</u>

Financial assets and liabilities carried at fair value at June 30, 2012 are classified in the following table in one of the three categories described above:

Description	Level 1	Level 2	Level 3	Total
Mutual funds – equities	\$ 809,941	-	-	809,941
Mutual funds – fixed income	747,145	-	-	747,145
Money market funds	-	806,442	-	806,442
Certificate of deposit	-	794,411	-	794,411
Corporate bonds	-	713,598	-	713,598
Government and agency	-	328,701	-	328,701
	<u>\$ 1,557,086</u>	<u>2,643,152</u>	<u>-</u>	<u>4,200,238</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2013</u>	<u>2012</u>
Land	\$ 374,881	\$ -
Building and improvements	467,357	-
Furniture, equipment, and software	<u>315,413</u>	<u>313,987</u>
	1,157,651	313,987
Less accumulated depreciation and amortization	<u>(285,577)</u>	<u>(258,807)</u>
	<u>\$ 872,074</u>	<u>\$ 55,180</u>

Property and equipment is designated as follows at June 30:

	<u>2013</u>	<u>2012</u>
Land and building restricted for endowment (see note 14)	\$ 847,617	\$ -
Property and equipment, other	<u>24,457</u>	<u>55,180</u>
	<u>\$ 872,074</u>	<u>\$ 55,180</u>

(Continued)

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 7 - Short-Term and Long-Term Debt

The Organization maintains short and long-term debt for capital for its loan portfolio. Long-term debt consists of the following:

Lender	Note Dated	Maturity	Rate	2013	2012
Bank of America (a)	3/31/2008	3/15/2018	2.75%	\$ 2,000,000	2,000,000
The Ford Foundation (b)	9/17/2004	9/17/2013	1.00%	500,000	500,000
The Ford Foundation	9/17/2004	9/17/2014	1.00%	500,000	500,000
Mercy Investment Program, Inc.	5/1/2010	5/1/2015	3.00%	500,000	500,000
Suzanne Laffetra (b)	10/1/2008	10/1/2013	3.00%	100,000	100,000
Basilian Fathers of Toronto	4/1/2012	4/1/2017	3.00%	100,000	100,000
Sisters of Charity of Incarnate Word (b)	10/7/2008	10/7/2013	2.50%	100,000	100,000
Adrian Dominican Sisters	10/20/2011	10/15/2014	2.00%	75,000	75,000
Trillium	7/1/2009	7/1/2014	2.00%	50,000	50,000
Charles Schwab (Karuna Trust)	10/7/2011	10/1/2016	1.85%	50,000	50,000
Sylvia Granadar Trust	3/28/2012	3/15/2015	2.00%	50,000	50,000
Charles Schwab (Susan Goldman)	10/31/2011	11/1/2014	1.85%	40,000	40,000
Sisters of St. Francis of Philadelphia	6/1/2012	6/1/2017	2.50%	30,000	30,000
Sisters of the Blessed Sacrament	4/5/2010	4/5/2015	3.50%	25,000	25,000
Mary Jo Martin	2/11/2013	2/11/2015	2.50%	25,000	-
Larry Dansinger & Karen Marysdaughter	10/14/2011	5/1/2015	0.00%	5,000	-
Peter & Sharon Moller	1/18/2011	1/18/2014	0.00%	5,000	5,000
The Ford Foundation	9/17/2004	9/17/2012	1.00%	-	500,000
James Adams Babson Trust - 1996	12/1/2009	12/1/2012	3.00%	-	50,000
Unitarian Universalist Association	8/1/2010	8/1/2012	3.00%	-	50,000
Sisters of Mercy of the Americas NE Community	12/1/2008	12/1/2012	2.00%	-	20,000
James Adams Babson Trust – 1958	9/1/2008	8/31/2011	3.00%	-	10,000
Sisters of Loretto	2/12/2010	2/12/2013	3.00%	-	10,000
Trillium (Sara McCay Trust)	1/2/2009	1/2/2011	2.00%	-	10,000
Trillium (Simon Rose)	1/22/2008	11/12/2012	3.00%	-	10,000
Larry Dansinger & Karen Marysdaughter	1/15/2007	5/1/2011	0.00%	-	5,000
Total				4,155,000	4,790,000
Less current maturities				705,000	660,000
Long-term debt less current maturities				3,450,000	4,130,000

(a) Beginning March 31, 2015, annual principal payments of \$500,000 are due and payable until the loan is paid in full on March 31, 2018.

(b) These notes were paid in full shortly after June 30, 2013.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 7 - Short-Term and Long-Term Debt, Continued

None of the notes are collateralized. At June 30, 2013, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2014		\$	705,000
2015			1,770,000
2016			500,000
2017			680,000
2018			500,000
			<u>500,000</u>
			<u>\$ 4,155,000</u>

Short-term debt of \$5,000 at June 30, 2013 and 2012, respectively, consists of a promissory note, principal due February 1, 2014.

Note 8 - Line-of-Credit

The Organization has a line-of-credit agreement with Wells Fargo Bank, N.A. for a maximum amount of \$100,000. Per the terms of the agreement, any outstanding balances are due within 30 days of disbursement plus interest at a rate of prime plus 2% (5.25% at June 30, 2013 and 2012). There was no balance outstanding as of June 30, 2013 and 2012.

Note 9 - Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2013:

	First Nations	First Nations Oweesta	Consolidated
Native American Foods and Health	\$ 1,562,100	-	1,562,100
Financial and Investor Education	480,155	-	480,155
Native American Business Development	99,367	-	99,367
Strengthening Native American Nonprofits	1,251,593	-	1,251,593
First Nations Oweesta (see note 14)	-	384,312	384,312
	<u>\$ 3,393,215</u>	<u>384,312</u>	<u>3,777,527</u>

Temporarily restricted net assets consist of the following as of June 30, 2012:

	First Nations	First Nations Oweesta	Consolidated
Native American Foods and Health	\$ 2,551,850	-	2,551,850
Financial and Investor Education	1,176,721	-	1,176,721
Native American Business Development	181,635	-	181,635
Strengthening Native American Nonprofits	162,898	-	162,898
Combating Predatory Lending	54,858	-	54,858
First Nations Oweesta (see note 14)	-	162,500	162,500
	<u>\$ 4,127,962</u>	<u>162,500</u>	<u>4,290,462</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 9 - Net Assets, Continued

Net assets totaling \$4,660,869 in 2013 and \$4,630,698 in 2012 were released from restrictions as a result of satisfying purpose and time restrictions.

At June 30, 2013 and 2012, permanently restricted net assets are comprised of the following:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Donor-restricted endowment funds (note 14)	\$ 3,127,700	-	3,127,700

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

Note 10 - Retirement Plan

Eligible employees may make contributions to a 403(b) savings plan operated by First Nations. First Nations is not required to match employee contributions and did not elect to make contributions to the 403(b) plan for the years ended June 30, 2013 and 2012.

First Nations Oweesta has a Simple IRA pension plan (the "Plan"). Under the Plan, First Nations Oweesta matches up to 3% of employee salary contributions. First Nations Oweesta made contributions to the Plan totaling \$10,499 and \$10,449 during the years ended June 30, 2013 and 2012, respectively.

Note 11 - Commitments and Contingencies

Operating Leases

During 2013 and 2012, First Nations leased office space in Fredericksburg, Virginia and Longmont, Colorado. The Virginia lease, effective March 15, 2009, at a monthly rate of \$1,050, expires March 31, 2014. Future minimum lease payments under this lease totals \$9,450, all due in fiscal 2014. The Colorado lease, effective September 1, 2010, at a monthly rate of \$5,250 expired April 30, 2013. Total rent expense for First Nations for the years ended June 30, 2013 and 2012 was \$49,015 and \$56,520 respectively.

During 2012, First Nations Oweesta occupied office space in Rapid City, South Dakota and in Longmont, Colorado. The lease in Rapid City, at a monthly rate of \$475, expired April 30, 2012 and was not renewed. From July 1, 2011 to April 30, 2013, First Nations Oweesta shared office space with First Nations and reimbursed First Nations one third of its lease expense (\$1,750 per month) under a cost sharing agreement. In May 2013, First Nations Oweesta entered into a month-to-month lease agreement (\$2,000 per month including utilities and cleaning) with First Nations for office space in an office building owned by First Nations in Longmont. Rent expense for First Nations Oweesta (including rent paid to First Nations) for the years ended June 30, 2013 and 2012 was \$22,482 and \$25,750 respectively.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 11 - Commitments and Contingencies, Continued

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. Management believes 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 consolidated financial statements for any liability that may result. Government grants receivable total \$357,432 and \$301,333 at June 30, 2013 and 2012, respectively.

Note 12 - Related Party Transactions

The Organization makes loans and grants to tribal groups as part of its programmatic mission. It also has a policy of investing in Native American businesses. As a result, the Organization may have lender and business relationships with groups headed by members of its board of directors. All loans and 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 Organization is related to a vendor who provides graphic design and print services to the Organization. Payments during the years ended June 30, 2013 and 2012 aggregated \$67,040 and \$122,036, respectively.

The Organization is one of seven Native American organizations which founded Native Ways Federation Inc. ("NWF") in 2008, a not-for-profit organization dedicated to Native American philanthropy. The Organization's President is a member of the board and treasurer of NWF. The Organization has served as fiscal manager of NWF since 2009. The Organization entered into an agreement with NWF to provide program and administrative services for a monthly fee. During the years ended June 30, 2013 and 2012 fees of \$32,491 and \$16,248 were charged to NWF. At June 30, 2013 and 2012 receivables from NWF were \$0 and \$16,248 respectively.

The Organization was fiscal sponsor for a grant to another organization. The Organization paid consulting fees to a member of First Nations' board of directors for services to the sponsored organization specifically identified in the grant. Payments during the year ended June 30, 2013 and 2012 aggregated approximately \$4,700 and \$74,800 respectively.

The Board of Directors of the Organization has approved all related party transactions.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 13 - Re grants

Regranting funds are not used for the program operations of the Organization, but are instead regranted to other Native nonprofits, tribal projects, and individual participants in their projects. Re grants and related stipends net of grant revocations consisted of the following:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Year ended June 30, 2013	<u>\$ 1,097,224</u>	<u>50,000</u>	<u>1,147,224</u>
Year ended June 30, 2012	<u>\$ 1,435,215</u>	<u>74,000</u>	<u>1,509,215</u>

Note 14 - Endowments

The Organization's endowment consists of donor-restricted endowment funds established for a variety of purposes. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2007, First Nations received a grant of \$3,000,000 from the Ford Foundation. The earnings on this grant for the first five years were earmarked for use in Grantmaking: 75% to be regranted to other organizations and 25% for grant administration and technical assistance to grantees. During the year ended June 30, 2012, at the end of the five year term, the board of directors directed the earnings to be used for unrestricted expenditures. The income from the other endowment balances is not restricted and can be used to support the Organization's general activities.

During the year ended June 30, 2013, the Board of Directors of First Nations authorized and approved borrowing internally \$850,000 from the endowment funds to purchase and improve a building in Longmont, Colorado to provide office space for both Organizations' current and future needs instead of renting in an unpredictable commercial real estate environment. It is the Organization's intention to fully repay the endowment funds. Accordingly, an internal promissory note payable to the endowment funds was executed effective April 30, 2013. The \$850,000 note bears interest at 3.75% for twenty years and is secured by the land and building. Monthly payments of \$5,039.55 including principle and interest are transferred from unrestricted funds to the endowment funds in repayment. During the year ended June 30, 2013, principle and interest payments of \$2,383 and \$6,400, respectively, were made. Interest income and expense of \$6,400 have been eliminated in these statements. Approximately 40% of the building space is rented to local businesses and Native nonprofits. Rental income from tenants of \$9,128 is reported in the consolidated statement of activities net of allocated expenses of \$5,089.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Endowments, Continued

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

At June 30, 2013, endowment net assets are comprised of the following:

	First Nations	First Nations Oweesta	Consolidated
Investments restricted for endowment	\$ 2,280,083	-	2,280,083
Land and building restricted for endowment	847,617	-	847,617
	\$ 3,127,700	-	3,127,700

At June 30, 2012, endowment net assets are comprised of the following:

	First Nations	First Nations Oweesta	Consolidated
Investments restricted for endowment	\$ 3,127,700	-	3,127,700

(Continued)

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Endowments, Continued

Changes in endowment net assets for the year ended June 30, 2013 and 2012 are as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, at June 30, 2011	\$ 88,097	3,277,700	3,365,797
Investment gain	55,073	-	55,073
Appropriated for expenditure	(143,170)	-	(143,170)
Reclassification (see note below)	-	(150,000)	(150,000)
Endowment assets, at June 30, 2012	-	3,127,700	3,127,700
Endowment assets, at June 30, 2013	\$ -	3,127,700	3,127,700

Reclassification

During 2004, First Nations Oweesta received a \$150,000 gift that was recorded as permanently restricted based on management's understanding of the gift at the time. Upon further review of the grant agreement during 2012 and based upon additional information obtained, management concluded that this was not an endowment gift to be maintained in perpetuity. This resulted in a reclassification of net assets noted above from permanently restricted net assets to temporarily restricted net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with certain individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction of unrestricted net assets. There were no such deficiencies for the years ended June 30, 2013 and 2012.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Endowments, Continued

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of retaining interest and dividends earned in the endowment accounts in order to achieve compound earnings. Expenditures of endowment account earnings are provided by unrestricted funds.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2013

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,620,118	2,735,336	-	4,355,454
Short-term investments	-	647,496	-	647,496
Grants receivable	1,651,342	62,500	-	1,713,842
Notes receivable, current	-	1,210,000	-	1,210,000
Government grants receivable	153,393	204,039	-	357,432
Interest receivable	-	30,007	-	30,007
Other current receivables, net	52,643	81,242	-	133,885
Due from affiliate	-	7,037	(7,037)	-
Prepaid expenses	5,875	1,663	-	7,538
Total current assets	<u>3,483,371</u>	<u>4,979,320</u>	<u>(7,037)</u>	<u>8,455,654</u>
Property and equipment, net	851,771	20,303	-	872,074
Other assets:				
Long-term notes receivable, net of valuation allowance	-	2,132,850	-	2,132,850
Long-term grants receivable, net of discount	372,218	125,000	-	497,218
Investments	-	189,375	-	189,375
Investments restricted for endowment	2,280,083	-	-	2,280,083
Security deposits	1,206	1,890	-	3,096
Total other assets	<u>2,653,507</u>	<u>2,449,115</u>	<u>-</u>	<u>5,102,622</u>
Total assets	<u>\$ 6,988,649</u>	<u>7,448,738</u>	<u>(7,037)</u>	<u>14,430,350</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 150,851	220,133	-	370,984
Due to affiliate	7,037	-	(7,037)	-
Regrants payable	821,800	-	-	821,800
Deferred revenue	-	55,813	-	55,813
Short-term debt	-	5,000	-	5,000
Current maturities of long-term debt	-	705,000	-	705,000
Total current liabilities	<u>979,688</u>	<u>985,946</u>	<u>(7,037)</u>	<u>1,958,597</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	3,450,000	-	3,450,000
Total liabilities	<u>979,688</u>	<u>4,435,946</u>	<u>(7,037)</u>	<u>5,408,597</u>
Net assets:				
Unrestricted	(511,954)	2,628,480	-	2,116,526
Temporarily restricted	3,393,215	384,312	-	3,777,527
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>6,008,961</u>	<u>3,012,792</u>	<u>-</u>	<u>9,021,753</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 6,988,649</u>	<u>7,448,738</u>	<u>(7,037)</u>	<u>14,430,350</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2013

	First Nations			First Nations Oweesta			Consolidated				
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently		
		Restricted	Restricted		Restricted	Restricted		Restricted	Restricted	Restricted	
	Total	Total	Total	Total	Total	Total	Total	Total	Total		
Revenue, Gains and Support:											
Public support:											
Grants	\$ 250,266	2,869,814	-	190,452	1,276,750	-	1,467,202	440,718	4,131,378	-	4,572,096
Contributions	70,587	1,370	-	125	-	125	-	70,712	1,370	-	72,082
	320,853	2,871,184	-	190,577	1,276,750	-	1,467,327	511,430	4,132,748	-	4,644,178
Total public support											
Other revenue:											
Program service fees	172,938	-	-	152,784	-	-	152,784	314,052	-	-	314,052
Interest income on notes receivable	-	-	-	134,431	-	-	134,431	134,431	-	-	134,431
Interest and dividend income	87,241	-	-	-	-	-	-	87,241	-	-	87,241
Realized and unrealized gains on investments	79,997	-	-	-	-	-	-	79,997	-	-	79,997
Other	67,346	-	-	14,302	-	-	14,302	20,322	-	-	20,322
	407,522	-	-	301,517	-	-	301,517	636,043	-	-	636,043
Total other revenue											
Net assets released from restrictions	3,605,931	(3,605,931)	-	1,054,938	(1,054,938)	-	-	4,645,683	(4,645,683)	-	-
Total revenue, gains and support	4,334,306	(734,747)	-	1,547,032	221,812	-	1,768,844	5,793,156	(512,935)	-	5,280,221
Expenses:											
Program services:											
Combating Predatory Lending	16,031	-	-	-	-	-	-	16,031	-	-	16,031
Financial and Investor Education	1,158,101	-	-	-	-	-	-	1,142,915	-	-	1,142,915
Native American Foods and Health	1,251,785	-	-	-	-	-	-	1,251,785	-	-	1,251,785
Native American Business Development	87,102	-	-	-	-	-	-	87,102	-	-	87,102
Strengthening Native American Nonprofits	881,863	-	-	-	-	-	-	881,863	-	-	881,863
Public Education	106,336	-	-	-	-	-	-	106,336	-	-	106,336
First Nations Oweesta Corporation	34,293	-	-	1,558,346	-	-	1,558,346	1,537,140	-	-	1,537,140
	3,535,511	-	-	1,558,346	-	-	1,558,346	5,023,172	-	-	5,023,172
Total program services											
Supporting services:											
Administration	365,337	-	-	322,554	-	-	322,554	673,292	-	-	673,292
Development	339,513	-	-	27,305	-	-	27,305	363,920	-	-	363,920
	704,850	-	-	349,859	-	-	349,859	1,037,212	-	-	1,037,212
Total supporting services											
Total expenses	4,240,361	-	-	1,908,205	-	-	1,908,205	6,060,384	(512,935)	-	6,060,384
Change in net assets	93,945	(734,747)	-	(361,173)	221,812	-	(139,361)	(267,228)	(512,935)	-	(780,163)
Net assets at beginning of year	(605,899)	4,127,962	3,127,700	2,989,653	162,500	-	3,152,153	2,383,754	4,290,462	3,127,700	9,801,916
Net assets at end of year	\$ (511,954)	3,393,215	3,127,700	2,628,480	384,312	-	3,012,792	2,116,526	3,777,527	3,127,700	9,021,753

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2013

	Program Services										Supporting Services		Total
	Combating Predatory Lending	Financial & Investor Education	Native American Foods & Health	Native American Business Development	Strengthening Native American Nonprofits	Public Education	First Nations Oweesta	Administration	Development				
Salaries, payroll taxes and benefits	\$ 6,773	305,924	412,538	29,195	272,411	39,134	498,428	380,797	142,410			2,087,610	
Grants and stipends	-	320,430	457,962	-	318,832	-	50,000	-	-	-	-	1,147,224	
Professional and consulting fees	6,344	315,977	172,155	20,328	140,385	55,455	514,360	132,716	40,710			1,398,430	
Travel	1,621	107,866	142,340	16,391	83,527	2,671	262,075	34,955	10,685			662,131	
Printing and publications	2,929	31,972	1,320	10,095	5,065	18	17,738	16,856	29,665			115,658	
Conferences and meetings	-	8,347	14,995	2,801	30,206	192	49,902	7,668	7,450			121,561	
Interest expense	-	-	-	-	-	-	98,343	-	-			98,343	
Rent and occupancy	384	11,413	17,635	1,183	11,557	2,027	20,685	11,996	7,351			84,231	
Postage and delivery	9	3,385	830	2,695	762	72	4,613	4,542	33,276			50,184	
Equipment/software rental/maintenance	14	4,007	5,211	1,249	2,245	62	28	1,589	5,595			20,000	
Supplies and small equipment	(2,243)	16,687	5,442	606	6,369	932	2,814	9,177	781			40,565	
Telephone	104	8,437	8,113	2,232	5,510	548	15,148	8,326	3,551			51,969	
Other expenses	-	1,641	1,149	5	777	159	2,302	29,292	4,738			40,063	
Outside computer services	82	5,504	11,407	276	3,764	4,987	20,723	22,491	75,694			144,928	
Reversal of loan loss reserve	-	-	-	-	-	-	(35,100)	-	-			(35,100)	
Insurance	3	979	147	10	97	17	8	5,274	53			6,588	
Subtotals	16,020	1,142,569	1,251,244	87,066	881,507	106,274	1,522,067	665,679	361,959			6,034,385	
Depreciation and amortization	11	346	541	36	356	62	15,073	7,613	1,961			25,999	
Total functional expenses	\$ 16,031	1,142,915	1,251,785	87,102	881,863	106,336	1,537,140	673,292	363,920			6,060,384	

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2012

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,504,841	2,887,152	-	4,391,993
Grants receivable	2,052,045	-	-	2,052,045
Notes receivable, current	-	650,000	-	650,000
Government grants receivable	28,759	272,574	-	301,333
Interest receivable	-	25,053	-	25,053
Other current receivables, net	15,898	636	-	16,534
Due from affiliate	40,129	-	(40,129)	-
Prepaid expenses	18,119	5,984	-	24,103
Total current assets	<u>3,659,791</u>	<u>3,841,399</u>	<u>(40,129)</u>	<u>7,461,061</u>
Property and equipment:				
Furniture, equipment, and software	136,268	177,719	-	313,987
Less accumulated depreciation and amortization	(116,322)	(142,485)	-	(258,807)
Net property and equipment	<u>19,946</u>	<u>35,234</u>	<u>-</u>	<u>55,180</u>
Other assets:				
Long-term notes receivable, net of valuation allowance	-	3,359,750	-	3,359,750
Long-term grants receivable, net of discount	995,364	-	-	995,364
Investments	7,548	1,064,990	-	1,072,538
Assets restricted for endowment	3,127,700	-	-	3,127,700
Security deposits	975	1,890	-	2,865
Total other assets	<u>4,131,587</u>	<u>4,426,630</u>	<u>-</u>	<u>8,558,217</u>
Total assets	<u>\$ 7,811,324</u>	<u>8,303,263</u>	<u>(40,129)</u>	<u>16,074,458</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 90,616	205,907	-	296,523
Due to affiliate	-	40,129	(40,129)	-
Regrants payable	1,070,945	-	-	1,070,945
Deferred revenue	-	110,074	-	110,074
Short-term debt	-	5,000	-	5,000
Current maturities of long-term debt	-	660,000	-	660,000
Total current liabilities	<u>1,161,561</u>	<u>1,021,110</u>	<u>(40,129)</u>	<u>2,142,542</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	4,130,000	-	4,130,000
Total liabilities	<u>1,161,561</u>	<u>5,151,110</u>	<u>(40,129)</u>	<u>6,272,542</u>
Net assets:				
Unrestricted	(605,899)	2,989,653	-	2,383,754
Temporarily restricted	4,127,962	162,500	-	4,290,462
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>6,649,763</u>	<u>3,152,153</u>	<u>-</u>	<u>9,801,916</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 7,811,324</u>	<u>8,303,263</u>	<u>(40,129)</u>	<u>16,074,458</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2012

	First Nations			First Nations Oweesta			Consolidated						
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently				
		Restricted	Restricted		Restricted	Restricted		Restricted	Restricted	Restricted			
Total	Total	Total	Total	Total	Total	Total	Total	Total					
Revenue, Gains and Support:													
Public support:													
Grants	\$ 23,956	5,916,186	-	5,940,142	1,625,000	852,509	-	2,477,509	(16,788)	1,632,168	6,768,695	-	8,400,863
Contributions	58,148	575	-	58,723	1,000	-	-	1,000	-	59,148	575	-	59,723
In-kind contributions	79,917	-	-	79,917	-	-	-	-	-	79,917	-	-	79,917
Total public support	162,021	5,916,761	-	6,078,782	1,626,000	852,509	-	2,478,509	(16,788)	1,771,233	6,769,270	-	8,540,503
Other revenue:													
Program service fees	71,215	-	-	71,215	137,046	-	-	137,046	(22,170)	186,091	-	-	186,091
Interest income on notes receivable	-	-	-	-	141,324	-	-	141,324	-	141,324	-	-	141,324
Interest and dividend income	34,454	56,179	-	90,633	-	-	-	-	-	34,454	56,179	-	90,633
Realized and unrealized losses on investments	(21,953)	-	-	(21,953)	-	-	-	-	-	(21,953)	-	-	(21,953)
Other	97,658	-	-	97,658	15,903	1,125	-	17,028	(96,878)	16,683	1,125	-	17,808
Total other revenue	181,374	56,179	-	237,553	294,273	1,125	-	295,398	(119,048)	356,599	57,304	-	413,903
Net assets released from restrictions	3,789,564	(3,789,564)	-	-	841,134	(841,134)	-	-	-	4,630,698	(4,630,698)	-	-
Reclassification of net assets	-	-	-	-	150,000	(150,000)	-	-	-	150,000	(150,000)	-	-
Total revenue, gains and support	4,132,959	2,183,376	-	6,316,335	2,761,407	162,500	(150,000)	2,773,907	(135,836)	6,758,530	2,345,876	(150,000)	8,954,406
Expenses:													
Program services:													
Combating Predatory Lending	41,712	-	-	41,712	-	-	-	-	-	41,712	-	-	41,712
Financial and Investor Education	982,340	-	-	982,340	-	-	-	-	(16,788)	965,552	-	-	965,552
Native American Foods and Health	1,358,330	-	-	1,358,330	-	-	-	-	-	1,358,330	-	-	1,358,330
Native American Business Development	20,199	-	-	20,199	-	-	-	-	-	20,199	-	-	20,199
Strengthening Native American Nonprofits	1,040,649	-	-	1,040,649	-	-	-	-	-	1,040,649	-	-	1,040,649
Public Education	212,270	-	-	212,270	-	-	-	-	-	212,270	-	-	212,270
First Nations Oweesta Corporation	67,498	-	-	67,498	1,300,931	-	-	1,300,931	(107,520)	1,260,909	-	-	1,260,909
Total program services	3,722,998	-	-	3,722,998	1,300,931	-	-	1,300,931	(124,308)	4,899,621	-	-	4,899,621
Supporting services:													
Administration	344,301	-	-	344,301	263,907	-	-	263,907	(7,072)	601,136	-	-	601,136
Development	388,831	-	-	388,831	68,138	-	-	68,138	(4,456)	452,513	-	-	452,513
Total supporting services	733,132	-	-	733,132	332,045	-	-	332,045	(11,528)	1,053,649	-	-	1,053,649
Total expenses	4,456,130	-	-	4,456,130	1,632,976	-	-	1,632,976	(135,836)	5,953,270	-	-	5,953,270
Change in net assets	(323,171)	2,183,376	-	1,860,205	1,128,431	162,500	(150,000)	1,140,931	-	805,260	2,345,876	(150,000)	3,001,136
Net assets at beginning of year	(282,728)	1,944,586	3,127,700	4,789,558	1,861,222	-	150,000	2,011,222	-	1,578,494	1,944,586	3,277,700	6,800,780
Net assets at end of year	(605,899)	4,127,962	3,127,700	6,649,763	2,989,653	162,500	-	3,152,153	-	2,383,754	4,290,462	3,127,700	9,801,916

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2012

	Program Services										Supporting Services		Total
	Combating Predatory Lending	Financial & Investor Education	Native American Foods & Health	Native American Business Development	Strengthening Native American Nonprofits	Public Education	First Nations Oweesta	Administration	Development				
Salaries, payroll taxes and benefits	\$ 15,325	276,297	263,464	7,601	256,001	84,145	509,441	366,333	146,661				1,925,268
Grants and stipends	-	132,155	901,500	(8,150)	409,710	-	74,000	-	-	-	-	-	1,509,215
Professional and consulting fees	10,790	330,226	69,403	8,748	152,434	27,307	244,874	97,728	121,073				1,062,583
Travel	11,523	89,699	57,498	1,940	119,000	4,546	125,365	35,536	28,180				473,287
Printing and publications	42	62,753	8,897	7	16,670	314	13,962	8,370	50,735				161,750
Conferences and meetings	5	28,026	25,899	6,522	24,108	4,242	44,939	15,722	8,938				158,401
Interest expense	-	-	-	-	-	-	103,403	-	-				103,403
Rent and occupancy	604	12,099	12,347	362	14,138	5,554	31,167	13,428	7,760				97,459
Postage and delivery	183	3,635	1,151	1	1,209	543	4,102	2,355	67,026				80,205
In-kind advertising	-	-	-	-	-	79,917	-	-	-				79,917
Equipment/software rental/maintenance	7	4,132	4,694	298	5,638	86	31,930	7,402	6,397				60,584
Supplies and small equipment	2,912	8,620	2,167	13	30,786	1,118	5,044	3,433	1,320				55,413
Telephone	222	10,959	5,386	2,778	5,796	1,635	18,541	5,111	2,370				52,798
Other expenses	-	1,317	3,060	-	1,599	150	11,589	17,125	4,497				39,337
Outside computer services	88	5,402	2,628	70	3,344	2,610	852	12,205	6,434				33,633
Provision for loan loss reserve	-	-	-	-	-	-	22,500	-	-				22,500
Investment fees	-	-	-	-	-	-	25	6,178	-				6,203
Insurance	6	142	140	4	130	62	38	4,836	74				5,432
Subtotals	41,707	965,462	1,358,234	20,194	1,040,563	212,229	1,241,772	595,762	451,465				5,927,388
Depreciation and amortization	5	90	96	5	86	41	19,137	5,374	1,048				25,882
Total functional expenses	\$ 41,712	965,552	1,358,330	20,199	1,040,649	212,270	1,260,909	601,136	452,513				5,953,270

See accompanying independent auditor's report.