

NORTHWEST INDIAN COLLEGE

Basic Financial Statements and Independent Auditors' Reports



June 30, 2012

Northwest Indian College

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STAUFFER & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northwest Indian College
Bellingham, Washington

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Indian College (the College), a component unit of Lummi Indian Business Council, as of and for the year ended June 30, 2012, which collectively comprise the College's basic financial statements as listed in the contents. These financial statements are the responsibility of the College's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Northwest Indian College as of June 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2013, 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* and should be considered in assessing the results of our audit.

U.S. generally accepted accounting principles require that Management's discussion and analysis on pages 4 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The accompanying schedule of expenditures of federal and nonfederal awards as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying summary schedule of prior audit findings (prepared by the College) in the Single Audit – Auditee's Section is presented for purposes of additional analysis and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements or to the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The corrective action plan (prepared by the College) in the Single Audit – Auditee's Section has been included for convenience in reporting and is not a required part of the basic financial statements. It 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.

Stamper & Associates, PLLC

Liberty Lake, Washington
January 10, 2013

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, 2012, with comparative data, in most cases, for 2008 through 2011. 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 Assets 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 2011-2012 Fiscal Year

Institutional Developments

The 2011-2012 fiscal year held significant change for the Northwest Indian College. Most importantly, the College presented its second bachelor's degree to the accreditation body for consideration- approval of the Native Studies Leadership degree was approved May 2012 for Fall Quarter. The approval of the Bachelors in Native Studies Leadership will be followed closely by the presentation of a Bachelors of Science in Tribal Governance and Business Management, for the third 4-year degree offering since being accredited as a 4-year degree offering institution in the 2010-2011 fiscal year. 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 the most positive and hopeful ways for years to come.

In addition to the expanding academic offerings, the College continues to expand Workforce educational opportunities and supports for student success, such as an expanded Early Learning Childcare center and a remodeled student union.

The College also continues to invest in building a permanent campus for our students. The Capital Campaign has seen much success over the recent years, and with the support of many organizations, including the Lummi Indian Business Council, 29 Palms Band of Mission Indians, San Manuel Band of Mission Indians 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 begin building a campus that is the foundation of academic excellence. This year was celebrated with the opening of the seventh new building of the campaign, the Cooperative Extension Building, which houses community education activities, including traditional health, wellness and cultural activities, financial literacy training, and more, as well as the beginning construction of a dedicated science lab facility, to support the growing bachelors in Native Environmental Studies and the National Indian Center for Marine Environmental Research and Education (NICMERE) activities.

Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2011-2012 Fiscal Year (continued)

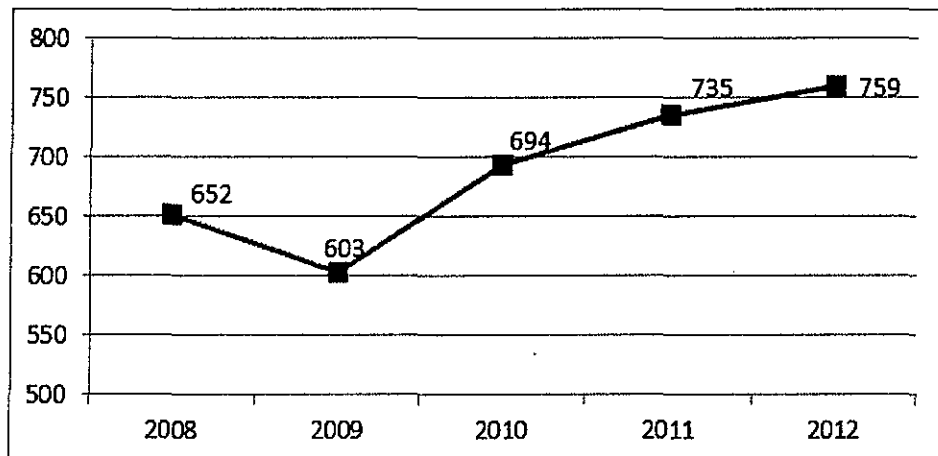
Institutional Developments (continued)

The recent downturn in the national economy has continued to impact the speed and momentum with which the capital campaign is proceeding. Major contributors have delayed payment of pledges until the economy sees a more significant upturn, and the current federal budget offers fewer opportunities for funding. The College has been able to shift funding efforts toward other, lesser known opportunities to keep the projects moving forward, albeit at a slower pace.

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, and from tuition and fees. 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 increase ISC until the next fiscal year. The College's ISC continued to increase this fiscal year, continuing the growth trend started in 2008-2009. Figure 1 shows the past several years' ISC.

Figure 1: Indian Student Count (ISC) by year



Historically, the timing of the release of TCC funds by the federal government caused significant cash flow issues, especially in years when an approved federal budget was delayed. This fiscal year TCC funds continued to be awarded on a "forwardly funded" basis so those issues were alleviated.

Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2011-2012 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 allocation of funds, which resulted in a one-time reduction in the amount of TCC funds available to the institution for the fiscal year.

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

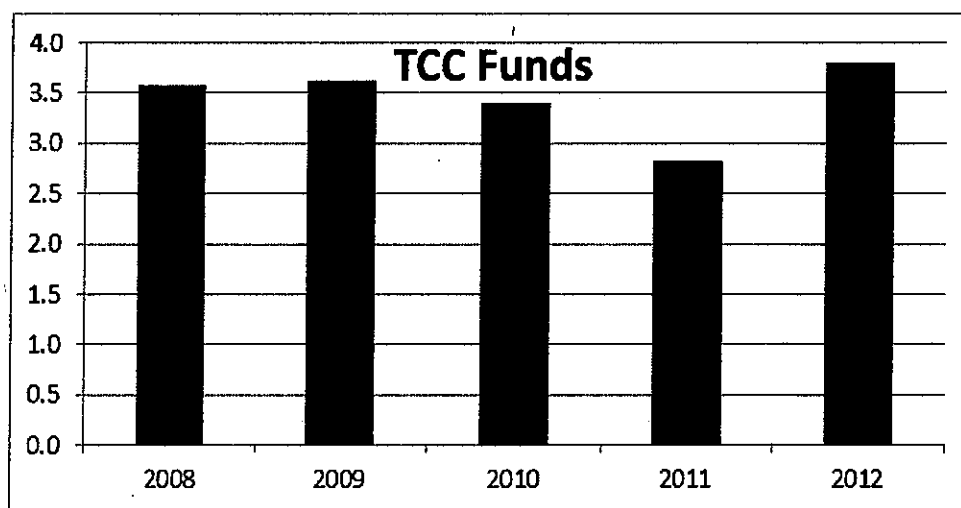


Figure 2 also shows the potential for decreased TCC funding for the College, even though ISCs are increasing. This is due to the delayed impact of ISC increases, noted above, but also the federal financial environment that budgets a fixed allocation for the Tribal Colleges and Universities (TCUs) to share, regardless of any growth in ISC, or increase in the number of TCUs. This budgeting reality results in a pie that grows no bigger and a formula that, necessarily, has to reduce the amount of funding per ISC, when overall/national ISC increase. Figure 3 shows the impact of this.

Figure 3: History of Award per ISC, 2005-2011

Year	2008	2009	2010	2011	2012
Award	5,304	5,494	5,784	5,223	5,665

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 2011-2012 Fiscal Year (continued)

Financial Overview (continued)

Figure 4 shows the total Revenue for Years 2008-2012.

Figure 4: Total Revenue for Years 2008-2012 (in hundreds)

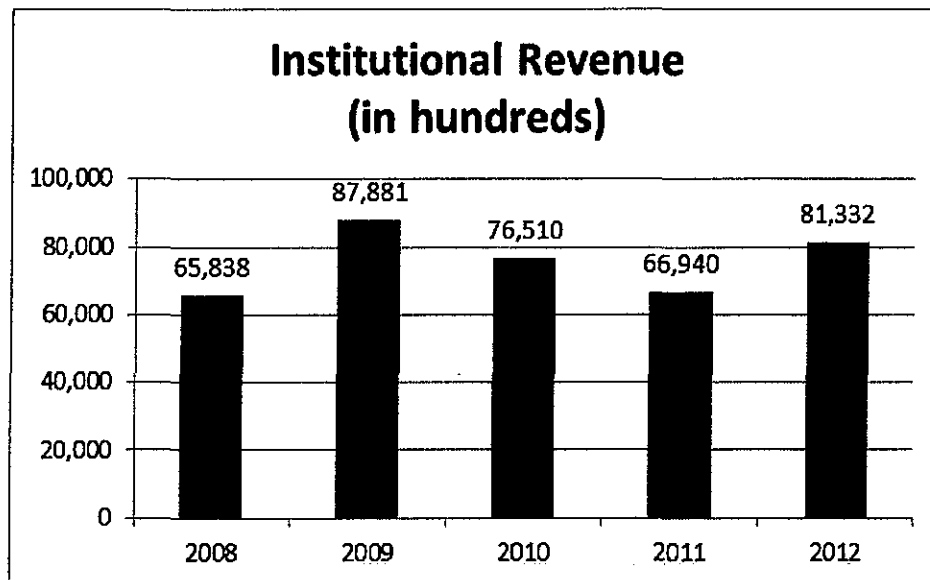
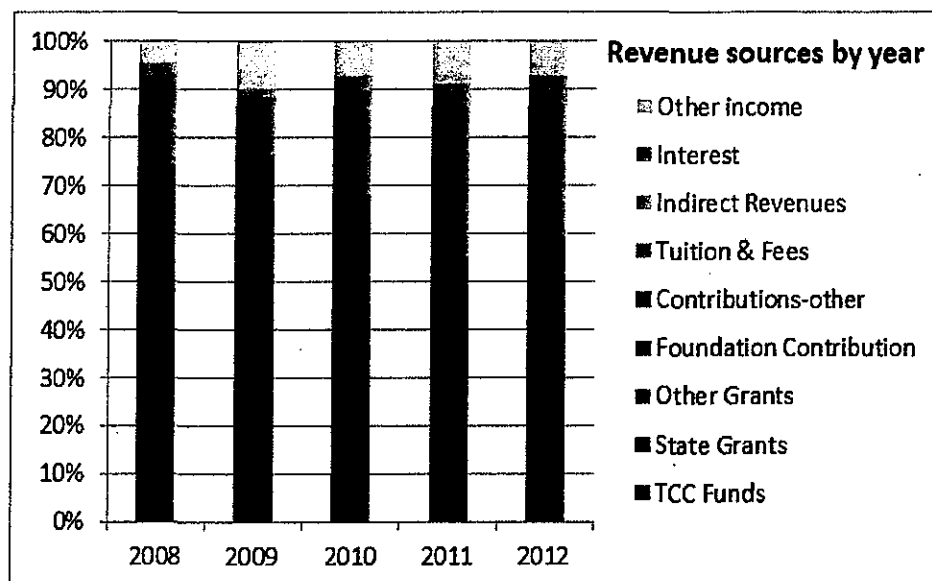


Figure 5 shows the different Revenue Sources by year.

Figure 5: Revenue Sources by Year



Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2011-2012 Fiscal Year (continued)

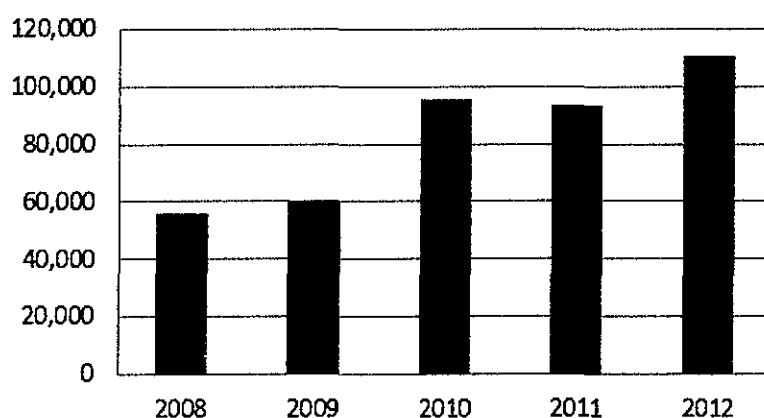
Financial Overview (continued)

Review of Figure 5 will show a proportional increase in the tuition and fees revenues starting in FY10, due to a two year tuition increase and the decrease in contributions, noted earlier – both a reflection of and response to the current national economy.

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. This will become evident in the coming years as the College seeks to meet the growing unpaid tuition receivable. 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. The College has seen a significant increase in Restricted Grants since 2010, 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 4-year degree offerings.

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, except for grant contributions to salaries and position support. Due to the significance of restricted grants in the institutional operations, efforts are underway to incorporate, more fully, grant funding into the College's annual budget process.

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figures 7 & 8 demonstrate the allocation of funds for FY 2012 and the impact of restricted grants on the proportions of allocation relative to major cost categories.

Figure 7: Operating Expenses for 2012 with Restricted Grants

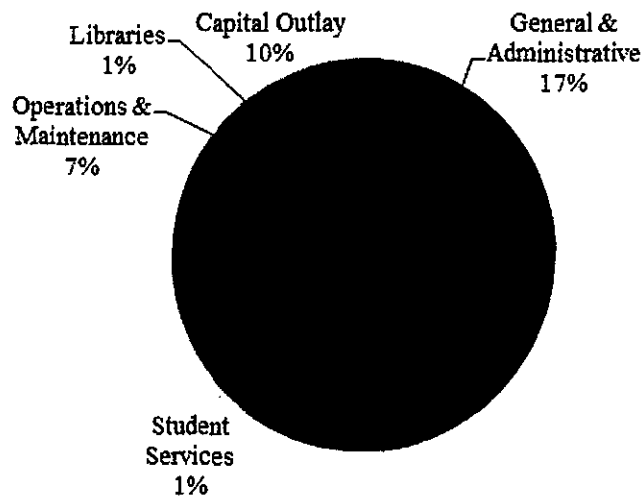
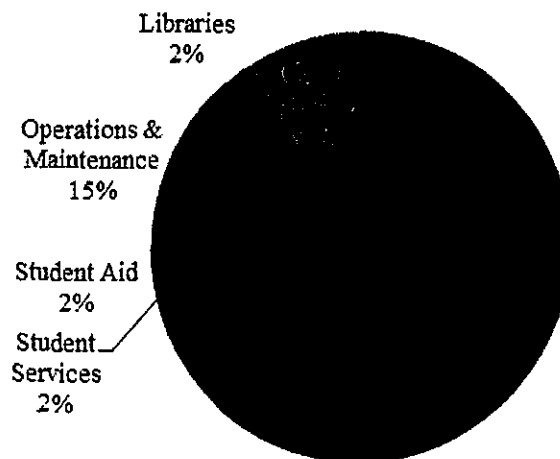


Figure 8: Operating Expenses without Restricted Grants



Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 9 shows the comparisons of general revenue and expenditure categories for 2009 through 2012, relative to the Governmental Fund. The continued negative Net Change in 2012 is due to the Capital Outlay for the contributions received in 2009. The growth in Interest Income is a direct impact of the forward funding of the TCC funds, discussed above.

Figure 9
Changes in Net Assets - Governmental Fund

	2012	2011	2010	2009
Revenues				
Federal and private grants	\$ 14,811,779	\$ 12,159,347	\$ 12,916,624	\$ 3,627,311
Tuition and fees	2,196,638	2,081,882	1,648,330	1,049,042
Contributions	1,074,607	861,810	1,816,217	3,094,071
Other revenue	1,060,366	909,494	817,944	1,015,724
Total Revenues	<u>19,143,390</u>	<u>16,012,533</u>	<u>17,199,115</u>	<u>8,786,148</u>
Expenses				
Educational	13,102,467	12,725,815	11,145,273	3,685,784
General and administrative	4,569,590	2,484,798	3,052,590	3,156,109
Capital outlay	1,989,343	874,130	3,583,776	418,921
Debt service	42,704	42,704	42,704	42,704
Total Expenses	<u>19,704,104</u>	<u>16,127,447</u>	<u>17,824,343</u>	<u>7,303,518</u>
Change in Net Assets	(560,714)	(114,914)	(625,228)	1,482,630
Interest Income	54,706	53,312	806	1,954
USDA Loan Proceeds	<u>100,113</u>	<u>-</u>	<u>-</u>	<u>1,716</u>
Net Change in Fund Balance	<u>\$ (405,895)</u>	<u>\$ (61,602)</u>	<u>\$ (624,422)</u>	<u>\$ 1,486,300</u>

Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 10 is prepared from the College's audited statement of net assets 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 from cash and federal grants receivable. Noncurrent assets are made up primarily by building and building improvements and reflect current expenses of capitalized construction in progress.

Figure 10: Statement of Net Assets

Figure 10		
Net Assets		
	2012	2011
Assets		
Current	\$ 2,208,279	\$ 3,121,924
Noncurrent	15,573,353	13,655,601
Total assets	<u>17,781,632</u>	<u>16,777,525</u>
Liabilities		
Current	1,709,279	1,816,191
Noncurrent	719,537	634,577
Total liabilities	<u>2,428,816</u>	<u>2,450,768</u>
Net Assets		
Invested in capital assets	13,288,663	11,856,709
Restricted	31,439	31,439
Unrestricted	2,032,714	2,438,609
Total net assets	<u>\$ 15,352,816</u>	<u>\$ 14,326,757</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 Cooperative Extension Building (completed in November 2011) and the construction of the Salish Sea Research Lab (projected completion April 2013) and the expansion of the Early Learning Center (completion date December 2012).

Figure 11: Changes in Capital Assets

Figure 11				
Changes in Capital Assets				
	Balance			Balance
	June 30, 2011	Additions	Reclass	June 30, 2012
Governmental activities				
Capital assets not being depreciated:				
Construction in progress	\$ 889,139	\$ 1,888,778	\$ (2,017,688)	\$ 760,229
Total capital assets not being depreciated	889,139	1,888,778	(2,017,688)	760,229
Capital assets being depreciated:				
Land improvements	729,948	-	987,301	1,717,249
Building and improvements	12,311,130	-	1,030,387	13,341,517
Machinery and equipment	1,419,968	100,565	-	1,520,533
Total capital assets being depreciated	14,461,046	100,565	2,017,688	16,579,299
Less accumulated depreciation:				
Land improvements	(75,637)	(32,329)	-	(107,966)
Buildings and improvements	(1,575,923)	(318,628)	-	(1,894,551)
Machinery and equipment	(1,193,024)	(120,634)	-	(1,313,658)
Total accumulated depreciation	(2,844,584)	(471,591)	-	(3,316,175)
Net capital assets being depreciated	11,616,462	(371,026)	2,017,688	13,263,124
Net capital assets	\$12,505,601	\$ 1,517,752	\$ -	\$14,023,353

College-wide Financial Statements

Northwest Indian College**Statement of Net Assets****June 30, 2012**

	Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 1,063,545
Investments	52,156
Receivables:	
Grants	531,773
Other	1,488,444
Allowance for doubtful accounts	(936,819)
Inventory	9,180
Total current assets	<u>2,208,279</u>
Noncurrent assets:	
Capital assets:	
Land improvements	1,717,249
Buildings and improvements	13,341,517
Machinery and equipment	1,520,533
Accumulated depreciation	(3,316,175)
Construction in progress	760,229
Total capital assets	<u>14,023,353</u>
Contributions receivable	1,550,000
Total noncurrent assets	<u>15,573,353</u>
Total assets	<u>17,781,632</u>
Liabilities	
Current liabilities:	
Accounts payable	212,881
Accrued expenses	224,465
Deferred revenue	1,256,780
Current portion of long-term obligations	15,153
Total current liabilities	<u>1,709,279</u>
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	<u>719,537</u>
Total liabilities	<u>2,428,816</u>
Net Assets	
Investment in capital assets, net of related debt	13,288,663
Restricted for endowment	31,439
Unrestricted	<u>2,032,714</u>
Total net assets	<u>\$ 15,352,816</u>

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

Northwest Indian College

Statement of Activities

Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services		Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
		Tuition and Fees	Sales, Services, and Other Revenues			
PRIMARY GOVERNMENT:						
Governmental activities:						
General and administrative	\$ 3,760,583	\$ -	\$ 428,183	\$ 4,071,503	\$ 1,212,992	\$ 1,952,095
Education:						
Instruction	8,656,479	2,192,347	-	6,345,862	-	(118,270)
Student services	162,414	-	632,183	3,094,908	-	3,564,677
Student aid	4,040,630	-	-	8,886	-	(4,031,744)
Operations and maintenance	1,308,987	4,291	-	1,101,325	-	(203,371)
Libraries	242,944	-	-	50,910	-	(192,034)
Total governmental activities	<u>\$ 18,172,037</u>	<u>\$ 2,196,638</u>	<u>\$ 1,060,366</u>	<u>\$ 14,673,394</u>	<u>\$ 1,212,992</u>	971,353
General revenues:						
Interest income						54,706
CHANGE IN NET ASSETS						1,026,059
NET ASSETS, BEGINNING						14,326,757
NET ASSETS, ENDING						<u>\$ 15,352,816</u>

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

Northwest Indian College

Balance Sheet - Governmental Funds

June 30, 2012

	General Fund	Grants and Contracts Fund	Endowment Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 1,063,545	\$ -	\$ -	\$ 1,063,545
Investments	21,723	-	30,433	52,156
Receivables:				
Grants	-	531,773	-	531,773
Others	1,488,444	-	-	1,488,444
Allowance for doubtful accounts	(936,819)	-	-	(936,819)
Due from other funds	-	725,007	-	725,007
Inventory	9,180	-	-	9,180
Total assets	<u>\$ 1,646,073</u>	<u>\$ 1,256,780</u>	<u>\$ 30,433</u>	<u>\$ 2,933,286</u>
Liabilities and Fund Balances				
LIABILITIES:				
Accounts payable	\$ 212,881	\$ -	\$ -	\$ 212,881
Accrued liabilities	224,465	-	-	224,465
Deferred revenue	-	1,256,780	-	1,256,780
Due to other funds	725,007	-	-	725,007
Total liabilities	<u>1,162,353</u>	<u>1,256,780</u>	<u>-</u>	<u>2,419,133</u>
FUND BALANCES:				
Nonspendable	9,180	-	-	9,180
Restricted	-	-	30,433	30,433
Unassigned	474,540	-	-	474,540
Total fund balances	<u>483,720</u>	<u>-</u>	<u>30,433</u>	<u>514,153</u>
Total liabilities and fund balances	<u>\$ 1,646,073</u>	<u>\$ 1,256,780</u>	<u>\$ 30,433</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 14,023,353

Promises to give (i.e., contributions receivable) are not included in the funds under the modified accrual accounting basis. 1,550,000

Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. (734,690)

Net assets of governmental activities \$ 15,352,816

Northwest Indian College

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

Year Ended June 30, 2012

	General Fund	Grants and Contracts Fund	Endowment Fund	Total Governmental Funds
REVENUES:				
Federal grants	\$ 3,793,467	\$ 9,177,437	\$ -	\$ 12,970,904
State grants	-	287,469	-	287,469
Other grants	-	1,553,406	-	1,553,406
Contributions - NWIC Foundation	400,000	-	-	400,000
Contributions - Other	674,607	-	-	674,607
Tuition and fees	2,192,347	4,291	-	2,196,638
Indirect cost revenues	428,183	-	-	428,183
Interest	54,706	-	-	54,706
Other income	590,865	42,324	(1,006)	632,183
Total revenues	<u>8,134,175</u>	<u>11,064,927</u>	<u>(1,006)</u>	<u>19,198,096</u>
EXPENDITURES:				
Current:				
General and administrative	2,982,567	278,036	-	3,260,603
Education:				
Instruction	3,028,085	5,628,394	-	8,656,479
Student services	153,528	8,886	-	162,414
Student aid	181,639	3,858,991	-	4,040,630
Operations and maintenance	1,282,269	26,718	-	1,308,987
Libraries	192,034	50,910	-	242,944
Debt service:				
Principal	14,315	-	-	14,315
Interest	28,389	-	-	28,389
Capital outlay	776,351	1,212,992	-	1,989,343
Total expenditures	<u>8,639,177</u>	<u>11,064,927</u>	<u>-</u>	<u>19,704,104</u>
EXCESS OF EXPENDITURES OVER REVENUES	<u>(505,002)</u>	<u>-</u>	<u>(1,006)</u>	<u>(506,008)</u>
OTHER FINANCING SOURCES:				
USDA loan proceeds	100,113	-	-	100,113
Total other financing sources	<u>100,113</u>	<u>-</u>	<u>-</u>	<u>100,113</u>
NET CHANGE IN FUND BALANCES	<u>(404,889)</u>	<u>-</u>	<u>(1,006)</u>	<u>(405,895)</u>
FUND BALANCES, BEGINNING OF YEAR	<u>888,609</u>	<u>-</u>	<u>31,439</u>	<u>920,048</u>
FUND BALANCES, END OF YEAR	<u>\$ 483,720</u>	<u>\$ -</u>	<u>\$ 30,433</u>	<u>\$ 514,153</u>

See accompanying independent auditors' 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

Year Ended June 30, 2012

Net change in fund balances - governmental funds \$ (405,895)

Amounts reported for governmental 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 estimated useful lives as depreciation expense. In the current period, the cost of these assets and the current period depreciation expense are:

Capital outlay	\$ 1,989,343	
Depreciation expense	<u>(471,591)</u>	1,517,752

Debt proceeds provide current financial resources to governmental funds. However, issuing debt increases long-term liabilities in the statement of net assets. In the current period, proceeds were received from long-term debt issued. (100,113)

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, these amounts consist of long-term debt retirement. 14,315

Change in net assets of governmental activities \$ 1,026,059

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.

The College does not have any component units meeting this criterion. Northwest Indian College Foundation, a potential component unit, does not meet the criteria for treatment as a component unit of the College, and is considered a separate entity.

B. 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:

<u>Governmental Funds Asset Category</u>	<u>Capitalization Threshold</u>	<u>Years</u>
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.

Northwest Indian College

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 \$19,837 of accrued vacation at June 30, 2012.

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, 2012, 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.

Northwest Indian College

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 2 — CASH AND INVESTMENTS:

At June 30, 2012, cash and cash equivalents consisted of the following:

Governmental activities:	
Cash in demand deposits	\$ 1,062,895
Cash on hand	<u>650</u>
 Total cash and cash equivalents	 <u>\$ 1,063,545</u>

For the governmental activities, at June 30, 2012, the carrying amount of deposits was \$1,062,895 and the bank balance was \$1,343,327. Of the bank balance, \$553,422 was covered by the Federal Deposit Insurance Corporation (FDIC), \$500,000 was covered by Securities Investor Protection Corporation (SIPC) insurance, and the remaining \$289,905 was fully collateralized.

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

Investments

During February 1995, The College purchased thirty-nine \$1,000 shares from American Indian Higher Education Consortium (AIHEC) Real Estate Investment Trust. The trust's principal purpose is purchasing and investing in real property for the benefit of the participants. The investment in the real estate trust, which amounted to \$30,433 at June 30, 2012, approximates market value. The College also has a certificate of deposit with a one-year maturity that matured in November 2011. The balance as of June 30, 2012, was \$21,723 and is held in the name of the College.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 3 — CONTRIBUTIONS RECEIVABLE:

The College has received promises to give from two organizations. Two promises to give are made over a period of five years. The contributions pledged are \$1,550,000, and due to poor economic performance the College received \$0 during the year ended June 30, 2012. The College believes all of the contributions will be collected, and talked with the two organizations and confirmed they have the intent to pay the pledged contributions and therefore, has not established an allowance for uncollectible contributions.

NOTE 4 — 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, 2012, are summarized below:

Agency	Accrued Revenue	Deferred Revenue
Department of Education	\$ 177,732	\$ 133,162
U.S. Department of Health and Human Services	99,197	2,024
U.S. Department of Commerce	1,832	-
U.S. Department of Agriculture	109,078	91,075
U.S. Department of Housing and Urban Development	5,522	-
Institute of Museum and Library Services	28,803	-
National Aeronautic and Space Administration	13,933	1,125
National Science Foundation	47,222	157
Department of Defense	17,397	-
Corporation for National and Community Services	66	-
State and other assistance	30,991	1,029,237
Total all sources	<u>\$ 531,773</u>	<u>\$ 1,256,780</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 5 — CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2012, is summarized as follows:

	Balance July 1, 2011	Additions	Transfers	Balance June 30, 2012
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 889,139	\$ 1,888,778	\$ (2,017,688)	\$ 760,229
Total capital assets not being depreciated	<u>889,139</u>	<u>1,888,778</u>	<u>(2,017,688)</u>	<u>760,229</u>
Capital assets being depreciated:				
Land improvements	729,948	-	987,301	1,717,249
Buildings and improvements	12,311,130	-	1,030,387	13,341,517
Equipment and vehicles	1,419,968	100,565	-	1,520,533
Total capital assets being depreciated	<u>14,461,046</u>	<u>100,565</u>	<u>2,017,688</u>	<u>16,579,299</u>
Less accumulated depreciation:				
Land improvements	(75,637)	(32,329)	-	(107,966)
Buildings and improvements	(1,575,923)	(318,628)	-	(1,894,551)
Equipment and vehicles	(1,193,024)	(120,634)	-	(1,313,658)
Total accumulated depreciation	<u>(2,844,584)</u>	<u>(471,591)</u>	<u>-</u>	<u>(3,316,175)</u>
Net capital assets being depreciated	<u>11,616,462</u>	<u>(371,026)</u>	<u>2,017,688</u>	<u>13,263,124</u>
Net capital assets	<u>\$ 12,505,601</u>	<u>\$ 1,517,752</u>	<u>\$ -</u>	<u>\$ 14,023,353</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 may, at its discretion, require their return upon termination of the grant programs.

Depreciation expense of \$471,591 was charged to the general fund under the general and administrative function.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 6 — LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2012, were as follows:

	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Amounts Due Within One Year
USDA loan	\$ 648,892	\$ 100,113	\$ (14,315)	\$ 734,690	\$ 15,153

Long-term liabilities at June 30, 2012, 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 contributions from various sources will be used in the construction of student housing. The first payment including principal and interest starts on November 6, 2007, and will be repayable 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.

\$ 734,690

Less current maturities

15,153

Total long-term debt, net of current maturities

\$ 719,537

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

Years Ended June 30,	Principal	Interest	Total
2012	\$ 15,153	\$ 27,551	\$ 42,704
2013	15,721	26,983	42,704
2014	16,311	26,393	42,704
2015	16,923	25,781	42,704
2016	17,557	25,147	42,704
2017-2021	98,169	115,350	213,519
2022-2026	118,010	95,510	213,520
2027-2031	141,859	71,661	213,520
2032-2036	170,529	42,991	213,520
2037-2041	124,458	9,894	134,352
	\$ 734,690	\$ 467,261	\$ 1,201,951

Northwest Indian College

Notes to Basic Financial Statements

NOTE 7 — 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, 2012, employer and employee contributions were \$261,807 and \$36,250, respectively, to the Plan.

NOTE 8 — 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.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 9 — 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.

NOTE 10 — MATCHING REQUIREMENT:

Certain federal programs require grantee match, which is provided by the College's BIA Operating Grant Number GTK00X012 and the College's unrestricted revenues.

SINGLE AUDIT

AUDITORS' SECTION



STAUFFER & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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 the 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, 2012, which collectively comprise the College's basic financial statements and have issued our report thereon dated January 10, 2013. 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.

Internal Control Over Financial Reporting

Management of the College is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the College's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over financial reporting.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free of 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*.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Stamffn * Associates, P.C.*

Liberty Lake, Washington
January 10, 2013



STAUFFER & ASSOCIATES PLLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Compliance

We have audited Northwest Indian College's (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 the College's major federal programs for the year ended June 30, 2012. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the College's management. Our responsibility is to express an opinion on the College's compliance based on our audit.

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. Our audit does not provide a legal determination of the College's compliance with those requirements.

In our opinion, the College complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2012.



Internal Control Over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the College's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Stamper & Associates, LLC

Liberty Lake, Washington
January 10, 2013

Section I — Summary of Auditors' Results**FINANCIAL STATEMENTS:**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

☐ Yes☒ No

Significant deficiency(ies) identified?

☐ Yes☒ none reportedNoncompliance material to financial
statements noted?☐ Yes☒ No**FEDERAL AWARDS:**

Internal control over major programs:

Material weakness(es) identified?

☐ Yes☒ No

Significant deficiency(ies) identified?

☐ Yes☒ none reportedType 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, 2012

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>
15.027	Tribally Controlled Colleges
47.076	NSF Science and Technology Education
47.082	ARRA NSF Facilities Renovation Cluster

Dollar threshold used to distinguish
between type A and type B programs: \$392,131

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Section II — Financial Statement Findings

No matters to report.

Section III — Federal Award Findings and Questioned Costs

No matters to report.

AUDITEE'S SECTION

Northwest Indian College
Schedule of Expenditures of Federal and Nonfederal Awards
Year Ended June 30, 2012

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C.F.D.A. Number	Award Number	Expenditures During FY2012
DEPARTMENT OF THE INTERIOR:				
Bureau of Indian Affairs:				
00000	Tribally Controlled Colleges	15.027	GTK00X012-11	\$ 3,793,467
	Total Department of the Interior			<u>3,793,467</u>
DEPARTMENT OF EDUCATION				
21007	Title III - Strengthening Institutions	84.031T	P031T060018	239,844
21008	Title III - 2010-2011	84.031T	P031T100319	944,077
21014	Title III - Coast Salish Library	84.031T	P031T080050	713,982
21121	Title III - Formula Funds	84.031T	P031T090204	229,729
21122	Title III - Formula Funds	84.031T	P031T100419	<u>1,233,175</u>
				3,360,807
21120	Minority Science Improvement	84.120A	P120A090033-10	181,632
24511	Pell	84.063	P063P103893	(12,808)
24512	Pell	84.063	P063P113893	2,032,596
27007	ED -FWS	84.033	P033A087627	5,084
27012	ED -FWS	84.033	P033A117627	54,367
26506	Distribution of Student Grants	84.007	P007A057627	2,214
26512	Distribution of Student Grants	84.007	P007A117627	<u>35,518</u>
				2,116,971
35512	Adult Basic Education	84.002A	262-ABE-12	48,128
35611	Train the Trainer	84.002A	262-TRN-11	411
35612	Train the Trainer	84.002A	262-TRN-12	2,256
37512	State Basic Skills	84.002A	262-SBS-12	4,858
37611	State CBO ABE FTES	84.002A	262-FTE-11	38
37612	State CBO ABE FTES	84.002A	262-FTE-12	<u>1,279</u>
				56,970
	Total Department of Education			<u>5,716,380</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
24203	High School Diabetes	93.847	U01DK64065	3,427
24204	ARRA-Diabetes Ed in Tribal High Schools	93.701	3U01DK064065-07W1	11,521
24213	Native American Research Center for Health	93.933	U26IHS300291/01	390,268
24214	Caring for Our Generations	93.279	1R01DA029000-01	193,075
24215	CBPR with Tribal Colleges	93.279	1R01DA029001-01	199,226
24216	Native Pathways to Sobriety	93.279	1R01SA029002-01	89,687
24217	Caring for Our Generations	93.279	3R01DA029000-01S1	<u>(1,052)</u>
				480,936
25100	Women's Wellness Activities	93.015	HPPWH100073-01-00	95,334
51007	Tissue and Organ Donation	93.---	N/A	29,624
45011	Work First	93.558	262-WDA-11	79
45012	Work First	93.558	262-WDA-12	<u>91,921</u>
				92,000
	Total Department of Health and Human Services			<u>1,103,110</u>
DEPARTMENT OF COMMERCE				
22810	NOAA - Discovery Internship	11.454	NA09NMF4540240	<u>43,464</u>
	Total Department of Commerce			<u>43,464</u>

See accompanying independent auditors' report.

Schedule of Expenditures of Federal and Nonfederal Awards (Continued)

Year Ended June 30, 2012

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C.F.D.A. Number	Award Number	Expenditures During FY2012
DEPARTMENT OF AGRICULTURE				
28510	Education Equity	10.221	2006-38421-66922	\$ 102,885
28409	Tribal Colleges Endowment	10.222	2008-38423-06922	1,812
28410	Tribal Colleges Endowment	10.222	2010-38423-06922	183,052
				<u>184,864</u>
28710	Community Food Project	10.225	2010-33800-21311	7,908
28612	Traditional Foods Lummi	10.227	2011-38424-30667	84,068
28610	Traditional Foods	10.227	2009-38424-05412	68,679
28810	Bellingham Bay Hypoxia	10.227	2009-38424-05411	8,214
				<u>160,961</u>
28105	University of Idaho Travel	10.303	2008-51130-04734	27,087
28608	Traditional Plants Muckleshoot	10.500	2010-47002-21338	57,067
28708	Native Foods Nutrition	10.500	2009-47002-05608	37,033
28720	Cooperative Extension	10.500	2010-47002-21335	95,076
28712	Tribal Community Health	10.500	2011-47002-30748	50,292
28740	Food and Traditions Institute	10.500	2011-47002-30746	30,911
60911	Financial Literacy Development	10.500	2010-47002-21421	53,184
60912	Financial Literacy Development	10.500	2011-47002-30747	26,121
				<u>349,684</u>
00000	USDA Loan	10.—	N/A	100,113
29109	Natural Resource Lab	10.—	N/A	51,346
29110	Natural Resource Lab	10.—	N/A	189,442
29111	Natural Resource Lab	10.—	N/A	14,898
				<u>255,686</u>
	Total Department of Agriculture			<u>1,189,188</u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
29200	HUD/TCUP	14.519	TCUP-08-WA-014	6,002
	Total Department of Housing and Urban Development			<u>6,002</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES				
20509	Native American Library Services	45.311	NG-05-07-0152-07	(537)
20510	Native American Library Services	45.311	NG-05-10-0092-10	4,694
20511	Native American Library Services	45.311	NG-05-11-0124-11	4,060
20709	Native American Library Enhancement	45.311	NG-03-10-0258-10	42,693
	Total Institute of Museum and Library Services			<u>50,910</u>
NATIONAL ENDOWMENT FOR THE ARTS				
84912	National Endowment for the Arts	45.024	11-5500-7028	8,094
	Total National Endowment for the Arts			<u>8,094</u>
NATIONAL AERONAUTIC AND SPACE ADMINISTRATION				
51005	Space Grant	43.—	991496	26,187
	Total National Aeronautic and Space Administration			<u>26,187</u>

See accompanying independent auditors' report.

Northwest Indian College
Schedule of Expenditures of Federal and Nonfederal Awards (Continued)
Year Ended June 30, 2012

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C.F.D.A. Number	Award Number	Expenditures During FY2012
NATIONAL SCIENCE FOUNDATION				
26409	NSF - Science and Technology Education	47.076	HRD-1023263	\$ 482,256
26411	NSF - Scholarships NA Environ Scientists	47.076	DUE-1060692	109,336
				<u>591,592</u>
26407	Research Experience for Undergraduate Sites	47.074	DBI-0552883	9,910
26410	ARRA - NSF - Science Facilities Renovation	47.082	OIA-0963546	157,546
26408	ARRA-NSF - GeoSciences	47.082	GEO-0914724	43,811
	Total ARRA NSF Facilities Renovation			<u>201,357</u>
67208	Passed through the Salish Kootenai College All Nations Louis Stokes Amp	47.076	N/A	66,892
	Total National Science Foundation			<u>869,751</u>
DEPARTMENT OF DEFENSE				
23811	Support Science Students	12.431	W911NF-11-1-0057	224,756
	Total Department of Defense			<u>224,756</u>
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
84508	Service Learning Project	94.005	10LHPWA002	39,708
	Total Corporation for National and Community Service			<u>39,708</u>
	Total Federal Financial Assistance			<u>13,071,017</u>
STATE AND OTHER:				
20400	AICF		N/A	57,464
23409	AIHEC - NASA Summer Research		N/A	7,302
23411	AIHEC - Breaking Through		N/A	55,026
25501	Boeing Scholarships		N/A	6,000
25506	Student Assistance Fund		N/A	2,000
28614	WCF - Lummi Traditional Foods		N/A	10,000
35100	WWU/WACC		N/A	6,071
35410	Pre-College Math		N/A	2,705
35411	Pre-College Math 11/12		N/A	50,000
40512	Work Study		N/A	11,976
41012	State Need		N/A	209,892
60510	AICF - Student Scholarships		N/A	2,600
60511	AICF - Student Scholarships		N/A	5,244
60512	AICF - Student Scholarships		N/A	135,230
60611	College Spark Washington		N/A	48,670
60613	College Spark Washington		N/A	65,601
60813	Intellectual Capital Initiative		N/A	78,049
60814	AICF - Lilly		N/A	9,566
60907	Financial Literacy Development		N/A	27,501
60950	AICF - Sacred Little Ones		N/A	181,932
61512	Lummi Scholarship	150.8020		403,659
66015	Whatcom County Public Works - Water Quality		N/A	18,476
70011	Wal-Mart - Minority Student Success		N/A	14,726
82507	AICF - Cultural Preservation		N/A	10,073
83411	Thi Beta Kappa		N/A	515
83412	Athletics		N/A	4,113
83418	ASC Fundraising		N/A	4,284
83419	NWIC Space Center		N/A	12,066
83421	Athletics Fundraising		N/A	6,952
83427	NWIC Space Center USLI Team		N/A	1,001
84104	NASA - Applied Technology		N/A	42,513
84106	Traditional Plants		N/A	91,644
84107	Extension - Community Events		N/A	33,935
84108	Muckleshoot Food and Plants		N/A	4,622
84120	First Nations Development Institute		N/A	5,141
84506	Service Learning - NWIC		N/A	14,120

See accompanying independent auditors' report.

Schedule of Expenditures of Federal and Nonfederal Awards (Continued)

Year Ended June 30, 2012

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C.F.D.A. Number	Award Number	Expenditures During FY2012
84825	MJ Mudock-Campus Tech Improvement		N/A	\$ 20,716
84850	MAC Cultural Arts Programs		N/A	24,654
85111	Vine Deloria Indigenous Studies Symposium		N/A	10,509
85112	Vine Deloria Indigenous Studies Symposium		N/A	779
90010	Climate Change Working Group		N/A	2,026
90200	LNSO		N/A	11,831
90300	LIBC - LSOC		N/A	5,262
91000	Annual Career Fair		N/A	7,916
92000	Lannan - Native Studies Program		N/A	162,159
99010	Student Housing Activities		N/A	997
99901	Student Fundraising		N/A	(28)
Total State and Other				<u>1,887,490</u>
Total Federal, State and Other				<u>14,958,507</u>
Reconciling Items				
Expenditures recorded in the general fund				
00000	USDA Loan			(100,113)
00000	Tribally Controlled Colleges			<u>(3,793,467)</u>
Total reconciling items				<u>(3,893,580)</u>
Total expenditures in Grants and Contracts Fund				<u>\$ 11,064,927</u>

Northwest Indian College

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2012

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, 2012. 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.

Northwest Indian College

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2012

NOTE 4 — TYPE A PROGRAMS:

The auditors identified the following federal award programs as Type A programs under the criteria of OMB Circular A-133:

Name	CFDA#
Tribally Controlled Community College	15.027
Student Financial Aid Program Cluster:	
SEOG	84.007
College Work Study	84.033
Pell Grant	84.063
Higher Education Institutional Aid (Title III)	84.031T
Caring for Our Generations	93.279
NSF Science and Technology Education	47.076

The auditors performed risk analysis procedures on all Type A programs using the risk criteria of OMB Circular A-133. The auditors determined that the Tribally Controlled Community College and NSF Science and Technology Education programs were determined to be high-risk Type A programs within the meaning of OMB Circular A-133 §.520.

NOTE 5 — TYPE B PROGRAMS:

The auditors identified the following Type B programs with expenditures in excess of the Small Program Floor defined in OMB Circular A-133 (\$100,000):

Name	CFDA#
Minority Science Improvement	84.120A
Education Equity	10.221
Tribal Colleges Endowment	10.222
Traditional Foods	10.227
Permanent Extension Office/Diabetes	10.500
USDA Loan	10.---
National Resource Lab	10.---
Native American Research Center for Health	93.933
Support Science Students	12.431
ARRA NSF - Facilities Renovation	47.082

All Type B programs with expenditures in excess of the Small-Program Floor (\$100,000) were analyzed by the auditors to determine the existence of any considered to be "high-risk" within the meaning of OMB Circular A-133 Section .520(d). The ARRA NSF – Facilities Renovation Cluster was considered to be high risk and was tested by the auditors as a major program.

Northwest Indian College

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2012

NOTE 6 – USDA LOAN

The College has an existing USDA Rural Development loan issued in fiscal year 2007. At June 30, 2011 (i.e., the end of the prior-year), the loan was in repayment mode, had no “continuing compliance requirements,” and the ending loan balance was not considered federal financial assistance for fiscal year 2011. During the year ended June 30, 2012, the College drew an additional \$100,113 in loan proceeds on this loan. The loan proceeds were expended during the year ended June 30, 2012, and were considered federal financial assistance. The loan proceeds in 2012 were classified as a Type B program under the requirements of OMB Circular A-133, and were included in federal financial assistance subjected to the risk-based approach of Circular A-133 in determining which federal programs are major programs for the 2012 audit. See Note 5 for a discussion of the low-risk Type B program risk analysis and determination.

Northwest Indian College

Corrective Action Plan

Year Ended June 30, 2012

The current year Schedule of Findings and Questioned Costs reported no matters in Section II – Financial Statement Findings nor in Section III – Federal Award Findings and Questioned Costs. Therefore, no corrective action plan is necessary nor has one been prepared.

Northwest Indian College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2012

Findings from the year ended June 30, 2011, and prior

No matters to report.