

NORTHWEST INDIAN COLLEGE

Basic Financial Statements and Independent Auditors' Reports

June 30, 2014



Northwest Indian College

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northwest Indian College
Bellingham, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Indian College (the College), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwest Indian College as of and for the year ended June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Northwest Indian College's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the summary schedule of prior audit findings (prepared by the College) in the Single Audit – Auditee's section are presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal and nonfederal awards and the summary schedule of prior audit findings are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion the schedule of expenditures of federal and nonfederal awards and the summary schedule of prior audit findings are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The corrective action plan (prepared by the College) has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 7, 2015 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

Insole & Butler, CPAs, PLLC

Gilbert, Arizona
April 7, 2015

Northwest Indian College

Management's Discussion and Analysis

This section of the report contains an overview and analysis of Northwest Indian College's (College) financial statements for the fiscal year ended June 30, 2014, with comparative data, in most cases, for 2010 through 2013. The information contained here is intended to provide the users of these financial statements with a well-rounded picture of the College's financial condition. It addresses the primary government financial statements only; the detailed presentation is given in the College's basic financial statements, footnotes and supplementary information. Responsibility for this discussion and the completeness and fairness of the information presented resides with the College.

Using This Report

This financial statement focuses on the College as a whole. The college's financial statements are designed to emulate corporate presentation models whereby all College activities are consolidated into one total. The focus of the Statement of Net Position is designed to be similar to bottom line results for the College. This statement combines and consolidates current financial resources with capital assets. The Statement of Activities focuses on both the gross costs and the net costs of the College that are supported primarily by revenues from the Tribally Controlled College Funds, federal grants, student tuition and fees.

Highlights of the 2013-2014 Fiscal Year

Institutional Developments

The 2013-2014 fiscal year included significant change for the Northwest Indian College. The College received approval from its accreditation body, the Northwest Commission on Colleges and Universities (NWCCU), to offer its third bachelor's degree program. The Tribal Governance and Business Management (TGBM) bachelor's degree was developed to meet the needs of tribal communities for skilled business managers, program administrators, and entrepreneurs. Subsequent to the end of Fiscal Year 2014, the College also received approval from NWCCU to offer the Community Advocates and Responsive Education in Human Services (CARE) bachelor's degree. As part of the mission of the College, one of our primary goals is to promote and encourage the development of healthy tribal communities. Each of our educational offerings contributes to this goal in some fashion. The evolution in the college's capacity to meet the educational needs of the tribal communities in the Pacific Northwest is the culmination of years of significant investment and will impact the College operations and its service to students in positive and empowering ways for years to come.

The College also continues to invest in building a permanent campus for our students. The Capital Campaign has seen much success in recent years. With the support of many organizations, including the Lummi Indian Business Council, 29 Palms Band of Mission Indians, San Manuel Band of Mission Indians, Shakopee Mdewakanton Sioux Community, the Washington State Capital Heritage Fund, and the Bill and Melinda Gates Foundation, the College has been able to maximize grant opportunities from the Department of Education and the USDA to build a campus that provides the foundation for academic excellence. During Fiscal Year 2014, the College completed the construction of the new Library and Technology building. This facility provides academic resources in many formats for students at the Lummi campus and at any of our extended sites. It contains a computer lab accessible by both students and community members. It also houses our Information Technology department and Media Center. In addition to the library, the Coast Salish Institute (CSI) building was also completed. It provides a milieu for classes, faculty, and events focusing on the indigenous culture of the Coast Salish people.

Management’s Discussion and Analysis

Highlights of the 2013-2014 Fiscal Year (continued)

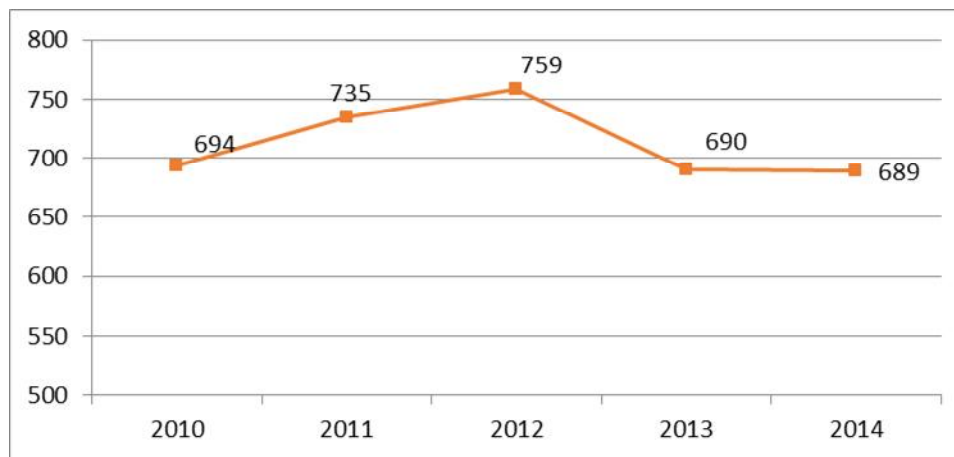
Institutional Developments (continued)

The aftermath of the recession of 2008 – 2009 has created challenges for our Capital Campaign fundraising efforts that are focused on campus development. However, we have had re-affirmations of support from many tribal communities, in the form of pledges and donations, for our efforts to complete the Master Plan for the campus. The next two structures for which fundraising efforts are now underway are the Health and Wellness Center and the Workforce Education building. The development of these facilities will allow the College to continue its efforts towards the development of healthy and resourceful tribal communities.

Financial Overview

The College’s chief sources of unrestricted operating revenue are from the Tribally Controlled College (TCC) funding through the Bureau of Indian Affairs, tuition and fees, and donations. TCC funding is federal formula funding based on the previous year’s Indian Student Count (ISC). This formula strategy means the College won’t see an increase in their TCC revenue that reflects the current year’s average ISC until the next fiscal year. The College’s ISC remained virtually the same as the previous fiscal year. Figure 1 shows the historic ISC levels.

Figure 1: Indian Student Count (ISC) by year



Historically, the delayed release of TCC funds by the federal government caused significant cash flow issues, especially in years when an approved federal budget was delayed. Consistent with the previous fiscal year, TCC funds continued to be awarded on a “forwardly funded” basis so the previous cash flow issues have not occurred.

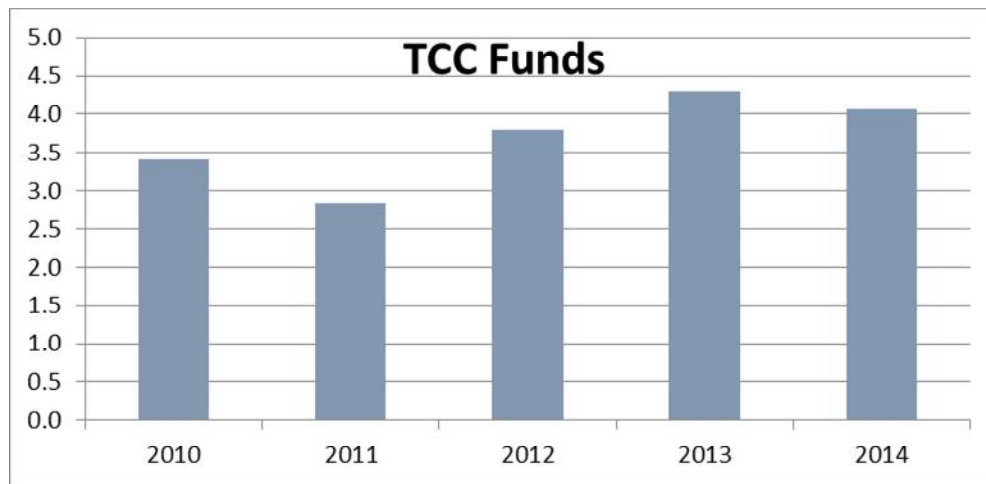
Management's Discussion and Analysis

Highlights of the 2013-2014 Fiscal Year (continued)

Financial Overview (continued)

Figure 2 demonstrates the receipt and, more importantly, budgeting of the TCC funds in the College's fiscal year. In order to maximize the initiation of forward funding (in 2011), the College self-imposed an institutional adjustment in the budgeting of TCC funds to bring the College's budgeting of the funds in line with the federal timeline for the allocation of funds. This resulted in a one-time reduction in the amount of TCC funds available to the institution for the 2011 fiscal year as noted in Figure 2.

Figure 2: Tribally Controlled College Funds (*in millions*)



TCC funding levels for the College includes some amount of uncertainty due to the method of calculation for the Award per ISC. The federal government budgets a fixed dollar amount for all Tribal Colleges and Universities (TCUs) to share, regardless of changes in the number of total ISC, or in the number of TCUs. This method of allocation results in fluctuating amounts of funding per ISC each year. Everything remaining the same, an increase in the aggregate number of ISCs nationally will decrease the award amount per ISC, while a decrease in the aggregate number of ISCs will increase the award amount per ISC. In 2014, the total number of ISCs for all TCUs decreased and this resulted in an increase in the award per ISC as shown in Figure 3.

Figure 3: History of Award per ISC, 2010-2014

Year	2010	2011	2012	2013	2014
Award	5,784	5,223	5,665	5,850	6,355

Even with this fluctuation, the TCC represents a relatively stable percentage of the College's total revenues.

Management’s Discussion and Analysis

Highlights of the 2013-2014 Fiscal Year (continued)

Financial Overview (continued)

Figure 4 shows the total Revenue for Years 2010-2014.

Figure 4: Total Revenue for Years 2010-2014 (in hundreds)

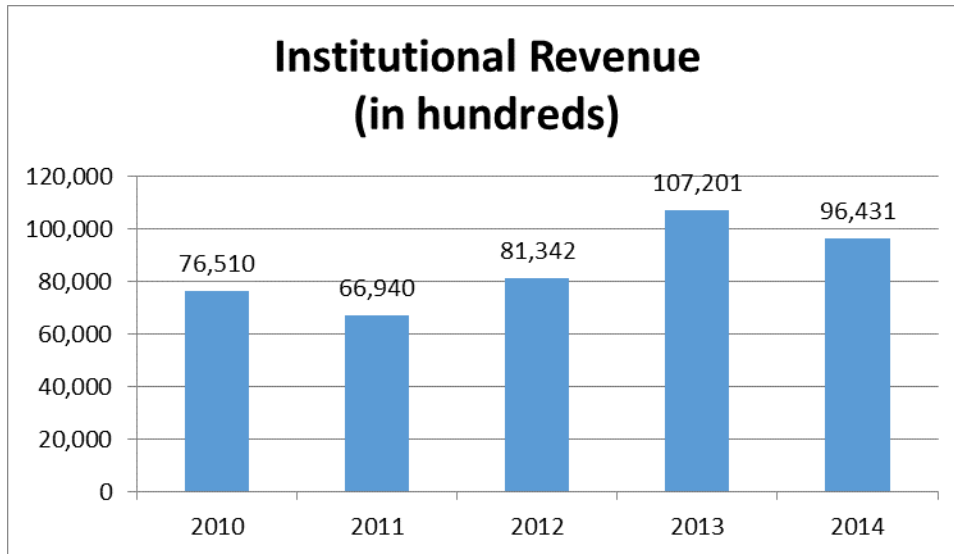
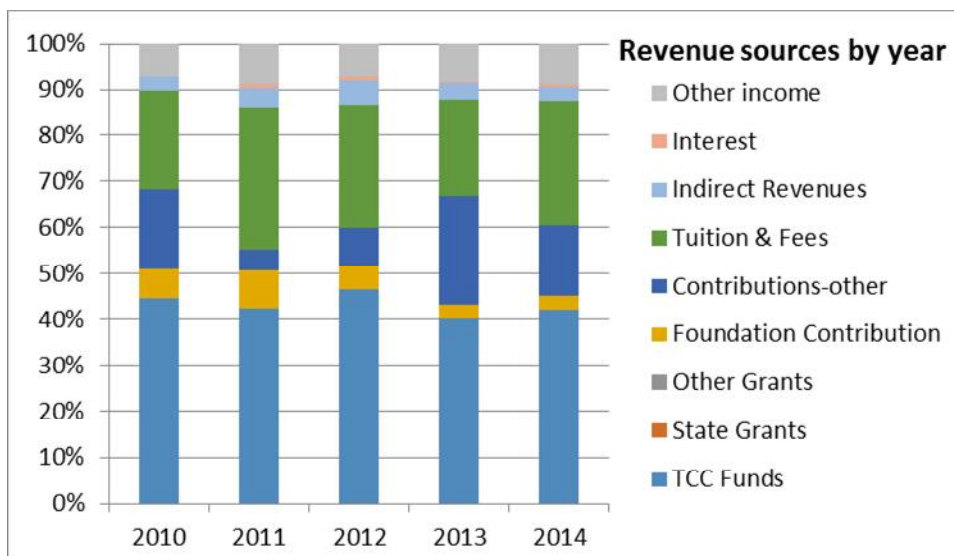


Figure 5 shows the different Revenue Sources by year.

Figure 5: Revenue Sources by Year



Management’s Discussion and Analysis

Highlights of the 2013-2014 Fiscal Year (continued)

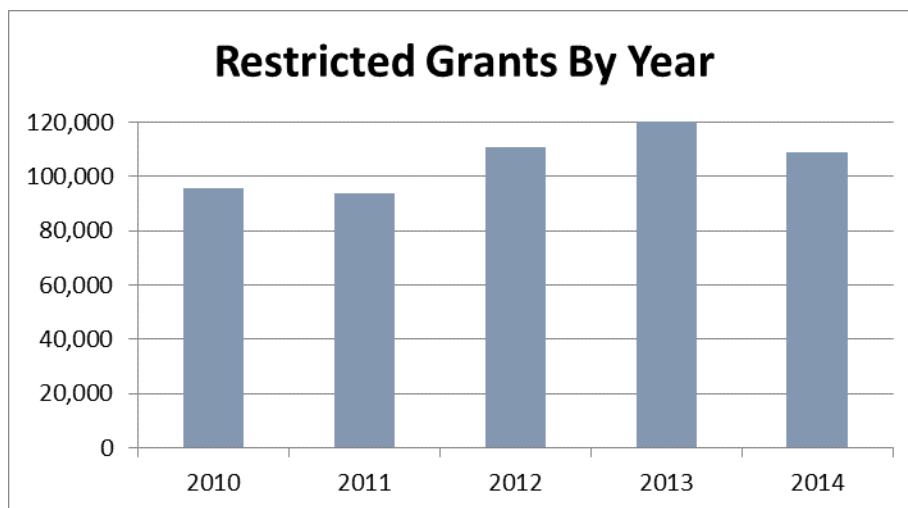
Financial Overview (continued)

The federal sequestration of spending authority in 2012 reduced funding from multiple federal revenue sources. To offset these reductions, a proportional increase in the tuition and fees amounts was approved by the Board of Trustees. The college is continuing to evaluate the effects of these changes on tuition receipts and revenues.

Student tuition is most commonly covered by PELL grants and scholarship payments from the various tribes that are represented in our student body. As tuition increases and the federal PELL regulations become more restrictive, students are finding it more and more challenging to meet their financial obligation to the College. The College does not participate in the federal student loan programs or practice an administrative withdrawal for unpaid tuition, so the institution is developing a response that is consistent with its mission of student access and its commitment to tribal sovereignty and sustainability.

Federal grants, including Department of Education/ Title III, continue to make up a significant portion of the College’s revenues. Included in Federal grants are restricted grants that are awarded to support the Capital Campaign and other purposes. The College has seen an increase in Restricted Grants since 2011, primarily due to the change of the Title III funds from a competitive grant process to a formula funded process. This increase in stable funds has substantially supported the college’s efforts to develop baccalaureate degree offerings and other customized programs that meet the needs of the tribal communities and constituent members served by the College.

Figure 6: Total Restricted Grants by Year (*in hundreds*)



General Fund Budgetary Highlights

The College prepares an annual budget for the general fund. Grants and the capital campaign have budgets exclusive to themselves and are not currently drawn together in a comprehensive institutional budget, with the exception of grant contributions for salaries and indirect revenues.

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Due to the significance of restricted grants in the institutional operations, efforts are underway to incorporate, more fully, grant funding into the College's budget process. In Fiscal Year 2014, the College began developing a three year budget projection to enable better resource utilization planning in the present and medium term. These budget projections are linked directly to the 2010 – 2017 Strategic Plan and other institutional goals and objectives.

Figures 7 & 8 demonstrate the allocation of funds for FY 2014 and the impact of restricted grants on the proportions of allocation relative to major cost categories.

Figure 7: Total Operating Expenses for FY 14 (with Restricted Grants):

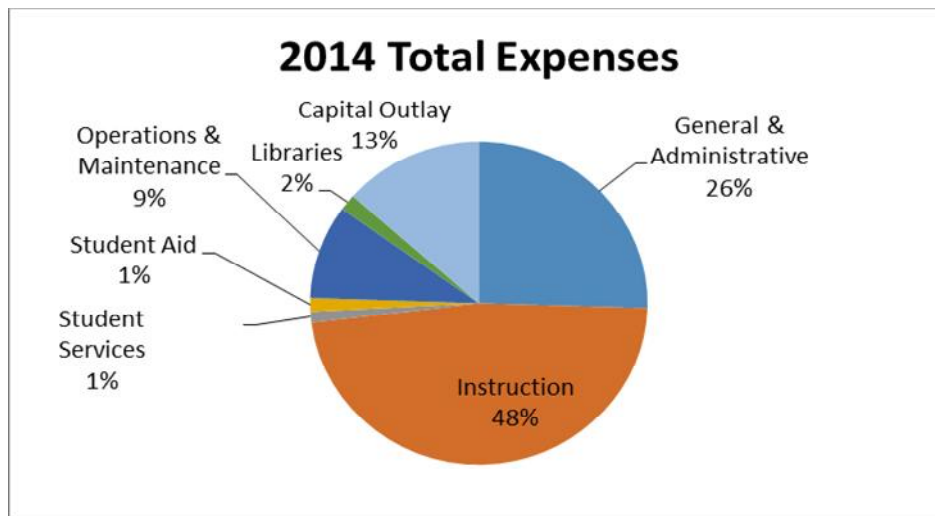
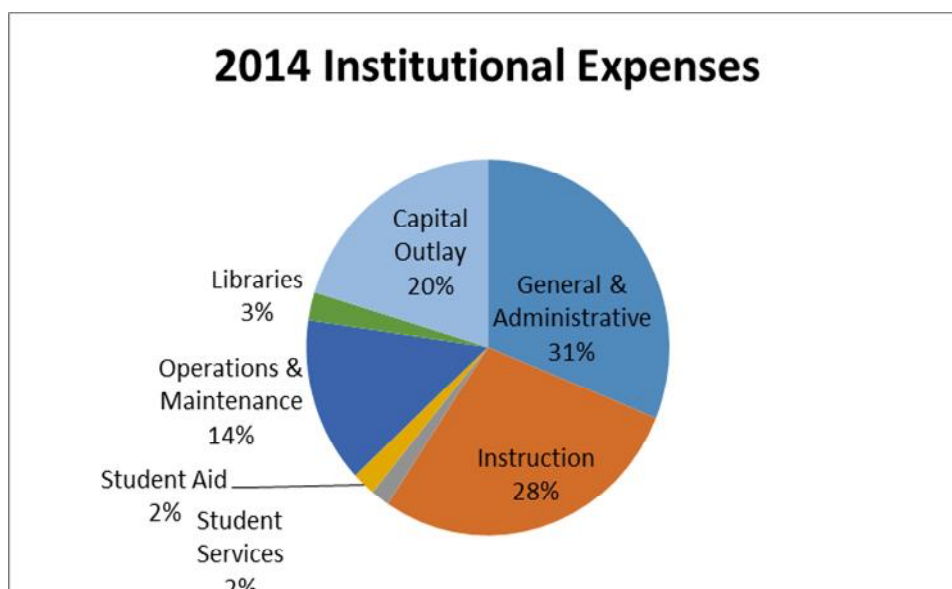


Figure 8: Institutional Operating Expenses for FY 14 (*without* Restricted Grants):



Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 9 shows the comparisons of general revenue and expenditure categories, relative to Governmental Funds, for fiscal years 2011 through 2014. The negative Net Change in Fund Balance for FY 2014 primarily results from a decrease in Federal and private grants compared to the previous year. Additionally, the capital outlay expense increased in FY 2014 due to the completion of two new buildings—the Library/Technology building and Coast Salish Institute. These buildings were funded with previous years' grants, donations, and contributions.

Figure 9
Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Funds

	2014	2013	2012	2011
Revenues				
Federal and private grants	\$ 14,851,136	\$ 16,821,598	\$ 14,811,779	\$ 12,159,347
Tuition and fees	2,610,432	2,231,936	2,196,638	2,081,882
Contributions	1,941,856	2,977,045	1,074,607	861,810
Other revenue	1,303,383	1,569,378	1,060,366	909,494
Total revenues	<u>20,706,807</u>	<u>23,599,957</u>	<u>19,143,390</u>	<u>16,012,533</u>
Expenses				
Educational	13,286,324	13,927,300	13,102,467	12,725,815
General and administrative	3,878,264	4,113,727	4,569,590	2,484,798
Capital outlay	4,156,687	3,897,097	1,989,343	874,130
Debt service	42,303	40,661	42,704	42,704
Total expenses	<u>21,363,578</u>	<u>21,978,785</u>	<u>19,704,104</u>	<u>16,127,447</u>
Change in Net Position	(656,771)	1,621,172	(560,714)	(114,914)
Interest Income	12,540	12,034	54,706	53,312
USDA Loan Proceeds	<u>-</u>	<u>-</u>	<u>100,113</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (644,231)</u>	<u>\$ 1,633,206</u>	<u>\$ (405,895)</u>	<u>\$ (61,602)</u>

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 10 is prepared from the College's audited statement of net position which is presented on an accrual basis of accounting whereby assets costing \$5,000 or more are capitalized and depreciated. Current assets are made up primarily of cash and federal grants receivable. Noncurrent assets comprise building, building improvements, and reflect current expenses of capitalized construction in progress.

Figure 10: Statement of Net Position

	Figure 10 Net Position		
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets			
Current	2,933,548	\$ 3,628,531	\$ 2,208,279
Noncurrent	\$ 22,054,201	18,779,809	15,573,353
Total assets	<u>24,987,749</u>	<u>22,408,340</u>	<u>17,781,632</u>
Liabilities			
Current	1,446,473	1,496,645	1,709,279
Noncurrent	699,497	710,699	719,537
Total liabilities	<u>2,145,970</u>	<u>2,207,344</u>	<u>2,428,816</u>
Net Position			
Net investment in capital assets	20,288,651	16,703,637	13,288,663
Restricted	-	-	31,439
Unrestricted	<u>2,553,128</u>	<u>3,497,359</u>	<u>2,032,714</u>
Total net position	<u>\$ 22,841,779</u>	<u>\$ 20,200,996</u>	<u>\$ 15,352,816</u>

Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

The Changes in Capital Assets shown in Figure 11 reflect the completion of the Library and Technology building in January, 2014 and the Coast Salish Institute in June, 2014.

Figure 11: Changes in Capital Assets

Figure 11
Changes in Capital Assets

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,768,948	\$ -	\$ (3,762,105)	\$ 6,843
Total capital assets not being depreciated	<u>3,768,948</u>	<u>-</u>	<u>(3,762,105)</u>	<u>6,843</u>
Capital assets being depreciated:				
Land improvements	2,033,222	-	-	2,033,222
Buildings and improvements	13,772,752	7,853,069	-	21,625,821
Equipment and vehicles	1,661,703	65,723	-	1,727,426
Total capital assets being depreciated	<u>17,467,677</u>	<u>7,918,792</u>	<u>-</u>	<u>25,386,469</u>
Less accumulated depreciation:				
Land improvements	(157,293)	(53,276)	-	(210,569)
Buildings and improvements	(2,228,154)	(428,866)	-	(2,657,020)
Equipment and vehicles	(1,421,369)	(100,153)	-	(1,521,522)
Total accumulated depreciation	<u>(3,806,816)</u>	<u>(582,295)</u>	<u>-</u>	<u>(4,389,111)</u>
Net capital assets being depreciated	<u>13,660,861</u>	<u>7,336,497</u>	<u>-</u>	<u>20,997,358</u>
Net capital assets	<u>\$ 17,429,809</u>	<u>\$ 7,336,497</u>	<u>\$ (3,762,105)</u>	<u>\$ 21,004,201</u>

College-wide Financial Statements

Northwest Indian College

Statement of Net Position

June 30, 2014

	Primary Government College-wide 2014	Foundation 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 721,486	\$ 253,199
Investments	579,451	7,524,512
Contributions receivable	300,000	-
Receivables:		
Grants	398,128	-
Other	2,166,803	-
Allowance for doubtful accounts	(1,242,667)	-
Inventory	10,347	-
Total current assets	<u>2,933,548</u>	<u>7,777,711</u>
Noncurrent assets:		
Capital assets:		
Land improvements	2,033,222	202,975
Buildings and improvements	21,625,821	-
Machinery and equipment	1,727,426	10,000
Accumulated depreciation	(4,389,111)	(10,000)
Construction in progress	6,843	-
Total capital assets	<u>21,004,201</u>	<u>202,975</u>
Contributions receivable	1,050,000	-
Total noncurrent assets	<u>22,054,201</u>	<u>202,975</u>
Total assets	<u>24,987,749</u>	<u>7,980,686</u>
Liabilities		
Current liabilities:		
Accounts payable	10,668	299,591
Accrued expenses	545,417	-
Unearned revenue	874,335	-
Current portion of long-term obligations	16,053	-
Total current liabilities	<u>1,446,473</u>	<u>299,591</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	699,497	-
Total liabilities	<u>2,145,970</u>	<u>299,591</u>
Net Position		
Net investment in capital assets	20,288,651	202,975
Permanently restricted	-	1,579,775
Temporarily restricted	-	6,928,337
Unrestricted	2,553,128	(1,029,992)
Total net position	<u>\$ 22,841,779</u>	<u>\$ 7,681,095</u>

See accompanying independent auditors' report and notes to basic financial statements.

Northwest Indian College

Statement of Activities

June 30, 2014

Functions/Programs	Expenses	Program Revenues				Net (Expenses) Revenues and Changes in Net Position	
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	College 2014	Foundation 2014
		Tuition and Fees	Sales, Services, and Other Revenues				
PRIMARY GOVERNMENT:							
Governmental activities:							
General and administrative	\$ 4,492,240	\$ -	\$ 298,308	\$ 5,411,584	\$ -	\$ 1,217,652	\$ -
Education:							
Instruction	7,230,738	2,610,432	-	3,467,499	-	(1,152,807)	-
Student services	508,399	-	976,221	622,521	-	1,090,343	-
Student aid	3,601,935	-	-	4,010,952	-	409,017	-
Operations and maintenance	1,693,850	-	-	2,702,516	-	1,008,666	-
Libraries	251,402	-	-	6,774	-	(244,628)	-
Total governmental activities	<u>\$ 17,778,564</u>	<u>\$ 2,610,432</u>	<u>\$ 1,274,529</u>	<u>\$ 16,221,846</u>	<u>\$ -</u>	<u>2,328,243</u>	<u>-</u>
COMPONENT UNIT:							
Foundation	\$ 173,492	\$ -	\$ -	\$ 82,406			(91,086)
	<u>\$ 173,492</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 82,406</u>			<u>(91,086)</u>
General revenues:							
Transfers						300,000	(300,000)
Investment income						12,540	968,295
						<u>312,540</u>	<u>668,295</u>
<i>CHANGE IN NET POSITION</i>						2,640,783	577,209
<i>NET POSITON, BEGINNING</i>						<u>20,200,996</u>	<u>7,103,886</u>
<i>NET POSITION, ENDING</i>						<u>\$ 22,841,779</u>	<u>\$ 7,681,095</u>

See accompanying independent auditor's report and notes to basic financial statements.

Fund Financial Statements

Northwest Indian College

Balance Sheets – Governmental Funds

June 30, 2014

	General Fund	Grants and Contracts Fund	Total Governmental Funds
<i>Assets</i>			
Cash and cash equivalents	\$ 721,486	\$ -	\$ 721,486
Investments	579,451	-	579,451
Receivables:			-
Grants	-	398,128	398,128
Contributions receivable	300,000	-	300,000
Other	2,166,803	-	2,166,803
Allowance for doubtful accounts	(1,242,667)	-	(1,242,667)
Due from other funds	-	476,207	476,207
Inventory	10,347	-	10,347
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,535,420</u>	<u>\$ 874,335</u>	<u>\$ 3,409,755</u>
<i>Liabilities and Fund Balances</i>			
<i>LIABILITIES:</i>			
Accounts payable	\$ 10,668	\$ -	\$ 10,668
Accrued expenses	545,417	-	545,417
Unearned revenue	-	874,335	874,335
Due to other funds	476,207	-	476,207
Total liabilities	<u>1,032,292</u>	<u>874,335</u>	<u>1,906,627</u>
<i>FUND BALANCES:</i>			
Nonspendable	10,347	-	10,347
Unassigned	1,492,781	-	1,492,781
Total fund balance	<u>1,503,128</u>	<u>-</u>	<u>1,503,128</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,535,420</u>	<u>\$ 874,335</u>	<u>\$ 3,409,755</u>

See accompanying independent auditor's report and notes to basic financial statements.

Northwest Indian College

Reconciliation of Balance Sheet of Governmental Funds to the Statement of Net Position

June 30, 2014

Fund balances - governmental funds	\$ 1,503,128
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,004,201
Amounts reported for governmental activities in the statement of net position are different because noncurrent receivables (contribution) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,050,000
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(715,550)</u>
Net position of governmental activities	<u>\$ 22,841,779</u>

See accompanying independent auditor's report and notes to basic financial statements.

Northwest Indian College

Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

June 30, 2014

	General Fund	Grants and Contracts Fund	Total Governmental Funds
<i>Revenues</i>			
Federal grants	\$ 4,067,040	\$ 8,078,470	\$ 12,145,510
State grants	-	785,255	785,255
Other grants	-	1,920,371	1,920,371
Contributions - NWIC Foundation	300,000	-	300,000
Contributions - Other	1,641,856	-	1,641,856
Tuition and fees	2,610,432	-	2,610,432
Indirect cost recovery	298,308	-	298,308
Interest	12,540	-	12,540
Other income	913,057	92,018	1,005,075
Total revenues	<u>9,843,233</u>	<u>10,876,114</u>	<u>20,719,347</u>
<i>EXPENDITURES:</i>			
Current:			
General and administrative	3,143,919	734,345	3,878,264
Education:			
Instruction	2,832,686	4,398,052	7,230,738
Student services	167,400	340,999	508,399
Student aid	208,955	3,392,980	3,601,935
Operations and maintenance	1,436,918	256,932	1,693,850
Libraries	244,628	6,774	251,402
Debt services:			
Principal	10,622	-	10,622
Interest	31,681	-	31,681
Capital outlay	2,410,655	1,746,032	4,156,687
Total expenses	<u>10,487,464</u>	<u>10,876,114</u>	<u>21,363,578</u>
<i>NET CHANGE IN FUND BALANCES</i>	(644,231)	-	(644,231)
<i>FUND BALANCES, BEGINNING OF YEAR</i>	<u>2,147,359</u>	<u>-</u>	<u>2,147,359</u>
<i>FUND BALANCES, END OF YEAR</i>	<u>\$ 1,503,128</u>	<u>\$ -</u>	<u>\$ 1,503,128</u>

See accompanying independent auditor's report and notes to basic financial statements.

Northwest Indian College

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

June 30, 2014

Net Change in fund balances - governmental funds \$ (644,231)

Amounts reported for government activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their useful lives as depreciation expense. In the current period, the cost of these assets and the current period depreciation expense are:

Capital outlay	\$ 4,156,687	
Depreciation expense	<u>(582,295)</u>	3,574,392

Current year decrease to long-term receivables (Contributions) (300,000)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of long-term debt retirement.

10,622

Change in net position of governmental activities

\$ 2,640,783

See accompanying independent auditors' report and notes to basic financial statements.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Northwest Indian College (the College) is chartered by Lummi Indian Business Council (LIBC) as a nonprofit post-secondary education institute designed to provide educational services at various Tribal locations. The College is governed by a Board of Trustees. Members of the Board go through an interview and appointment process by LIBC and then are elected by other members of the Board. The College is a component unit of LIBC and is located in Bellingham, Washington.

The financial statements of the College conform with generally accepted accounting principles (GAAP) applicable to government units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. GASB pronouncements constitute GAAP for government entities and colleges. The accompanying financial statements have been prepared in accordance with GASB Statement 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities*. GASB Statement 35 amended GASB Statement 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to make it applicable to institutions that are component units of a primary government.

A. Reporting Entity

Legal Entity

All the entities (funds, agencies, departments, and offices) that are not legally separate are part of the College’s primary government for financial reporting purposes.

Component Units

Component units are legally separate organizations for which the College is financially accountable and/or for which the nature and significance of their relationship with the College is such that exclusion would cause the financial statements to be misleading or incomplete.

The College is considered to be financially accountable for an organization when either:

1. The College appoints a voting majority of the organization’s governing body and can impose its will on that organization; or
2. There is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the College.

Blended Component Units

Despite being legally separate, component units that are so intertwined with the primary government that they are, in substance, the same as the primary government are reported as part of the primary government. The criteria used for this determination are:

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

A. Reporting Entity (continued)

Component Units (continued)

Blended Component Units (continued)

1. The component unit's governing body is substantively the same as the governing body of the primary government; or
2. The component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government by providing services that the primary government would have provided if they were not provided by the component unit.

The College does not have any component units meeting either of these criteria.

Discrete Component Units

Component units not meeting the criteria for blending with the primary government are discretely presented in the financial statements. Discrete presentation entails reporting component unit financial data in a column separate from the financial data of the College's primary government.

Northwest Indian College Foundation (Foundation) is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the College in support of its programs. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources, or income thereon, can only be used by, or for the benefit of the College. The Foundation is a component unit of the College based on the criteria of Governmental Accounting Standards (GASB) Statement 61. This report presents the Foundation's financial condition and activities as a discretely presented separate component unit in the College's financial statements.

The Foundation reports, in separate financial statements, its financial results in accordance with Financial Accounting Standards Board (FASB) pronouncements and guidance. As such, revenue recognition criteria and presentation features are different from GASB. No modifications have been made to the Foundation's financial information in the College's financial statements for these differences. The Foundation presents information about its financial position and activities according to the following three classes of net assets, depending on the existence and nature of donor restrictions.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Reporting Entity (continued)

Component Units (continued)

Discrete Component Units (continued)

Under FASB, the Foundations net assets are described as follows:

- Unrestricted net assets – Support received that is not subject to donor-imposed restrictions and over which the Board of Directors has discretionary control.
- Temporarily restricted net assets – Support received subject to donor-imposed restrictions or time restrictions.
- Permanently restricted net assets – Support received subject to donor-imposed restrictions stipulating that funds be invested in perpetuity.

For presentation purposes, in the College's financial statements, temporarily restricted net assets have been shown as expendable net position and permanently restricted net assets have been shown as nonexpendable net position.

The Foundation's financial statements can be acquired at the following address:

Northwest Indian College Foundation
2522 Kwina Road
Bellingham , WA 98226

C. Basis of Presentation

Basic Financial Statements

The basic financial statements of the College include the government-wide and the fund financial statements.

Government-wide Financial Statements

The College-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Basis of Presentation (continued)

Government-wide Financial Statements (continued)

Nonexchange transactions, in which the College gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which eligibility requirements have been satisfied.

These statements include the financial activities of the overall College. Eliminations have been made to minimize the double counting of internal activities.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the College's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been eliminated for the statement of activities. Program revenues include program fees for services and grants and contributions restricted to a particular program. Revenues that are not classified as program revenues are presented as general revenues. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Financial Statements

In order to ensure observance of limitations and restrictions placed on the use of the resources available to the College, the accounts of the College are maintained in accordance with the principles of "fund accounting." This is the procedure by which resources for various purposes are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund; however, in the accompanying financial statements, funds that have similar characteristics have been combined into fund groups. Accordingly, all financial transactions have been recorded and reported by fund group. Current general funds are used to account for all resources over which the Board of Trustees has discretionary control, except those unrestricted funds previously invested by the Board in facilities and equipment. Current restricted funds are used to account for amounts restricted by outside sources. Externally restricted funds may only be utilized in accordance with the purposes established by the source of such funds.

The fund financial statements provide information about the College's funds. The emphasis of fund financial statements is on major governmental funds, each is displayed in a separate column.

The College reports the following major governmental funds:

General Fund - The general fund is the College's primary operating fund. It accounts for all governmental financial resources, except those required to be accounted for in another fund.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

Grants and Contracts Fund - The grants and contracts fund accounts for all amounts received under federal, state, and other grants and contracts.

Endowment Fund - The College maintains an endowment fund with certain grant proceeds designated for endowment by the Bureau of Indian Affairs (BIA). Endowment funds are used to account for principal amounts restricted in perpetuity or for specific periods of time. Income earned on the endowment funds are reinvested as part of the endowment.

C. Basis of Accounting

The College-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when liabilities are incurred, regardless of when the related cash flow takes place.

Governmental funds are reported using the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenue is recognized when measurable and available. A one-year availability period is used for revenue recognition for governmental fund revenues. Expenditures are recorded when the related fund liability is incurred. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Budgets - The College is not legally required to, and consequently does not, adopt an annual budget for its general fund. The College does utilize program budgets for special revenue funds. These budgets are established within the grant or contract documents, and are approved by the Board of Trustees and the applicable grantor. Several grant and contract terms are not congruent to the College's financial reporting period, causing a budget-to-actual comparison to be misleading. Therefore, the College does not present budgetary comparison information as required supplementary information. This would be required under U.S. generally accepted accounting principles had the adoption of an annual budget been mandated by law.

D. Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of three months or less, including demand deposits, overnight investment sweeps and money market mutual funds. By policy, the College does not allow its temporary cash deposits to exceed federally insured limits. However, granting agencies often transfer funds electronically into the College's bank accounts without prior notice. As a result, cash balances may occasionally exceed insured limits, until such time as management is able to reallocate the funds.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

E. Inventories

Inventories consist of bookstore merchandise held for resale. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) average cost method. The cost of inventory is recorded as cost of sales or expenditures at the time individual inventory items are sold or used.

F. Capital Assets

Capital assets are recorded at historical cost. Contributed assets, including those from the federal government, are recorded at estimated fair value on the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are as follows:

Governmental Funds Asset Category	Capitalization Threshold	Years
Land improvements	\$ 5,000	30
Buildings and building improvements	5,000	30-40
Modular buildings	5,000	15
Furniture and fixtures	5,000	5
Equipment	5,000	5
Computers	5,000	3
Vehicles	5,000	5

Depreciation is provided using the straight-line method over estimated useful lives.

The College determines, or estimates, historical infrastructure costs by reference to historical records, by appraisal, or by determining:

- estimated costs appropriate for the construction or acquisition date if actual historical costs were not available, or
- current cost adjusted for the price change from the date of construction or acquisition to the current date.

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

G. Interfund Receivables/Payables

The College maintains a single checking account into which all funds are deposited and from which all expenditures are paid. The due from other funds in the general fund represents the cumulative excess of disbursements over receipts in the general checking account for the grants and contracts fund.

H. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

I. Compensated Absences

The College accrues unpaid vacation for noncertified staff in the general fund. Accrued sick leave is not recorded since the College has no legal obligation to pay such benefits upon termination. Accrued expenses include \$19,469 of accrued vacation at June 30, 2014.

J. Donated Materials

Donated materials and services are recorded at market value when received.

K. Prepaid Expenses

Payments made to vendors for services that will benefit periods beyond June 30, 2014, are recorded as prepaid expenses.

L. Deferred Revenue

The College defers the recognition of revenue to the extent that cash received exceeds program expenditures.

M. Federal Income Tax

As a Tribally chartered institution, the College has no federal income tax liability.

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

N. Accounts Receivable

Accounts receivable include student tuition and fees receivable recorded on an accrual basis. An allowance for doubtful accounts is made in the general fund for tuition and fees deemed uncollectible. An allowance is recorded in the grants and contracts fund for grants receivable older than one year.

O. Fund Balance

The College uses GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance—amounts that are in nonspendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance—amounts constrained to specific purposes by the College itself, using its highest level of decision-making authority (i.e., Board of Trustees). To be reported as committed, amounts cannot be used for any other purpose unless the College takes the same highest level action to remove or change the constraint.
- Assigned fund balance—amounts the College intends to use for a specific purpose. Intent can be expressed by the Board of Trustees or by an official or body to which the Board of Directors delegates the authority.
- Unassigned fund balance—amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The College would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

New Accounting Standards Implemented During the Year Ended June 30, 2014

The following pronouncements of the Governmental Accounting Standards Board became effective and were implemented during the year ended June 30, 2014:

- In March 2012, the GASB issued Statement 65, *Items Previously Reported as Assets and Liabilities* (GASBS 65). GASBS 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASBS 65 did not result in any significant changes in the College's accounting and reporting practices.
- In March 2012, the GASB issued Statement 66, *Technical Corrections – 2012 – An amendment of GASB Statements No. 10 and No. 62* (GASBS 66). GASBS 66 improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The implementation of GASBS 65 did not result in any significant changes in the College's accounting and reporting practices.
- In April 2013, the GASB issued Statement 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (GASBS 70). GASBS 70 improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The implementation of GASBS 65 did not result in any significant changes in the College's accounting and reporting practices.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS:

At June 30, 2014, cash and cash equivalents consisted of the following:

Governmental activities:		
Cash in demand deposits	\$	720,353
Cash on hand		<u>1,133</u>
Total cash and cash equivalents	\$	<u>721,486</u>

For the governmental activities, at June 30, 2014, the carrying amount of deposits was \$720,353 and the bank balance was \$1,427,195. Of the bank balance, \$250,000 was insured by Federal Deposit Insurance Corporation (FDIC), \$500,000 was insured by Securities Investor Protection Corporation (SIPC) insurance, and the remaining \$677,195 was fully collateralized.

Component Unit:

All cash is deposited in various Foundation checking and investment accounts. At June 30, 2014, the carrying amount of deposits was \$253,199. Of the bank balance, \$47,749 was insured by the Federal Deposit Insurance Corporation (FDIC), \$205,450 was insured by the Securities Investor Protection Corporation (SIPC).

The College does not believe it is exposed to significant credit risk in connection with cash or cash equivalents.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS (continued):

Investments

Certificates of deposit (CDs), held for investment that are not debt securities are included in “investments – other”. CDs with original maturities greater than three months and remaining maturities less than one year are classified as “short-term investments – other”. CDs with remaining maturities greater than one year (including those management intends to renew) are classified as “long-term investments – other”.

At year end, the College had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less than 1	1 - 5	6 - 10	Greater than 10
U.S. Agency Securities	\$ 215,157	\$ 215,157	\$ -	\$ -	\$ -
Corporate Bonds	334,030	277,814	56,216	-	-
Certificate of Deposit	30,264	30,264	-	-	-
Total	\$ 579,451	\$ 523,235	\$ 56,216	\$ -	\$ -

Interest Rate Risk—As a means of limiting its exposure to interest rate risk, the College diversifies its investments by security type. The College coordinates its investment maturities to closely match cash flow needs.

Credit Risk—College policy limits investments to those only in the safest securities which include those backed by the U.S. government or its agencies; those which have insurance on principal backed by the FDIC or Federal Savings and Loan Insurance Corporation (FSLIC); or those which have legally required collateral backing on the invested principal.

Unless there is information to the contrary, obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Credit quality distribution for investments, with credit exposure as a percentage of total investments (total investments include U.S. government obligations, direct investments, and equity securities, which are not represented in this table) are as follows at year end for College activities.

Rating	Investment Type	Percentage
AA+	U.S. Agency Securities	39.2%
AA+	Corporate Bonds	5.6%
A-	Corporate Bonds	33.4%
BBB	Corporate Bonds	17.2%
BBB-	Corporate Bonds	4.6%

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS (continued):

The carrying amount of these investments is fair value. These investments are held by a financial institution in the name of the College.

Component Unit:

The Foundation's investments are held by an agent in the Foundation's name and are insured by the SIPC up to \$500,000 and any balance in excess is collateralized by pledged securities.

	Market Value
Mutual funds	\$ 1,607,364
Stocks	5,904,477
Other	12,671
	<hr/>
Total investments	\$ 7,524,512
	<hr/>

During 1992, the Foundation received a \$400,000 grant under the U.S. Department of Education Endowment Challenge Grant Program, which was matched by a \$200,000 contribution from Western Washington University (WWU) and included in the investment with the Western Foundation, which had a balance of \$1,089,135 as of June 30, 2013. Under the terms of a 20-year agreement between the Foundation and WWU, both amounts comprise the corpus of an endowment fund managed by the Western Foundation and held in equity and bond funds. Up to half the earnings from the fund may be expended for scholarships to needy students who are recommended by the Foundation. At the end of the 20-year period in 2012, both the Foundation and WWU may reclaim their pro rata share of the fund. However the agreement will continue at the agreement of both parties.

NOTE 3 — ENDOWMENT FUND:

The Foundation's endowment fund consists of permanently and temporarily restricted net position. Permanently restricted net positions include matching funds received from donors and the Bureau of Indian Affairs (BIA) Endowment Program.

The remainder of the endowment fund is made up of temporarily restricted net position, which primarily represents matching funds received from donors and the U.S. Department of Education Endowment Challenge Grant Program. During the 20-year grant period, the Foundation may expend up to half of the fund's earnings at the end of the grant period which ended in the year 2012. The U.S. Department of education funds may be used for any educational purpose the Foundation deems suitable, however the Foundation chose to leave the funds in the endowment.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 3 — ENDOWMENT FUND (continued):

Following is a summary of activity in the endowment fund during fiscal year 2014:

	Department of Education Challenge Grant	Bureau of Indian Affairs	Other	Total
Balance June 30, 2013	\$ 5,333,979	\$ 800,586	\$ 1,250,052	\$ 7,384,617
Investment earnings, free of net losses	667,617	96,164	149,527	913,308
Earnings transferred from endowment fund, net	64,258	-	(22,500)	41,758
Balance, June 30, 2014	<u>\$ 6,001,596</u>	<u>\$ 896,750</u>	<u>\$ 1,399,579</u>	<u>\$ 8,339,683</u>

NOTE 4 — CONTRIBUTIONS RECEIVABLE:

The College has received promises to give from three organizations. Two promises to give are made over a period of five years and one was made over a period of three years. A summary of contributions receivable at June 30, 2014, is as follows:

	29 Palms Band of Mission Indians	Trillium Corporation	Totals
2015	100,000	200,000	300,000
2016	100,000	200,000	300,000
2017	100,000	200,000	300,000
2018	100,000	200,000	300,000
2019 and thereafter	-	150,000	150,000
Total contributions receivable	<u>400,000</u>	<u>950,000</u>	<u>1,350,000</u>

The College believes all of the contributions will be collected, and therefore, has not established an allowance for uncollectible contributions.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 5 — ACCRUED AND DEFERRED REVENUE:

Amounts recorded as deferred revenue represent funds received from awards in excess of expenditures incurred. Amounts recorded as accrued revenue represent those awards with allowable expenditures in excess of amounts received. The net accrued revenue and deferred revenue at June 30, 2014, are summarized below:

Agency	Accrued Revenue	Deferred Revenue
Department of Education	\$ 50,450	\$ 106,441
U.S. Department of Health and Human Services	39,684	910
U.S. Department of Agriculture	53,180	30,033
U.S. Department of Housing and Urban Development	13,269	-
Institute of Museum and Library Services	10,151	132
National Aeronautic and Space Administration	10,892	1,125
National Science Foundation	49,216	157
Corporation for National and Community Services	66	-
Department of Commerce	721	-
State and other assistance	170,499	735,537
	<hr/>	<hr/>
Total all sources	<u>\$ 398,128</u>	<u>\$ 874,335</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 6 — CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2014, is summarized as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 3,768,948	\$ -	\$ (3,762,105)	\$ 6,843
Total capital assets not being depreciated	<u>3,768,948</u>	<u>-</u>	<u>(3,762,105)</u>	<u>6,843</u>
Capital assets being depreciated:				
Land improvements	2,033,222	-	-	2,033,222
Buildings and improvements	13,772,752	7,853,069	-	21,625,821
Equipment and vehicles	1,661,703	65,723	-	1,727,426
Total capital assets being depreciated	<u>17,467,677</u>	<u>7,918,792</u>	<u>-</u>	<u>25,386,469</u>
Less accumulated depreciation:				
Land improvements	(157,293)	(53,276)	-	(210,569)
Buildings and improvements	(2,228,154)	(428,866)	-	(2,657,020)
Equipment and vehicles	(1,421,369)	(100,153)	-	(1,521,522)
Total accumulated depreciation	<u>(3,806,816)</u>	<u>(582,295)</u>	<u>-</u>	<u>(4,389,111)</u>
Net capital assets being depreciated	<u>13,660,861</u>	<u>7,336,497</u>	<u>-</u>	<u>20,997,358</u>
Net capital assets	<u>\$ 17,429,809</u>	<u>\$ 7,336,497</u>	<u>\$ (3,762,105)</u>	<u>\$ 21,004,201</u>

Significant portions of the College's assets were acquired with governmental funds. Under the terms of most grants, the granting agency has a reversionary interest in assets purchased with grant funds, and could, at its discretion, require their return upon termination of the grant programs.

Depreciation expense of \$582,295 was charged to the general fund under the general and administrative function.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 6 — CAPITAL ASSETS (continued):

Component Unit:

Capital assets activity for the year ended June 30, 2014, is summarized as follows:

	Balance June 30, 2013	Additions	Disposals	Balance June 30, 2014
Capital assets not being depreciated:				
Land	\$ 202,975	\$ -	\$ -	\$ 202,975
Total capital assets not being depreciated	<u>202,975</u>	<u>-</u>	<u>-</u>	<u>202,975</u>
Capital assets being depreciated:				
Equipment	10,000	-	-	10,000
Total capital assets being depreciated	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>10,000</u>
Less accumulated depreciation:				
Equipment	(10,000)	-	-	(10,000)
Total accumulated depreciation	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>(10,000)</u>
Net capital assets being depreciated	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net capital assets	<u>\$ 202,975</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 202,975</u>

NOTE 7 — LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2014, were as follows:

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014	Amounts Due Within One Year
USDA loan	<u>\$ 726,172</u>	<u>\$ -</u>	<u>\$ (10,622)</u>	<u>\$ 715,550</u>	<u>\$ 16,053</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 7 — LONG-TERM LIABILITIES (continued):

Long-term liabilities at June 30, 2014, are summarized as follows:

During fiscal year 2007, the College obtained a loan from the United States Department of Agriculture Rural Development in an amount not to exceed \$800,000. The interest rate is 4.375% per annum. The proceeds from the loan and the contributions from various sources will be used in the construction of student housing. The first payment including principal and interest started on November 6, 2007, and will be rapayable over a period not to exceed 40 years. The payments shall be paid in installments of \$42,704 per year which includes principal and interest.

	\$	715,550
Less current maturities		<u>(16,053)</u>
Total long-term debt, net of current maturities	\$	<u><u>699,497</u></u>

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended				
June 30,	Principal	Interest	Total	
2015	\$ 16,053	\$ 26,651	\$ 42,704	
2016	16,655	26,049	42,704	
2017	17,279	25,425	42,704	
2018	17,927	24,777	42,704	
2019	18,600	24,104	42,704	
2020-2024	103,998	109,522	213,520	
2025-2029	125,016	88,504	213,520	
2030-2034	150,282	63,238	213,520	
2035-2039	180,654	32,866	213,520	
2040-2041	69,086	3,307	72,393	
	<u>\$ 715,550</u>	<u>\$ 424,443</u>	<u>\$ 1,139,993</u>	

Northwest Indian College

Notes to Basic Financial Statements

NOTE 8 — RETIREMENT PLAN:

The College has an employer defined contribution plan, administered by the College. The College currently makes a monthly contribution to each classified and administrative employee and faculty member's Supplemental Retirement Annuity Account. The accounts are invested with Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF). Employees can also make additional contributions through salary deferrals.

During the year ended June 30, 2014, employer and employee contributions were \$252,187 and \$47,100, respectively, to the Plan.

NOTE 9 — RISK MANAGEMENT:

The College is insured against losses related to general property and auto liabilities, workers' compensation, and employee medical claim.

The College faces a considerable number of risks of loss, including:

- a) damage to and destruction and loss of property contents;
- b) environmental damage;
- c) workers' compensation (i.e., employee injuries)
- d) tort actions; and
- e) errors and omissions

A variety of methods are used to provide insurance for these risks. Commercial insurance policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, tort actions, and errors and omissions. Settled claims for these risks have not exceeded commercial insurance coverage for the past three years.

NOTE 10 — ECONOMIC DEPENDENCY:

The College receives substantially all of their support for the grants and contracts fund from federal agencies and state and local governments. A significant reduction in the level of this support, if this were to occur, may have a significant effect on the College's grant and contract programs and activities and capital projects.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 11 — CONCENTRATION OF CREDIT RISK:

Component Unit:

Financial instruments that subject the Foundation to concentrations of credit risk consist of cash and marketable securities. The Foundation places its temporary cash investments with major financial institutions. At times, deposits may exceed federally insured limits. Investments in marketable securities consist of fixed income and equity investments (see Note 2).

NOTE 12 — PUBLIC SUPPORT:

Component Unit:

The following detail of public support lists supporters who made contributions, special events revenue, and grants of \$1,000 or more in 2014.

Boeing	\$	15,352
William Freeman/Robbins Scholarship		11,100
Seattle Foundation/General Scholarship		3,750
Sam and Mary Cagey Honorary Scholarship		3,000
Nortwestern Indian College, Employees		2,458
State of Washington Combined Fund Drive		2,069
Bruce and Cynthia Shepard		1,250
Other - under \$1,000 individually		6,629
Total	\$	<u>45,608</u>

NOTE 13 — UNRESTRICTED NET POSITION:

The Foundation's unrestricted net position has a deficit of \$1,029,992 at June 30, 2014. The deficit balance in unrestricted net position is the result of expenditures exceeding revenues. Northwest Indian College Foundation has entered into a commitment agreement with the College to provide necessary financial support to assure the Foundation remains operational.

SINGLE AUDIT

AUDITORS' SECTION

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Board of Trustees
Northwest Indian College
Bellingham, Washington

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Indian College (the College) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated April 7, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Insola & Butler, CPAs, PLLC

Gilbert, Arizona

April 7, 2015

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Board of Trustees
Northwest Indian College
Bellingham, Washington

Report on Compliance for Each Major Federal Program

We have audited the Northwest Indian College (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each of the Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The College's response to the noncompliance finding identified in our audit is described in the its corrective action plan. The College's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Ginsola + Butler, CPAs, PLLC

Gilbert, Arizona
April 7, 2015

Section I — Summary of Auditors' Results

FINANCIAL STATEMENTS:

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

Yes

None reported

Significant deficiency(ies) identified?

Yes

None reported

Noncompliance material to financial statements noted?

Yes

No

FEDERAL AWARDS:

Internal control over major programs:

Material weakness(es) identified?

Yes

None reported

Significant deficiency(ies) identified?

Yes

None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section .510(a) of Circular A-133?

Yes

No

Northwest Indian College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.031T	Title - III
47.082	ARRA NSF Facilities Renovation
14.519	HUD/TCUP
10.500	Cooperative Extension Service
84.063, 84.033, 84.007	Student Financial Assistance Cluster
15.027	Tribally Controlled Colleges

Dollar threshold used to distinguish
between type A and type B programs: \$362,006

Auditee qualified as low-risk auditee? yes no

Northwest Indian College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

Section II — Financial Statement Findings

No financial statement findings for fiscal year 2014

Northwest Indian College

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2014

Section III — Federal Award Findings and Questioned Costs

No federal award findings for fiscal year 2014

AUDITEE'S SECTION

Northwest Indian College

Schedule of Expenditures of Federal

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Award Number	Expenditures
DEPARTMENT OF THE INTERIOR:			
Bureau of Indian Affairs:			
Assistance to Tribally Controlled Community Colleges and Universities	15.027	N/A	4,067,040
Passed Through Lummi Indian Business Council: Tribal Self-Governance	15.022	150.8020	<u>(1,000)</u>
Total Department of the Interior			<u><u>4,066,040</u></u>
DEPARTMENT OF EDUCATION			
Higher Education_Institutional Aid	84.031T	P031T100319 P031T080050 P031T100419	3,007,867
Career and Technical Education - Grants to Native Americans and Alaska Natives	84.101	V101A130032	119,370
Student Financial Assistance Cluster Federal Pell Grant Program	84.063	P063P073893 P063P103893 P063P113893	2,227,455
Federal Work-Study Program	84.033	P033A137627	52,971
Federal Supplemental Educational Opportunity Grants	84.007	P007A137627	<u>58,345</u>
Total Student Financial Assistance Cluster			2,338,771
Adult Basic Education	84.022	262-ABE-14	51,883
Adult Education - Basic Grants to States	84.002	262-ALB-14	<u>2,171</u>
Total Department of Education			<u><u>5,520,062</u></u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Trans-NIH Research Support	93.310		10,507
Demonstration Projects for Indian Health	93.933	U26IHS300291/01	86,429
Drug Abuse and Addiction Research Programs	93.279	1R01DA029000-01	164,900
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SM061482-01	158,386
HIV Prevention Programs for Women	93.015	HPPWH100073-01-00	37,801
Passed Through Univeristy of Washington: CMOP	93.---	N/A	14,646
Passed Through State Board of Community and Technical Colleges: Work First	93.558	262-WFDA-13 262-WFDA-14	<u>8,322</u>
Total Department of Health and Human Services			<u><u>480,991</u></u>

Northwest Indian College

Schedule of Expenditures of Federal (continued)

Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Award Number	Expenditures
DEPARTMENT OF COMMERCE			
Unallied Management Projects	11.454	NA09NMF4540240	27,414
Total Department of Commerce			<u>27,414</u>
DEPARTMENT OF AGRICULTURE			
Tribal Colleges Education Equity Grants	10.221	2006-38421-66922 2010-38423-06922	82,558
Tribal Colleges Endowment Program	10.222	2012-38423-06922	151,049
Cooperative Extension Service	10.500	2011-47002-30748 2010-47002-21335 2012-46100-20110 2011-47002-30747 2011-47002-30746	377,960
1994 Institutions Research Program	10.227	2012-38424-19745 2013-38424-20995 2013-38424-20994 2011-38424-30667 2013-38424-20991	152,807
Integrated Programs	10.303	2008-51130-04734	8,905
Total Department of Agriculture			<u>773,279</u>
HUD/TCUP	14.519	TCUP-10-WA-420	509,675
Total Department of Housing and Urban Development			<u>509,675</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Native American and Native Hawaiian Library Services	45.311	NG-05-12-0062-12 NG-03-10-0258-10	6,774
Total Institute of Museum and Library Services			<u>6,774</u>
NATIONAL AERONAUTIC AND SPACE ADMINISTRATION			
Pass Through the University of Washington: Space Grant	43.---	991496	23,091
Total National Aeronautic and Space Administration			<u>23,091</u>
NATIONAL SCIENCE FOUNDATION			
Education and Human Resources	47.076	HRD-1023263 DUE-1060692 HRD-1361825	652,251
NSF - Science Facilities Renovation	47.082	OIA-0963546	7,303
Total National Science Foundation			<u>659,554</u>
Total Federal Financial Assistance			<u>\$ 12,066,879</u>

Northwest Indian College

Notes to Schedule of Expenditures of Federal

Year Ended June 30, 2014

NOTE 1 — BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal and nonfederal awards (the Schedule) includes the federal, state, and local grant activity of Northwest Indian College for the year ended June 30, 2014. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the College, it is not intended to and does not present the financial position and changes in net assets of the College.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-21, *Cost Principles for Educational Institutions*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available.

NOTE 3 — CFDA NUMBERS:

Every attempt has been made to determine the correct Catalog of Domestic Federal Assistance (CFDA) number for the federal award programs reported on this Schedule. When the federal agency making the award has not provided the CFDA # and when the appropriate number has not been determined, the number presented in the CFDA # column represents the two-digit federal department number as the prefix of the CFDA # and the suffix has been listed as three dashes.

NOTE 4 – USDA LOAN

The College has an existing USDA Rural Development loan issued in fiscal year 2007. At June 30, 2014 (i.e., the end of the prior-year), the loan was in repayment mode, had no “continuing compliance requirements,” and the ending loan balance is not considered federal financial assistance for fiscal year 2014.

Northwest Indian College

Corrective Action Plan

Year Ended June 30, 2014

No findings for fiscal year 2014

Finding 13-1

Condition: During transactional testing it was noted that a former employee was not following the College's policies and procedures which require a purchase order and approval prior to initiating a purchase.

Current year status: Corrected