

First Nations Development Institute and Subsidiary

Consolidated Financial Statements and Supplementary Information

June 30, 2017 and 2016

(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, 2017 and 2016, 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 from 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, 2017 and 2016, 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 Matter

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 on pages 25-30 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.

Kuendinger, Cordia & Gogle, P.C.

December 21, 2017

First Nations Development Institute and Subsidiary
Consolidated Statements of Financial Position
June 30, 2017 and 2016

	2017	2016
Assets:		
Current assets:		
Cash and cash equivalents	\$ 3,910,440	5,251,135
Short-term investments (note 4)	4,129,026	2,226,716
Grants receivable (note 2)	1,871,341	3,615,362
Current notes receivable, net of allowance of \$64,650 and \$35,500, respectively (note 3)	828,350	674,500
Government grants receivable (note 10)	239,919	257,092
Interest receivable	14,130	18,976
Other current receivables, net	100,407	86,396
Prepaid expenses	44,225	29,302
Total current assets	<u>11,137,838</u>	<u>12,159,479</u>
Property and equipment, net (note 6)	<u>833,300</u>	<u>829,430</u>
Other assets:		
Long-term notes receivable, net of allowance of \$173,000 and \$156,900, respectively (note 3)	3,687,000	2,981,100
Long-term grants receivable, net of discount (note 2)	277,390	280,287
Long-term government grants receivable (note 10)	475,700	225,700
Investments (note 4)	1,827,250	1,689,975
Investments restricted for endowment (notes 4 and 13)	2,406,462	2,373,703
Security deposits	2,141	1,766
Total other assets	<u>8,675,943</u>	<u>7,552,531</u>
Total assets	<u>\$ 20,647,081</u>	<u>20,541,440</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 292,070	270,857
Regrants payable	1,552,459	1,559,547
Deferred revenue	5,375	9,100
Current maturities of long-term debt (note 7)	1,166,480	685,000
Total current liabilities	<u>3,016,384</u>	<u>2,524,504</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities (note 7)	2,495,000	3,211,480
Total liabilities	<u>5,511,384</u>	<u>5,735,984</u>
Net assets:		
Unrestricted	4,215,561	2,885,124
Temporarily restricted (note 8)	7,792,436	8,792,632
Permanently restricted (notes 8 and 13)	3,127,700	3,127,700
Total net assets	<u>15,135,697</u>	<u>14,805,456</u>
Commitments and contingencies (notes 7, 8, 9, and 10)		
Total liabilities and net assets	<u>\$ 20,647,081</u>	<u>20,541,440</u>

First Nations Development Institute and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2017 and 2016

	June 30, 2017			June 30, 2016		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
		Total			Total	
Revenue, Gains and Support:						
Public support:						
Grants	\$ 199,026	6,064,319	-	100,247	6,127,651	-
Government grants	1,922,600	250,000	-	1,614,216	225,700	-
Contributions	397,995	17,450	-	296,979	98,704	-
Total public support	<u>2,519,621</u>	<u>6,331,769</u>	<u>-</u>	<u>2,011,442</u>	<u>6,452,055</u>	<u>-</u>
Other revenue:						
Program service fees	424,838	-	-	455,171	-	-
Interest income on notes receivable	136,752	-	-	138,401	-	-
Investment income	146,525	-	-	180,661	-	-
Realized and unrealized gains (losses) on investments	224,715	-	-	(112,516)	-	-
Other	3,515	-	-	17,926	-	-
Total other revenue	<u>936,345</u>	<u>-</u>	<u>-</u>	<u>679,643</u>	<u>-</u>	<u>-</u>
Net assets released from restrictions (note 8)	7,331,965	(7,331,965)	-	5,497,813	(5,497,813)	-
Total revenue, gains and support	<u>10,787,931</u>	<u>(1,000,196)</u>	<u>-</u>	<u>8,188,898</u>	<u>954,242</u>	<u>-</u>
Expenses:						
Program services:						
Investing in Native Youth	529,823	-	-	794,997	-	-
Achieving Native Financial Empowerment	285,074	-	-	334,190	-	-
Nourishing Native Foods and Health	2,858,960	-	-	1,978,204	-	-
Advancing Household and Community						
Asset Building	339,560	-	-	410,660	-	-
Strengthening Tribal and Community Institutions	2,739,732	-	-	1,588,772	-	-
First Nations Oweesta Corporation	1,402,367	-	-	1,139,122	-	-
Total program services	<u>8,155,516</u>	<u>-</u>	<u>-</u>	<u>6,245,945</u>	<u>-</u>	<u>-</u>
Supporting services:						
Administration	735,731	-	-	730,477	-	-
Development	566,247	-	-	653,433	-	-
Total supporting services	<u>1,301,978</u>	<u>-</u>	<u>-</u>	<u>1,383,910</u>	<u>-</u>	<u>-</u>
Total expenses	9,457,494	-	-	7,629,855	-	-
Change in net assets	<u>1,330,437</u>	<u>(1,000,196)</u>	<u>-</u>	<u>559,043</u>	<u>954,242</u>	<u>-</u>
Net assets at beginning of year	2,885,124	8,792,632	3,127,700	2,326,081	7,838,390	3,127,700
Net assets at end of year	<u>\$ 4,215,561</u>	<u>7,792,436</u>	<u>3,127,700</u>	<u>2,885,124</u>	<u>8,792,632</u>	<u>3,127,700</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Change in net assets	\$ 330,241	1,513,285
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	37,430	34,303
Net realized and unrealized (gain) loss on investments	(224,706)	112,516
(Reversal of) provision for loan losses	45,250	(14,150)
Discount on long-term grants	1,038	(2,096)
Decrease (increase) in operating assets:		
Grants receivable	1,745,880	1,115,052
Government grants receivable	(232,827)	(305,808)
Interest receivable	4,846	11,987
Other receivables	(14,011)	(74,672)
Prepaid expenses and other assets	(15,298)	10,710
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	21,213	70,927
Deferred revenue	(3,725)	(3,513)
Regrants payable	(7,088)	(58,683)
Net cash provided by operating activities	<u>1,688,243</u>	<u>2,409,858</u>
Cash flows from investing activities:		
Net purchases of investments	(1,847,638)	(1,108,998)
Purchases of property and equipment	(41,300)	(34,207)
Disbursements related to notes receivable	(905,000)	(500,000)
Collections of notes receivable	-	700,000
Net cash used in investing activities	<u>(2,793,938)</u>	<u>(943,205)</u>
Cash flows from financing activities:		
Proceeds from debt	435,000	865,000
Payments on debt	(670,000)	(520,000)
Net cash used in (provided by) financing activities	<u>(235,000)</u>	<u>345,000</u>
Net increase (decrease) in cash and cash equivalents	(1,340,695)	1,811,653
Cash and cash equivalents at beginning of year	<u>5,251,135</u>	<u>3,439,482</u>
Cash and cash equivalents at end of year	<u>\$ 3,910,440</u>	<u>5,251,135</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 94,311</u>	<u>78,608</u>

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, individual donations and program fees.

Summary of Program Activities

First Nations Development Institute works to improve economic conditions for Native Americans through technical assistance and training, advocacy and policy, and direct financial grants in the five key areas of Investing in Native Youth, Achieving Native Financial Empowerment, Nourishing Native Foods & Health, Advancing Household & Community Asset-Building Strategies and Strengthening Tribal & Community Institutions.

Investing in Native Youth

First Nations believes that Native youth represent the future of Native communities, and that their health and well-being determine the future health and well-being of a community overall. By investing in youth and giving them a sense of place and tradition in the community, a community ensures that it will have bright and capable future leaders. First Nations invests in Native youth and their families through many programs, but the cornerstone of our youth efforts is the Native Youth and Culture Fund, which annually provides grant support to numerous youth-related projects. We also have a range of financial education programs that are specifically geared toward Native youth, including the Crazy Cash City reality fair and the \$pending Frenzy workshop. The goal is to provide programs that meet youth where they are, support them in accomplishing their goals and dreams, and prepare them for an empowered adulthood guided by their cultures, families and traditions.

Achieving Native Financial Empowerment

First Nations works in partnership with Native American tribes and communities throughout the U.S. to assist them in designing and administering financial and investor education programs. Our 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. Learning how to manage finances ensures that Native people will be more likely to save and invest. Our programs result in increased investment levels and economic growth in Native communities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Nourishing Native Foods & Health

First Nations recognizes that accessing healthy food is a challenge for many Native American children and families. Without access to healthy food, a nutritious diet and good health are out of reach. To increase access to healthy food, we support tribes and Native communities as they build sustainable food systems that improve health, strengthen food security and increase the control over Native agriculture and food systems. First Nations provides this assistance in the form of financial and technical support, including training materials, to projects that address agriculture and food sectors in Native communities. First Nations also undertakes research projects that build the knowledge and understanding of Native agriculture and food systems issues, and inform Native communities about innovative ideas and best practices. We also participate in policy forums that help develop legislative and regulatory initiatives within this sector. First Nations supports a regional and national network of Native food sector and related organizations. First Nations conducts its work in this area under its broad Native Agriculture and Food Systems Initiative (NAFSI).

Advancing Household & Community Asset-Building Strategies

First Nations works with our national and local partners to identify, develop and implement household and community asset-building strategies that empower Native people. Working with our community partners in tribal colleges and community development financial institutions (CDFIs), we share ideas through peer learning and we finance program development through our grant making program. Working with our national and regional partners, we have helped share information about household asset-building programs such as Individual Development Accounts, Children's Savings Accounts, and Volunteer Income Tax Assistance sites. We also conduct research on issues related to predatory lending in Native communities and work to raise awareness of this problem. First Nations' programs help move families and communities toward financial security. To create systemic economic change, First Nations also works with Native American communities to develop new businesses and services, and reclaim direct control of assets. We seek 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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Strengthening Tribal & Community Institutions

Through grant support, technical assistance and training, First Nations provides tribes and Native communities with the tools and resources necessary to create new community-based nonprofit organizations and to strengthen the capacity of existing nonprofits and tribal agencies or departments. For 36 years, First Nations has supported hundreds of model projects that help revitalize Native communities, while integrating social empowerment and economic strategies. First Nations believes that by bolstering tribal and community institutions, we are helping to build economically stronger and healthier Native communities for the long term. An essential component of First Nations' nonprofit capacity-building strategy is our Leadership, Entrepreneurial, and Apprenticeship Development (L.E.A.D.) Institute Conference that trains emerging and existing Native nonprofit leaders, including staff members from many of our grantee organizations. For 21 years First Nations has held an annual L.E.A.D. Institute Conference for Native American nonprofit professionals, tribal leaders and anyone interested in Native nonprofits, business and philanthropy.

First Nations Oweesta Corporation

First Nations Oweesta Corporation's mission is to provide opportunities for Native people to develop financial assets and create wealth by assisting in the establishment of strong, permanent institutions and programs contributing to economic independence and strengthening sovereignty for all Native communities. Oweesta is the only existing Native CDFI (community development financial institution) intermediary offering financial products and development services exclusively to Native CDFIs and Native communities. Specifically, Oweesta provides training, technical assistance, investments, research, and policy advocacy to help Native communities develop an integrated range of asset-building products and services, including financial education and financial products. Native CDFIs provide Native American communities the tools and capital support required for real and sustainable job creation, small business development, commercial real estate development, and affordable housing/home ownership, while also offering basic banking services and financial literacy training to "underbanked" Native American communities who have been historically targeted by predatory lending practices.

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 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.

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).

Assets Restricted for Endowment

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

Receivables

Receivables relate to amounts due from customers for fees 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 totals \$10,000 at June 30, 2017 and 2016.

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.

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

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, 2017 and 2016.

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, 2017 and 2016.

Tax years that remain subject to examination include 2014 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.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

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, 2017 and 2016 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 ads. 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 21, 2017 which is the date the financial statements were available to be issued.

Reclassifications

Certain 2016 financial statement amounts have been reclassified to conform to 2017 presentation. This includes a reclassification of certain government grants revenue, totaling \$750,000, from temporarily restricted to unrestricted revenue and related 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:

	2017	2016
First Nations	\$ 2,121,415	\$ 3,895,649
First Nations Oweesta	26,990	-
	\$ 2,148,405	\$ 3,895,649

	First Nations	First Nations Oweesta	Consolidated
Amounts due in:			
Less than one year	\$ 1,844,351	26,990	1,871,341
One to five years	278,725	-	278,725
Less discount	(1,335)	-	(1,335)
	\$ 2,121,741	26,990	2,148,731

First Nations has no conditional grants receivable outstanding as of June 30, 2017 and 2016.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions (CDFIs) and other Native controlled entities. There are three types of loans issued by the Organization. First In loans are available to Native CDFIs in amounts up to \$100,000 for up to three years, while Capital loans are available to Native CDFIs in amounts over \$100,000 for up to five years. The proceeds of both First In and Capital loans must be used to make loans in the borrower's target market, as defined in their loan policies and other organizational documents. Native Fresh Food Fund (NF3) loans are available for Native CDFIs, Native nonprofits, and tribal entities, and carry terms of up to ten years. Loan proceeds must be used to finance healthy food projects. The notes accrue interest at rates from 3% to 4%.

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, and interest revenue is recognized. There are no loans over 90 days past due at June 30, 2017 and 2016.

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 \$237,650 and \$192,400 at June 30, 2017 and 2016, respectively.

Annual maturities of notes receivable at June 30, 2017 are as follows for the years ending June 30:

2018	\$ 893,000
2019	685,000
2020	410,000
2021	900,000
2022	<u>1,865,000</u>
Total notes receivable	4,753,000
Less allowance for loan losses	<u>(237,650)</u>
Net notes receivable	\$ <u>4,515,350</u>

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, 2017

	Current	Over 30 days	Over 60 days	Over 90 days	Total
				days	
Loan type:					
Capital loans	\$ 3,850,000	-	-	-	3,850,000
NF3	210,000	-	-	-	210,000
First In loans	<u>693,000</u>	-	-	-	<u>693,000</u>
Total	<u>\$ 4,753,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,753,000</u>

The following is an aging of the Organization's notes receivable at June 30, 2016:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:					
Capital loans	\$ 3,045,000	-	-	-	3,045,000
First In loans	<u>803,000</u>	-	-	-	<u>803,000</u>
Total	<u>\$ 3,848,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,848,000</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	NF3 Loans	First In loans	Total
Beginning balance, June 30, 2015	\$ 178,750	-	27,800	206,550
(Reversal of) provision for loan losses	<u>(26,500)</u>	<u>-</u>	<u>12,350</u>	<u>(14,150)</u>
Ending balance, June 30, 2016	152,250	-	40,150	192,400
(Reversal of) provision for loan losses	<u>40,250</u>	<u>10,500</u>	<u>(5,500)</u>	<u>45,250</u>
Ending balance, June 30, 2016	<u>\$ 192,500</u>	<u>10,500</u>	<u>34,650</u>	<u>237,650</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

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, 2017:

	Capital loans	NF3 loans	First In loans	Total
Non-delinquent	\$ 3,850,000	210,000	693,000	4,735,000
30 days delinquent	-	-	-	-
60 days delinquent	-	-	-	-
90 days delinquent	-	-	-	-
Total	<u>\$ 3,850,000</u>	<u>210,000</u>	<u>693,000</u>	<u>4,735,000</u>

The following is the credit quality classification of the notes receivable by loan type at June 30, 2016:

	Capital loans	First In loans	Total
Non-delinquent	\$ 3,045,000	803,000	3,848,000
30 days delinquent	-	-	-
60 days delinquent	-	-	-
90 days delinquent	-	-	-
Total	<u>\$ 3,045,000</u>	<u>803,000</u>	<u>3,848,000</u>

Note 4 - Investments

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

	2017	2016
Certificates of deposit	\$ 5,147,478	\$ 3,395,705
Corporate bonds	585,306	878,382
Money market funds	310,807	4,490
Mutual funds – equities	2,037,128	1,830,751
Mutual funds – fixed income	<u>282,019</u>	<u>181,066</u>
	<u>\$ 8,362,738</u>	<u>\$ 6,290,394</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 4 – Investments, Continued

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

	<u>2017</u>	<u>2016</u>
Investments restricted for endowment	\$ 2,406,462	\$ 2,373,703
Short-term investments	4,129,026	2,226,716
Investments	<u>1,827,250</u>	<u>1,689,975</u>
	<u>\$ 8,362,738</u>	<u>\$ 6,290,394</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.

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.

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, 2017 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	2,037,128	-	-	2,037,128
Mutual funds - fixed income	282,019	-	-	282,019
Money market funds	-	310,807	-	310,807
Certificate of deposit	-	5,147,478	-	5,147,478
Corporate bonds	-	585,306	-	585,306
	<u>\$ 2,319,147</u>	<u>6,043,591</u>	<u>-</u>	<u>8,362,738</u>

Financial assets and liabilities carried at fair value at June 30, 2016 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	1,830,751	-	-	1,830,751
Mutual funds - fixed income	181,066	-	-	181,066
Money market funds	-	4,490	-	4,490
Certificate of deposit	-	3,395,705	-	3,395,705
Corporate bonds	-	878,382	-	878,382
	<u>\$ 2,011,817</u>	<u>4,278,577</u>	<u>-</u>	<u>6,290,394</u>

Note 6 – Property and Equipment

Property and equipment consist of the following at June 30:

	2017	2016
Land	\$ 374,881	374,881
Building and improvements	522,890	494,965
Furniture, equipment and software	<u>203,904</u>	<u>206,608</u>
	1,101,675	1,076,454
Less accumulated depreciation and amortization	<u>(268,375)</u>	<u>(247,024)</u>
	<u>\$ 833,300</u>	<u>829,430</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 6 – Property and Equipment, Continued

Property and equipment is designated as follows at June 30:

	<u>2017</u>	<u>2016</u>
Land and building restricted for endowment (see note 14)	\$ 721,238	753,997
Property and equipment, other	<u>112,062</u>	<u>75,433</u>
	<u>\$ 833,300</u>	<u>829,430</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	Maturity	Rate	2017	2016
Bank of America (a)	3/31/2018	2.75%	500,000	1,000,000
Tamalpais Trust	1/15/2021	1.00%	500,000	500,000
Mercy Investment Services, Inc.	5/1/2020	3.00%	500,000	500,000
CDFI Fund 141NA012511 (b)	1/6/2028	1.95%	380,000	380,000
CDFI Fund 131FA011410	6/23/2018	1.86%	170,000	170,000
Jonathan and Connie Heller	4/1/2018	2.00%	150,000	150,000
Adrian Dominican Sisters	12/15/2018	2.00%	100,000	100,000
Julia Maher Living Trust	3/31/2020	2.00%	100,000	100,000
Charles Schwab -Suzanne LaFetra Trust	10/1/2017	2.00%	100,000	100,000
Charles Schwab -Suzanne LaFetra Trust	4/1/2020	2.00%	100,000	100,000
Basilian Fathers of Toronto (d)	4/1/2022	3.00%	100,000	100,000
Sisters of Charity of Incarnate Word	12/18/2018	1.00%	100,000	100,000
Charles Schwab -Donna K. Altschuler	10/1/2019	2.00%	100,000	100,000
Gregory Kremer	7/15/2018	1.00%	100,000	-
Edith Phippen	2/1/2022	1.00%	100,000	-
Marta Jo Lawrence Rev. Living Trust	9/30/2019	2.00%	60,000	60,000
Charles Schwab -Karuna Trust (e)	3/31/2021	2.00%	50,000	50,000
Charles Schwab -Mary H Waite	3/31/2020	2.00%	50,000	-
Charles Schwab -Barbara Kingsolver	4/1/2018	2.00%	50,000	50,000
Charles Schwab -James A Rose	4/1/2018	2.00%	50,000	50,000
James A N Rose 2012 Trust	3/31/2018	2.00%	50,000	50,000
Susan D. Goldman Trust	11/1/2017	1.85%	41,480	41,480
Charles Schwab -Catherine H Skove	3/30/2021	2.00%	25,000	-
Srs. of St. Francis of Philadelphia (c)	6/1/2019	2.50%	20,000	30,000
Marian H Rose Trust	8/31/2020	2.00%	25,000	25,000
Charles Schwab -Chyna Wranch Inc. Profit Sharing	4/1/2020	2.00%	25,000	25,000
Thomas J. Abood	2/11/2020	2.25%	25,000	25,000
Charles Schwab -Margaret E. Sheehan Rev Trust	10/1/2018	2.00%	25,000	25,000
Sisters of the Blessed Sacrament	4/5/2018	3.00%	25,000	25,000
John CB Webster	3/31/2018	2.00%	20,000	20,000
James A Babson Trust 1996	6/20/2019	2.00%	10,000	10,000
Larry Dansinger & Karen Marysdaughter	5/1/2019	0.00%	5,000	5,000
Peter & Sharon Moller (f)	1/23/2019	0.00%	5,000	5,000
Total			3,661,480	3,896,480
Less current maturities			<u>(1,166,480)</u>	<u>(685,000)</u>
Long term debt less current maturities			<u>2,495,000</u>	<u>3,211,480</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Interest only payments are paid annually, quarterly, or monthly. Principal payments are due at maturity, unless otherwise noted below.

- (a) Beginning 3/31/15, annual principal payments of \$500,000 are due and payable until the loan is paid in full on 3/31/18.
- (b) Principal payments are required, beginning December 2025.
- (c) Original note was paid off on 6/1/17, and the lender disbursed a new note, totaling \$20,000, with annual principal payments of \$10,000 due on 6/1/18 and 6/1/19.
- (d) Original note was paid off on 4/1/17, and the lender disbursed a new note, totaling \$100,000, due on 4/1/22.
- (e) Original note was paid off on 10/1/16, and the lender disbursed a new note, totaling \$50,000, due on 3/31/21.
- (f) Original note was paid off on 1/23/17, and the lender disbursed a new note, totaling \$5,000, due on 1/23/19.

First Nations Oweesta is required to meet certain covenants as specified in particular debt agreements. At June 30, 2017, these covenants were met.

None of the notes are collateralized. At June 30, 2017, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2018	\$ 1,166,480
2019	355,000
2020	960,000
2021	600,000
2022	200,000
Thereafter	<u>380,000</u>
	<u>\$ 3,661,480</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 8 - Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2017:

	First Nations	First Nations Oweesta	Consolidated
Investing in Native Youth	\$ 78,662	-	78,662
Achieving Native Financial Empowerment	5,000	-	5,000
Nourishing Native Foods and Health	1,436,345	-	1,436,345
Advancing Household and Community Asset Building	548,206	-	548,206
Strengthening Tribal and Community Institutions	4,813,921	-	4,813,921
Future Operations	-	475,700	475,700
First Nations Oweesta	-	434,602	434,602
	\$ 6,882,134	910,302	7,792,436

Temporarily restricted net assets consist of the following as of June 30, 2016:

	First Nations	First Nations Oweesta	Consolidated
Investing in Native Youth	\$ 83,554	-	83,554
Achieving Native Financial Empowerment	237,996	-	237,996
Nourishing Native Foods and Health	3,221,432	-	3,221,432
Advancing Household and Community Asset Building	314,829	-	314,829
Strengthening Tribal and Community Institutions	3,389,175	-	3,389,175
Future Operations	499,254	225,700	724,954
First Nations Oweesta	-	820,692	820,692
	\$ 7,746,240	1,046,392	8,792,632

Net assets totaling \$7,331,965 in 2017 and \$5,497,813 in 2016 were released from restrictions as a result of satisfying purpose and time restrictions.

At June 30, 2017 and 2016, permanently restricted net assets consist of endowment funds comprised of the following:

	First Nations	First Nations Oweesta	Consolidated
Donor restricted endowment funds (note 13)	\$ 3,127,700	-	3,127,700

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

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 9 - 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 \$38,511 and \$36,606 for the years ended June 30, 2017 and 2016.

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, 2017 and 2016 totaling \$18,550 and \$15,553, respectively.

Note 10 - Commitments and Contingencies

Operating Leases

First Nations occupied office space in Fredericksburg, Virginia and Longmont, Colorado. The Virginia lease is effective April 1, 2017, at a monthly rate of \$1,133, expires March 31, 2018.

First Nations Oweesta rents office space under a month-to-month lease agreement in an office building purchased by First Nations in Longmont. Rent is charged at \$2,750 per month, including utilities and cleaning. Because this rent is to First Nations, the rental income and expense is eliminated in consolidation of the financial statements.

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 \$715,619 and \$482,792 at June 30, 2017 and 2016, respectively.

Note 11 - 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.

The Board of Directors of the Organization approves all related party transactions.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 12 - 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:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Year ended June 30, 2017	\$ 3,059,356	100,000	3,159,356
Year ended June 30, 2016	\$ 2,375,002	100,000	2,475,002

Note 13 - 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, 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 principal and interest are transferred from unrestricted funds to the endowment funds in repayment. During the years ended June 30, 2017 and 2016, principal payments were \$32,759 and \$31,555 and interest payments were \$27,716 and \$28,920, respectively. Interest income and expense of \$27,716 and \$28,920, respectively, were eliminated in these statements at June 30, 2017 and 2016. Approximately 25% of the building space is rented to local businesses. Rental income from tenants of \$13,585 and \$12,342 are reported in the consolidated statement of activities net of allocated expenses of \$53,063 and \$45,200 for the years ended June 30, 2017 and 2016, respectively.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 13 – 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, 2017, endowment net assets are comprised of the following:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Investments restricted for endowment	\$ 2,406,462	-	2,406,462
Land and building restricted for endowment	<u>721,238</u>	<u>-</u>	<u>721,238</u>
	<u>\$ 3,127,700</u>	<u>-</u>	<u>3,127,700</u>

At June 30, 2016, endowment net assets are comprised of the:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Investments restricted for endowment	\$ 2,373,703	-	2,373,70
Land and building restricted for endowment	<u>753,997</u>	<u>-</u>	<u>753,997</u>
	<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, 2017 and 2016.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 13 – 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, 2017 and 2016.

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, 2017

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,808,952	2,101,488	-	3,910,440
Short-term investments	3,903,998	225,028	-	4,129,026
Grants receivable	1,844,351	26,990	-	1,871,341
Current notes receivable, net of allowance	-	828,350	-	828,350
Government grants receivable	213,042	26,877	-	239,919
Interest receivable	-	14,130	-	14,130
Other current receivables, net	36,650	63,757	-	100,407
Due from affiliate	3,030	-	(3,030)	-
Prepaid expenses	22,061	22,164	-	44,225
Total current assets	<u>7,832,084</u>	<u>3,308,784</u>	<u>(3,030)</u>	<u>11,137,838</u>
Property and equipment, net	<u>812,149</u>	<u>21,151</u>	<u>-</u>	<u>833,300</u>
Other assets:				
Long-term notes receivable, net of allowance	-	3,687,000	-	3,687,000
Long-term grants receivable, net of discount	277,390	-	-	277,390
Long-term government grants receivable	-	475,700	-	475,700
Investments	1,289,132	538,118	-	1,827,250
Investments restricted for endowment	2,406,462	-	-	2,406,462
Security deposits	2,141	-	-	2,141
Total other assets	<u>3,975,125</u>	<u>4,700,818</u>	<u>-</u>	<u>8,675,943</u>
Total assets	<u>\$ 12,619,358</u>	<u>8,030,753</u>	<u>(3,030)</u>	<u>20,647,081</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 211,940	80,130	-	292,070
Due to affiliate	-	3,030	(3,030)	-
Regrants payable	1,552,459	-	-	1,552,459
Deferred revenue	1,375	4,000	-	5,375
Current maturities of long-term debt	-	1,166,480	-	1,166,480
Total current liabilities	<u>1,765,774</u>	<u>1,253,640</u>	<u>(3,030)</u>	<u>3,016,384</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	2,495,000	-	2,495,000
Total liabilities	<u>1,765,774</u>	<u>3,748,640</u>	<u>(3,030)</u>	<u>5,511,384</u>
Net assets:				
Unrestricted	843,750	3,371,811	-	4,215,561
Temporarily restricted	6,882,134	910,302	-	7,792,436
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>10,853,584</u>	<u>4,282,113</u>	<u>-</u>	<u>15,135,697</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 12,619,358</u>	<u>8,030,753</u>	<u>(3,030)</u>	<u>20,647,081</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2017

	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	\$ 99,018	5,953,329	-	100,008	110,990	-	210,998	199,026	6,064,319	-
Government grants	689,697	-	-	1,232,903	250,000	-	1,482,903	1,922,600	250,000	-
Contributions	397,995	17,450	-	415,445	-	-	-	397,995	17,450	-
	1,186,710	5,970,779	-	1,332,911	360,990	-	1,693,901	2,519,621	6,331,769	-
Total public support										
Other revenue:										
Program service fees	215,534	-	-	234,501	-	-	234,501	424,838	-	-
Interest income on notes receivable	-	-	-	136,752	-	-	-	136,752	-	-
Investment income	133,342	-	-	13,183	-	-	13,183	146,525	-	-
Realized and unrealized gains on investments	216,128	-	-	8,587	-	-	8,587	224,715	-	-
Other	38,647	-	-	32,868	-	-	32,868	3,515	-	-
	603,651	-	-	425,891	-	-	425,891	936,345	-	-
Total other revenue	6,834,885	(6,834,885)	-	497,080	(497,080)	-	-	7,331,965	(7,331,965)	-
Net assets released from restrictions	-	-	-	-	-	-	-	-	-	-
Reclassification of net assets	-	-	-	-	-	-	-	-	-	-
Total revenue, gains and support	8,625,246	(864,106)	-	2,255,882	(136,090)	-	2,119,792	10,787,931	(1,000,196)	-
Expenses:										
Program services:										
Investing in Native Youth	529,823	-	-	-	-	-	-	529,823	-	-
Achieving Native Financial Empowerment	308,786	-	-	-	-	-	-	285,074	-	-
Nourishing Native Foods and Health	2,858,960	-	-	-	-	-	-	2,858,960	-	-
Advancing Household and Community Asset Building	339,560	-	-	-	-	-	-	339,560	-	-
Strengthening Tribal and Community Institution	2,739,732	-	-	-	-	-	-	2,739,732	-	-
First Nations Oweesta Corporation	1,797	-	-	1,462,674	-	-	1,462,674	1,402,367	-	-
	6,778,658	-	-	1,462,674	-	-	1,462,674	8,155,516	-	-
Total program services										
Supporting services:										
Administration	529,305	-	-	213,807	-	-	213,807	735,731	-	-
Development	551,243	-	-	15,004	-	-	15,004	566,247	-	-
	1,080,548	-	-	228,811	-	-	228,811	1,301,978	-	-
Total supporting services										
	7,859,206	-	-	1,691,485	-	-	1,691,485	9,457,494	-	-
Total expenses	766,040	(864,106)	-	564,397	(136,090)	-	428,307	1,330,437	(1,000,196)	-
Change in net assets										
Net assets at beginning of year	77,710	7,746,240	3,127,700	2,807,414	1,046,392	-	3,853,806	2,885,124	8,792,632	3,127,700
Net assets at end of year	\$ 843,750	6,882,134	3,127,700	3,371,811	910,302	-	4,282,113	4,215,561	7,792,436	3,127,700

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2017

	Program Services						Supporting Services		Total
	Investing in Native Youth	Achieving Native Financial Empowerment	Nourishing Native Foods and Health	Household and Community Asset Building	Strengthening Tribal and Community Institutions	First Nations Oweesta	Administration	Development	
Salaries, payroll taxes and benefits	\$ 56,190	134,969	623,469	96,890	535,863	680,290	502,386	190,233	2,820,290
Grants and stipends	410,000	-	1,694,420	158,742	743,006	100,000	-	53,188	3,159,356
Professional and consulting fees	15,339	88,173	208,197	55,078	1,146,118	159,375	96,438	62,493	1,831,211
Travel	11,152	35,688	244,299	22,400	169,776	104,265	11,712	50,655	649,947
Printing and publications	1,963	575	10,447	616	7,799	54,863	15,771	2,029	94,063
Conferences and meetings	9,576	3,791	14,727	280	48,248	80,611	1,356	16,250	174,839
Interest expense	-	-	-	-	-	86,168	-	-	86,168
Rent and occupancy	1,505	2,500	14,053	1,874	11,207	24,298	-	4,670	60,107
Postage and delivery	4,894	1,014	3,523	418	2,360	3,054	11,729	134,065	161,057
Equipment/software rental/maintenance	16	11	399	17	19,133	714	6,386	4,919	31,595
Supplies and small equipment	7,716	11,654	13,119	183	16,075	36,021	23,993	8,102	116,863
Telephone	762	1,682	8,794	1,013	15,165	13,899	10,660	3,243	55,218
Other expenses	1,468	1,755	2,685	22	2,072	2,079	7,139	14,366	31,586
Outside computer services	9,024	2,737	17,760	1,553	20,749	6,002	29,084	21,060	107,969
Provision for loan losses	-	-	-	-	-	45,250	-	-	45,250
Insurance	-	-	-	-	-	-	11,818	-	11,818
Depreciation and amortization	218	525	3,068	474	2,161	5,478	24,532	974	37,430
Subtotals	529,823	285,074	2,858,960	339,560	2,739,732	1,402,367	753,004	566,247	9,474,767
Less: depreciation netted against revenue	-	-	-	-	-	-	(17,273)	-	(17,273)
Total functional expenses	\$ 529,823	285,074	2,858,960	339,560	2,739,732	1,402,367	735,731	566,247	9,457,494

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2016

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 2,247,626	3,003,509	-	5,251,135
Short-term investments	2,226,716	-	-	2,226,716
Grants receivable	3,615,362	-	-	3,615,362
Current notes receivable, net of allowance	-	674,500	-	674,500
Government grants receivable	97,515	159,577	-	257,092
Interest receivable	-	18,976	-	18,976
Other current receivables, net	58,611	27,785	-	86,396
Due from affiliate	7,359	-	(7,359)	-
Prepaid expenses	16,505	12,797	-	29,302
Total current assets	<u>8,269,694</u>	<u>3,897,144</u>	<u>(7,359)</u>	<u>12,159,479</u>
Property and equipment, net	802,796	26,634	-	829,430
Other assets:				
Long-term notes receivable, net of allowance	-	2,981,100	-	2,981,100
Long-term grants receivable, net of discount	280,287	-	-	280,287
Long-term government grants receivable	-	225,700	-	225,700
Investments	948,100	741,875	-	1,689,975
Investments restricted for endowment	2,373,703	-	-	2,373,703
Security deposits	1,766	-	-	1,766
Total other assets	<u>3,603,856</u>	<u>3,948,675</u>	<u>-</u>	<u>7,552,531</u>
Total assets	<u>\$ 12,676,346</u>	<u>7,872,453</u>	<u>(7,359)</u>	<u>20,541,440</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 164,049	106,808	-	270,857
Due to affiliate	-	7,359	(7,359)	-
Regrants payable	1,559,547	-	-	1,559,547
Deferred revenue	1,100	8,000	-	9,100
Current maturities of long-term debt	-	685,000	-	685,000
Total current liabilities	<u>1,724,696</u>	<u>807,167</u>	<u>(7,359)</u>	<u>2,524,504</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	3,211,480	-	3,211,480
Total liabilities	<u>1,724,696</u>	<u>4,018,647</u>	<u>(7,359)</u>	<u>5,735,984</u>
Net assets:				
Unrestricted	77,710	2,807,414	-	2,885,124
Temporarily restricted	7,746,240	1,046,392	-	8,792,632
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>10,951,650</u>	<u>3,853,806</u>	<u>-</u>	<u>14,805,456</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 12,676,346</u>	<u>7,872,453</u>	<u>(7,359)</u>	<u>20,541,440</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2016

	First Nations			First Nations Oweesta			Consolidated				
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
											Total
Revenue, Gains and Support:											
Public support:											
Grants	\$ 58,747	6,021,756	-	41,500	105,895	-	147,395	-	6,127,651	-	6,227,898
Government grants	458,658	-	-	1,155,558	225,700	-	1,381,258	-	1,614,216	-	1,839,916
Contributions	294,379	98,704	-	2,600	-	-	2,600	-	296,979	98,704	395,683
Total public support	811,784	6,120,460	-	1,199,658	331,595	-	1,531,253	-	2,011,442	6,452,055	8,463,497
Other revenue:											
Program service fees	254,631	-	-	212,813	-	-	212,813	(12,273)	455,171	-	455,171
Interest income on notes receivable	-	-	-	138,401	-	-	138,401	-	138,401	-	138,401
Investment income	166,260	-	-	14,401	-	-	14,401	-	180,661	-	180,661
Realized and unrealized gains (losses) on investments	(116,798)	-	-	4,282	-	-	4,282	-	(112,516)	-	(112,516)
Other	74,941	-	-	35,985	-	-	35,985	(93,000)	17,926	-	17,926
Total other revenue	379,034	-	-	405,882	-	-	405,882	(105,273)	679,643	-	679,643
Net assets released from restrictions	5,250,445	(5,250,445)	-	247,368	(247,368)	-	-	-	5,497,813	(5,497,813)	-
Total revenue, gains and support	6,441,263	870,015	-	1,852,908	84,227	-	1,937,135	(105,273)	8,188,898	954,242	9,143,140
Expenses:											
Program services:											
Investing in Native Youth	794,997	-	-	-	-	-	-	-	794,997	-	794,997
Achieving Native Financial Empowerment	346,463	-	-	-	-	-	-	(12,273)	334,190	-	334,190
Nourishing Native Foods and Health	1,978,204	-	-	-	-	-	-	-	1,978,204	-	1,978,204
Advancing Household and Community Asset Building	410,660	-	-	-	-	-	-	-	410,660	-	410,660
Strengthening Tribal and Community Institutions	1,588,772	-	-	-	-	-	-	(84,000)	1,588,772	-	1,588,772
First Nations Oweesta Corporation	10,048	-	-	1,213,074	-	-	1,213,074	(84,000)	1,139,122	-	1,139,122
Total program services	5,129,144	-	-	1,213,074	-	-	1,213,074	(96,273)	6,245,945	-	6,245,945
Supporting services:											
Administration	508,178	-	-	230,474	-	-	230,474	(8,175)	730,477	-	730,477
Development	638,151	-	-	16,107	-	-	16,107	(825)	653,433	-	653,433
Total supporting services	1,146,329	-	-	246,581	-	-	246,581	(9,000)	1,383,910	-	1,383,910
Total expenses	6,275,473	-	-	1,459,655	-	-	1,459,655	(105,273)	7,629,855	-	7,629,855
Change in net assets											
Net assets at beginning of year	(88,080)	6,876,225	3,127,700	2,414,161	962,165	-	3,376,326	-	2,326,081	7,838,390	13,292,171
Net assets at end of year	\$ 77,710	7,746,240	3,127,700	2,807,414	1,046,392	-	3,853,806	-	2,885,124	8,792,632	14,805,456

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2016

	Program Services						Supporting Services		Total
	Investing in Native Youth	Achieving Native Financial Empowerment	Nourishing Native Foods and Health	Household and Community Asset Building	Strengthening Tribal and Community Institutions	First Nations Oweesta	Administration	Development	
Salaries, payroll taxes and benefits	\$ 205,336	98,390	526,498	78,698	425,889	606,325	479,540	279,770	2,700,446
Grants and stipends	438,050	97,500	976,634	285,178	563,290	100,000	-	14,350	2,475,002
Professional and consulting fees	63,327	84,346	127,474	5,444	302,092	124,281	87,378	84,100	878,442
Travel	31,007	43,554	196,756	30,112	187,516	103,740	31,852	53,495	678,032
Printing and publications	16,977	1,095	17,532	267	4,451	28,306	23,043	3,629	95,300
Conferences and meetings	13,024	58	81,202	4,808	63,386	44,523	8,972	20,648	236,621
Interest expense	-	-	-	-	-	91,211	-	-	91,211
Rent and occupancy	1,546	634	3,552	519	2,700	41	2,863	2,095	13,950
Postage and delivery	2,532	961	1,157	139	1,455	3,480	2,974	155,178	167,876
Equipment/software rental/maintenance	87	149	259	51	399	1,878	2,224	4,735	9,782
Supplies and small equipment	17,488	2,423	10,235	546	12,910	6,300	12,681	3,864	66,447
Telephone	1,357	1,434	7,043	1,156	5,733	13,415	14,282	4,489	48,909
Other expenses	4,106	3,575	29,479	3,686	18,648	2,536	30,735	26,852	119,617
Outside computer services	-	-	-	-	-	11,387	3,619	-	15,006
Insurance	-	-	-	-	-	-	6,546	-	6,546
Depreciation and amortization	160	71	383	56	303	1,699	31,403	228	34,303
Subtotals	794,997	334,190	1,978,204	410,660	1,588,772	1,139,122	738,112	653,433	7,637,490
Less: depreciation netted against revenue	-	-	-	-	-	-	(7,635)	-	(7,635)
Total functional expenses	\$ 794,997	334,190	1,978,204	410,660	1,588,772	1,139,122	730,477	653,433	7,629,855

See accompanying independent auditor's report.