

**First Nations Development Institute
and Subsidiary**

**Consolidated Financial Statements and
Supplementary Information**

June 30, 2014 and 2013

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

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, 2014 and 2013, 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 consolidated 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 consolidated 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, 2014 and 2013, and the changes in their net assets and their 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 consolidated 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 consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated 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 3, 2014

First Nations Development Institute and Subsidiary
Consolidated Statements of Financial Position
June 30, 2014 and 2013

	2014	2013
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,464,330	4,355,454
Short-term investments (note 4)	572,998	647,496
Grants receivable (note 2)	2,287,337	1,713,842
Current notes receivable, net of allowance (note 3)	852,750	1,210,000
Government grants receivable (note 11)	320,598	357,432
Interest receivable	37,286	30,007
Other current receivables, net	56,765	133,885
Prepaid expenses	56,037	7,538
Total current assets	<u>8,648,101</u>	<u>8,455,654</u>
Property and equipment, net (note 6)	<u>862,760</u>	<u>872,074</u>
Other assets:		
Long-term notes receivable, net of allowance (note 3)	2,950,500	2,132,850
Long-term grants receivable, net of discount (note 2)	809,281	497,218
Investments (note 4)	401,776	189,375
Investments restricted for endowment (notes 4 and 14)	2,309,270	2,280,083
Security deposits	3,656	3,096
Total other assets	<u>6,474,483</u>	<u>5,102,622</u>
Total assets	<u>\$ 15,985,344</u>	<u>14,430,350</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 264,142	370,984
Regrants payable	735,746	821,800
Deferred revenue	-	55,813
Short-term debt (note 7)	-	5,000
Current maturities of long-term debt (note 7)	1,720,000	705,000
Total current liabilities	<u>2,719,888</u>	<u>1,958,597</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities (note 7)	2,225,000	3,450,000
Total liabilities	<u>4,944,888</u>	<u>5,408,597</u>
Net assets:		
Unrestricted	2,709,027	2,116,526
Temporarily restricted (note 9)	5,203,729	3,777,527
Permanently restricted (notes 9 and 14)	3,127,700	3,127,700
Total net assets	<u>11,040,456</u>	<u>9,021,753</u>
Commitments and contingencies (notes 7, 8, 10, and 11)		
Total liabilities and net assets	<u>\$ 15,985,344</u>	<u>14,430,350</u>

First Nations Development Institute and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2014 and 2013

	June 30, 2014			June 30, 2013				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Support:								
Public support:								
Grants	\$ 877,375	5,925,349	-	6,802,724	440,718	4,131,378	-	4,572,096
Contributions	85,012	173	-	85,185	70,712	1,370	-	72,082
	<u>962,387</u>	<u>5,925,522</u>	<u>-</u>	<u>6,887,909</u>	<u>511,430</u>	<u>4,132,748</u>	<u>-</u>	<u>4,644,178</u>
Total public support								
Other revenue:								
Program service fees	255,666	-	-	255,666	314,052	-	-	314,052
Interest income on notes receivable	138,380	-	-	138,380	134,431	-	-	134,431
Investment income	108,722	-	-	108,722	102,194	-	-	102,194
Realized and unrealized gains on investments	174,989	-	-	174,989	73,337	-	-	73,337
Other	15,201	-	-	15,201	12,029	-	-	12,029
	<u>692,958</u>	<u>-</u>	<u>-</u>	<u>692,958</u>	<u>636,043</u>	<u>-</u>	<u>-</u>	<u>636,043</u>
Total other revenue								
Net assets released from restrictions (note 9)	4,499,320	(4,499,320)	-	-	4,645,683	(4,645,683)	-	-
Total revenue, gains and support	<u>6,154,665</u>	<u>1,426,202</u>	<u>-</u>	<u>7,580,867</u>	<u>5,793,156</u>	<u>(512,935)</u>	<u>-</u>	<u>5,280,221</u>
Expenses:								
Program services:								
Combating Predatory Lending	-	-	-	-	16,031	-	-	16,031
Financial and Investor Education	892,438	-	-	892,438	1,142,915	-	-	1,142,915
Native American Foods and Health	1,137,123	-	-	1,137,123	1,251,785	-	-	1,251,785
Native American Business Development	200,528	-	-	200,528	87,102	-	-	87,102
Strengthening Native American Nonprofits	1,445,788	-	-	1,445,788	881,863	-	-	881,863
Public Education	15,831	-	-	15,831	106,336	-	-	106,336
First Nations Oweesta Corporation	1,013,986	-	-	1,013,986	1,537,140	-	-	1,537,140
	<u>4,705,694</u>	<u>-</u>	<u>-</u>	<u>4,705,694</u>	<u>5,023,172</u>	<u>-</u>	<u>-</u>	<u>5,023,172</u>
Total program services								
Supporting services:								
Administration	644,906	-	-	644,906	673,292	-	-	673,292
Development	211,564	-	-	211,564	363,920	-	-	363,920
	<u>856,470</u>	<u>-</u>	<u>-</u>	<u>856,470</u>	<u>1,037,212</u>	<u>-</u>	<u>-</u>	<u>1,037,212</u>
Total supporting services								
Total expenses	<u>5,562,164</u>	<u>-</u>	<u>-</u>	<u>5,562,164</u>	<u>6,060,384</u>	<u>-</u>	<u>-</u>	<u>6,060,384</u>
Change in net assets	592,501	1,426,202	-	2,018,703	(267,228)	(512,935)	-	(780,163)
Net assets at beginning of year	<u>2,116,526</u>	<u>3,777,527</u>	<u>3,127,700</u>	<u>9,021,753</u>	<u>2,383,754</u>	<u>4,290,462</u>	<u>3,127,700</u>	<u>9,801,916</u>
Net assets at end of year	<u>\$ 2,709,027</u>	<u>5,203,729</u>	<u>3,127,700</u>	<u>11,040,456</u>	<u>2,116,526</u>	<u>3,777,527</u>	<u>3,127,700</u>	<u>9,021,753</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

	2014	2013
Cash flows from operating activities:		
Change in net assets	\$ 2,018,703	(780,163)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	43,759	25,999
Net realized and unrealized gain on investments	(174,989)	(73,337)
Provision for loan losses	19,600	(35,100)
Discount on long-term grants	438	(3,357)
Provision for doubtful accounts	6,000	(5,717)
Decrease (increase) in operating assets:		
Grants receivable	(885,996)	839,706
Government grants receivable	36,834	(56,099)
Interest receivable	(7,279)	(4,954)
Other receivables	71,120	(111,634)
Prepaid expenses	(48,499)	16,565
Security deposits	(560)	(231)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	(106,842)	74,461
Deferred revenue	(55,813)	(54,261)
Regrants payable	(86,054)	(249,145)
Net cash provided by (used in) operating activities	830,422	(417,267)
Cash flows from investing activities:		
Net proceeds from sales of investments	7,899	1,156,621
Purchases of property and equipment	(34,445)	(842,893)
Disbursements related to notes receivable	(480,000)	(143,000)
Collections of notes receivable	-	845,000
Net cash (used in) provided by investing activities	(506,546)	1,015,728
Cash flows from financing activities:		
Proceeds from debt	440,000	30,000
Payments on debt	(655,000)	(665,000)
Net cash used in financing activities	(215,000)	(635,000)
Net increase (decrease) in cash and cash equivalents	108,876	(36,539)
Cash and cash equivalents at beginning of year	4,355,454	4,391,993
Cash and cash equivalents at end of year	\$ 4,464,330	4,355,454
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 110,705	106,281

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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.

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

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.

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.

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.

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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

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.

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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

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. 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, 2014, First Nations Oweesta was notified that it was a recipient of a \$500,000 CDFI grant for the Healthy Food Financing Initiative and a \$370,000 grant for financial assistance.

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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

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 are 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. The allowance for doubtful other receivable accounts totaled \$21,000 and \$15,000 at June 30, 2014 and 2013, respectively.

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.

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, 2014 and 2013.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Income Tax Status, Continued

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, 2014 and 2013. Tax years that remain subject to examination include 2011 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.

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.

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 years ended June 30, 2014 and 2013, consisted of in-kind public service announcements, which are not reflected in the accompanying financial statements because the Organization provided minimal input in producing and placing the announcements. 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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Subsequent Events

The Organization has evaluated all subsequent events through December 3, 2014, 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.

Note 2 - Grants Receivable

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

	<u>2014</u>	<u>2013</u>
First Nations	\$ 2,946,618	\$ 2,024,839
First Nations Oweesta	<u>150,000</u>	<u>187,500</u>
	<u>\$ 3,096,618</u>	<u>\$ 2,212,339</u>

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Amounts due in:			
Less than one year	\$ 2,199,837	87,500	2,287,337
One to five years	748,498	62,500	810,998
Less discount	<u>(1,717)</u>	<u>-</u>	<u>(1,717)</u>
	<u>746,781</u>	<u>62,500</u>	<u>809,281</u>
	<u>\$ 2,946,618</u>	<u>150,000</u>	<u>3,096,618</u>

Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions. The notes accrue interest at rates from 2.8% to 5%.

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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

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, and interest revenue is recognized. One loan totaling \$10,000 is on nonaccrual status at June 30, 2014. There were no loans on nonaccrual status at June 30, 2013. Any other loans over 90 days due have not been placed on nonaccrual status based on management's assessment of these loans, communications with the borrowers and other factors.

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

The Organization has accounted for the doubtful collection of notes receivable by providing an allowance for loan losses of \$204,750 and \$185,150 at June 30, 2014 and 2013, respectively.

Annual maturities of notes receivable at June 30, 2014 are as follows for the years ending June 30:

2015	\$ 893,000
2016	835,000
2017	1,160,000
2018	520,000
2019	500,000
Thereafter	<u>100,000</u>
Total notes receivable	4,008,000
Less allowance for loan losses	<u>(204,750)</u>
Net notes receivable	\$ <u>3,803,250</u>

The following is an aging of the Organization's notes receivable at June 30, 2014:

	Current	Over 30 days	Over 60 days	Over 90 days		Total
Loan type:						
Capital loans	\$ 3,375,000	-	-	200,000		3,575,000
First In loans	<u>423,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>	(a)	<u>433,000</u>
Total	<u>\$ 3,798,000</u>	<u>-</u>	<u>-</u>	<u>210,000</u>		<u>4,008,000</u>

(a) This loan has been placed on non-accrual status.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

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>

Loans for which no payments are due are considered current.

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, 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	172,500	12,650	185,150
Provision for loan losses	<u>10,600</u>	<u>9,000</u>	<u>19,600</u>
Ending balance, June 30, 2014	<u>\$ 183,100</u>	<u>21,650</u>	<u>204,750</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, 2014:

	Capital loans	First In loans	Total
Non-delinquent	\$ 3,375,000	423,000	3,798,000
30 days delinquent	-	-	-
60 days delinquent	-	-	-
90 days delinquent	<u>200,000</u>	<u>10,000</u>	<u>210,000</u>
Total	<u>\$ 3,575,000</u>	<u>433,000</u>	<u>4,008,000</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

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	-	-	-
Total	\$ <u>3,275,000</u>	<u>253,000</u>	<u>3,528,000</u>

Note 4 - Investments

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

	2014	2013
Certificates of deposit	\$ 917,134	\$ 794,798
Corporate bonds	210,344	397,256
Money market funds	43,487	63,321
Mutual funds – equities	1,194,536	974,098
Mutual funds – fixed income	759,318	737,606
Government and agency	159,225	149,875
	\$ <u>3,284,044</u>	\$ <u>3,116,954</u>

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

	2014	2013
Investments restricted for endowment	\$ 2,309,270	\$ 2,280,083
Short-term investments	572,998	647,496
Investments	401,776	189,375
	\$ <u>3,284,044</u>	\$ <u>3,116,954</u>

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

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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.

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, 2014 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	\$ 1,194,536	-	-	1,194,536
Mutual funds – fixed income	759,318	-	-	759,318
Money market funds	-	43,487	-	43,487
Certificate of deposit	-	917,134	-	917,134
Corporate bonds	-	210,344	-	210,344
Government and agency	-	159,225	-	159,225
	<u>\$ 1,953,854</u>	<u>1,330,190</u>	<u>-</u>	<u>3,284,044</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 5 - Fair Value Measurements, Continued

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>

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	2014	2013
Land	\$ 374,881	\$ 374,881
Building and improvements	477,692	467,357
Furniture, equipment and software	292,533	315,413
	<u>1,145,106</u>	<u>1,157,651</u>
Less accumulated depreciation and amortization	<u>(282,346)</u>	<u>(285,577)</u>
	<u>\$ 862,760</u>	<u>\$ 872,074</u>

Property and equipment is designated as follows at June 30:

	2014	2013
Land and building restricted for endowment (see note 14)	\$ 818,430	\$ 847,617
Property and equipment, other	44,330	24,457
	<u>\$ 862,760</u>	<u>\$ 872,074</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	2014	2013
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	9/17/2014	1.00%	500,000	500,000
Mercy Investment Program, Inc.	5/1/2010	5/1/2015	3.00%	500,000	500,000
CDFI Fund–U.S. Department of Treasury	6/23/2014	6/23/2018	1.86%	170,000	-
Suzanne Laffetra	10/1/2013	10/1/2017	2.00%	100,000	-
Basilian Fathers of Toronto	4/1/2012	4/1/2017	3.00%	100,000	100,000
Sisters of Charity of Incarnate Word	12/18/2013	12/18/2018	1.00%	100,000	-
Adrian Dominican Sisters (b)	10/20/2011	10/15/2014	2.00%	75,000	75,000
Tillium (Donna K Altschuler) (c)	7/1/2009	10/1/2019	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 (Barbara Kingsolver)	1/22/2014	4/1/2018	2.00%	50,000	-
Trillium (James A Rose)	2/25/2014	4/1/2018	2.00%	50,000	-
Charles Schwab (Susan Goldman) (b)	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	25,000
James Adams Babson Trust - 1996	6/20/2013	6/20/2016	2.00%	20,000	-
Larry Dansinger & Karen Marysdaughter	10/14/2011	5/1/2015	0.00%	5,000	5,000
Peter & Sharon Moller	1/23/2014	1/23/2017	0.00%	5,000	-
The Ford Foundation	9/17/2004	9/17/2013	1.00%	-	500,000
Suzanne Laffetra	10/1/2008	10/1/2013	3.00%	-	100,000
Sisters of Charity of Incarnate Word	10/7/2008	10/7/2013	2.50%	-	100,000
Peter & Sharon Moller	1/18/2011	1/18/2014	0.00%	-	5,000
Total				3,945,000	4,155,000
Less current maturities				1,720,000	705,000
Long-term debt less current maturities				2,225,000	3,450,000

- (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, 2014.
- (c) Original maturity was July 1, 2014, but note was extended to October 1, 2019.

First Nations Oweesta is required to meet certain covenants as specified in particular debt agreements. At June 30, 2014, these covenants were met.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 7 - Short-Term and Long-Term Debt

None of the notes are collateralized. At June 30, 2014, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2015		\$	1,720,000
2016			520,000
2017			685,000
2018			870,000
2019			100,000
Thereafter			<u>50,000</u>
		\$	<u>3,945,000</u>

Short-term debt of \$5,000 at June 30, 2013 consists of a promissory note, which was paid in full on February 1, 2014.

Note 8 - Line-of-Credit

The Organization had a line-of-credit agreement with Wells Fargo Bank, N.A. for a maximum amount of \$100,000. The line is unsecured and expires on August 15, 2015. Per the terms of the agreement, any outstanding balances were due within 30 days of disbursement plus interest at a rate of prime plus 2% (5.25% at June 30, 2014 and 2013). There was no balance outstanding as of June 30, 2014 and 2013.

Note 9 - Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2014:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Native American Foods and Health	\$ 469,076	-	469,076
Financial and Investor Education	2,207,286	-	2,207,286
Native American Business Development	393,824	-	393,824
Strengthening Native American Nonprofits	1,876,477	-	1,876,477
First Nations Oweesta (see note 14)	<u>-</u>	<u>257,066</u>	<u>257,066</u>
	<u>\$ 4,946,663</u>	<u>257,066</u>	<u>5,203,729</u>

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

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
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)	<u>-</u>	<u>384,312</u>	<u>384,312</u>
	<u>\$ 3,393,215</u>	<u>384,312</u>	<u>3,777,527</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 9 - Net Assets, Continued

Net assets totaling \$4,499,320 in 2014 and \$4,645,683 in 2013 were released from restrictions as a result of satisfying purpose and time restrictions.

At June 30, 2014 and 2013, 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)	\$ <u>3,127,700</u>	<u>-</u>	<u>3,127,700</u>

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 elected to make contributions to the 403(b) plan totaling \$10,370 and \$0 for the years ended June 30, 2014 and 2013, respectively.

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 during the years ended June 30, 2014 and 2013 totaling \$6,152 and \$10,499, respectively.

Note 11 - Commitments and Contingencies

Operating Leases

First Nations occupied office space in Fredericksburg, Virginia and Longmont, Colorado. The Virginia lease, effective March 15, 2009, at a monthly rate of \$1,100, expires March 31, 2015. 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, 2014 and 2013 was \$12,750 and \$49,015, respectively.

Through April 30, 2013, First Nations Oweesta shared office space in Longmont, Colorado 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) with First Nations for office space, utilities and cleaning in an office building owned by First Nations in Longmont. Rent expense for the years ended June 30, 2014 and 2013 was \$24,000 and \$22,482, respectively.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 11 - Commitments and Contingencies, Continued

Government Grants

The Organization earns revenue under grants received from various governmental agencies. Funds received under these grants generally require compliance with the terms and conditions specified in the grant contracts and are subject to audit by the governmental agencies. Management believes the amount of grant charges that may be disallowed, if any, by such audits would not have a significant impact on the consolidated financial statements, and accordingly, no provision has been made in the consolidated financial statements for any liability that may result. Government grants receivable total \$320,598 and \$357,432 at June 30, 2014 and 2013, 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 was related to a vendor who provided graphic design and print services to the Organization. Payments during the years ended June 30, 2014 and 2013 aggregated \$0 and \$67,040, 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, 2014 and 2013 fees were \$0 and \$32,491, 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 years ended June 30, 2014 and 2013 aggregated \$0 and \$4,700, respectively.

A member of the Board rendered consulting services to First Nations Oweesta through a consulting firm which he owns. Fees paid during the years ended June 30, 2014 and 2013 were \$27,979 and \$44,184 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 non-profits, tribal projects, and individual participants in their projects. Re grants and related stipends net of grant revocations consisted of:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Year ended June 30, 2014	<u>\$ 1,255,508</u>	<u>-</u>	<u>1,255,508</u>
Year ended June 30, 2013	<u>\$ 1,097,224</u>	<u>50,000</u>	<u>1,147,224</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 years ended June 30, 2014 and 2013, principle payments were \$29,187 and \$2,383 and interest payments were \$31,200 and \$6,400, respectively. Interest income and expense of \$31,200 and \$6,400 for the years ended June 30, 2014 and 2013, respectively, were eliminated in these statements. Approximately 40% of the building space is rented to local businesses and Native nonprofits. Rental income from tenants of \$48,114 and \$9,128 are reported in the consolidated statement of activities net of allocated expense of \$36,980 and \$5,089 for the years ended June 30, 2014 and 2013, respectively

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, 2014, endowment net assets are comprised of the following:

	First Nations	First Nations Oweesta	Consolidated
Investments restricted for endowment	\$ 2,309,270	-	2,309,270
Land and building restricted for endowment	818,430	-	818,430
	<u>\$ 3,127,700</u>	<u>-</u>	<u>3,127,700</u>

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

	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
	<u>\$ 3,127,700</u>	<u>-</u>	<u>3,127,700</u>

All endowment assets are classified as permanently restricted. There were no changes in the endowment net assets during the years ended June 30, 2014 and 2013.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 14 – Endowments, Continued

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, 2014 and 2013.

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.

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, 2014

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,569,617	1,894,713	-	4,464,330
Short-term investments	-	572,998	-	572,998
Grants receivable	2,199,837	87,500	-	2,287,337
Current notes receivable, net of allowance	-	852,750	-	852,750
Government grants receivable	149,948	170,650	-	320,598
Interest receivable	-	37,286	-	37,286
Other current receivables, net	26,280	30,485	-	56,765
Due from affiliate	21,024	-	(21,024)	-
Prepaid expenses	46,236	9,801	-	56,037
Total current assets	<u>5,012,942</u>	<u>3,656,183</u>	<u>(21,024)</u>	<u>8,648,101</u>
Property and equipment, net	<u>853,159</u>	<u>9,601</u>	<u>-</u>	<u>862,760</u>
Other assets:				
Long-term notes receivable, net of allowance	-	2,950,500	-	2,950,500
Long-term grants receivable, net of discount	746,781	62,500	-	809,281
Investments	-	401,776	-	401,776
Investments restricted for endowment	2,309,270	-	-	2,309,270
Security deposits	1,766	1,890	-	3,656
Total other assets	<u>3,057,817</u>	<u>3,416,666</u>	<u>-</u>	<u>6,474,483</u>
Total assets	<u>\$ 8,923,918</u>	<u>7,082,450</u>	<u>(21,024)</u>	<u>15,985,344</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 173,073	91,069	-	264,142
Due to affiliate	-	21,024	(21,024)	-
Regrants payable	735,746	-	-	735,746
Current maturities of long-term debt	-	1,720,000	-	1,720,000
Total current liabilities	<u>908,819</u>	<u>1,832,093</u>	<u>(21,024)</u>	<u>2,719,888</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	2,225,000	-	2,225,000
Total liabilities	<u>908,819</u>	<u>4,057,093</u>	<u>(21,024)</u>	<u>4,944,888</u>
Net assets:				
Unrestricted	(59,264)	2,768,291	-	2,709,027
Temporarily restricted	4,946,663	257,066	-	5,203,729
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>8,015,099</u>	<u>3,025,357</u>	<u>-</u>	<u>11,040,456</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 8,923,918</u>	<u>7,082,450</u>	<u>(21,024)</u>	<u>15,985,344</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2014

	First Nations			First Nations Oweesta			Consolidated				
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently		
		Restricted	Restricted		Restricted	Restricted		Restricted	Restricted	Restricted	
Revenue, Gains and Support:											
Public support:											
Grants	\$ 116,295	5,581,792	-	765,992	343,557	-	1,109,549	877,375	5,925,349	-	6,802,724
Contributions	84,262	173	-	750	-	-	750	85,012	173	-	85,185
	200,557	5,581,965	-	766,742	343,557	-	1,110,299	962,387	5,925,522	-	6,887,909
Total public support											
Other revenue:											
Program service fees	171,004	-	-	89,224	-	-	89,224	255,666	-	-	255,666
Interest income on notes receivable	-	-	-	138,380	-	-	138,380	138,380	-	-	138,380
Investment income	86,409	-	-	22,313	-	-	22,313	108,722	-	-	108,722
Realized and unrealized gains on investments	165,211	-	-	9,778	-	-	9,778	174,989	-	-	174,989
Other	95,279	-	-	3,922	-	-	3,922	15,201	-	-	15,201
	517,903	-	-	263,617	-	-	263,617	692,958	-	-	692,958
Total other revenue											
Net assets released from restrictions	4,028,517	(4,028,517)	-	470,803	(470,803)	-	470,803	4,499,320	(4,499,320)	-	-
Total revenue, gains and support	4,746,977	1,553,448	-	1,501,162	(127,246)	-	1,373,916	6,154,665	1,426,202	-	7,580,867
Expenses:											
Program services:											
Financial and Investor Education	901,630	-	-	-	-	-	-	892,438	-	-	892,438
Native American Foods and Health	1,137,123	-	-	-	-	-	-	1,137,123	-	-	1,137,123
Native American Business Development	201,528	-	-	-	-	-	-	200,528	-	-	200,528
Strengthening Native American Nonprofits	1,445,788	-	-	-	-	-	-	1,445,788	-	-	1,445,788
Public Education	15,831	-	-	3,922	-	-	3,922	15,831	-	-	15,831
First Nations Oweesta Corporation	27,816	-	-	1,057,694	-	-	1,057,694	1,013,986	-	-	1,013,986
	3,729,716	-	-	1,057,694	-	-	1,057,694	4,705,694	-	-	4,705,694
Total program services											
Supporting services:											
Administration	368,967	-	-	283,925	-	-	283,925	644,906	-	-	644,906
Development	195,604	-	-	19,732	-	-	19,732	211,564	-	-	211,564
	564,571	-	-	303,657	-	-	303,657	856,470	-	-	856,470
Total supporting services											
Total expenses	4,294,287	-	-	1,361,351	-	-	1,361,351	5,562,164	-	-	5,562,164
Change in net assets	452,690	1,553,448	-	139,811	(127,246)	-	12,565	592,501	1,426,202	-	2,018,703
Net assets at beginning 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
Net assets at end of year	(59,264)	4,946,663	3,127,700	2,768,291	257,066	-	3,025,357	2,709,027	5,203,729	3,127,700	11,040,456

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2014

	Program Services							Supporting Services			Total
	Financial & Investor Education	Native American Foods & Health	Native American Nonprofits	Native American Business Development	Public Education	First Nations Oweesta	Administration	Development			
Salaries, payroll taxes and benefits	\$ 304,790	367,348	330,363	84,770	7,494	399,553	396,293	112,043	2,002,654		
Grants and stipends	175,000	484,113	581,400	14,995	-	-	-	-	1,255,508		
Professional and consulting fees	267,757	127,690	271,919	52,478	2,181	291,647	100,370	53,868	1,167,910		
Travel	93,238	106,996	171,406	22,608	-	108,755	26,138	5,658	534,799		
Printing and publications	11,015	5,505	7,607	649	11	10,768	11,576	10,317	57,448		
Conferences and meetings	13,315	15,969	50,343	13,353	16	44,628	9,497	1,092	148,213		
Interest expense	-	-	-	-	-	91,022	-	-	91,022		
Rent and occupancy	5,769	6,365	6,437	1,725	67	344	3,996	2,410	27,113		
Postage and delivery	1,851	617	1,368	1,621	-	6,021	3,819	5,655	20,952		
Equipment/software rental/maintenance	3,724	1,930	3,504	1,076	3	11	1,885	5,690	17,823		
Supplies and small equipment	1,853	6,591	7,539	2,705	382	3,002	10,443	473	32,988		
Telephone	4,722	5,698	6,078	1,864	91	9,220	13,612	2,836	44,121		
Other expenses	4,582	1,010	2,985	1,025	43	1,861	29,197	4,079	44,782		
Outside computer services	1,983	4,288	1,826	854	5,515	20,469	15,668	4,888	55,491		
Provision for loan losses	-	-	-	-	-	19,600	-	-	19,600		
Bad debt expense	-	-	-	-	-	-	6,000	-	6,000		
Insurance	13	7	8	-	1	-	5,313	4	5,346		
Depreciation and amortization	2,826	2,996	3,005	805	27	7,085	24,464	2,551	43,759		
Subtotals	892,438	1,137,123	1,445,788	200,528	15,831	1,013,986	658,271	211,564	5,575,529		
Less: depreciation netted against revenue	-	-	-	-	-	-	(13,365)	-	(13,365)		
Total functional expenses	\$ 892,438	1,137,123	1,445,788	200,528	15,831	1,013,986	644,906	211,564	5,562,164		

See accompanying independent auditor's report.

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
Current notes receivable, net of allowance	-	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 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	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
Investment income	87,241	-	-	14,953	-	-	14,953	102,194	-	-	102,194
Realized and unrealized gains on investments	79,997	-	-	(6,660)	-	-	(6,660)	-	-	-	73,337
Other	67,346	-	-	6,009	-	-	6,009	12,029	-	-	12,029
	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	-	-	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 provision for loan losses	-	-	-	-	-	-	(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.