

NORTHWEST INDIAN COLLEGE

**Basic Financial Statements and
Independent Auditors' Reports**



June 30, 2013

Northwest Indian College

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STAUFFER & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

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, the discretely presented component unit, and each major fund of Northwest Indian College (the College), as of and for the year ended June 30, 2013, 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.

Auditors' 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 auditors' 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 auditors consider 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.



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of Northwest Indian College as of June 30, 2013, and the changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 5 through 14 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.

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 and nonfederal 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 are 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) in the Single Audit – Auditee's section 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 March 21, 2014 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.

Stamper & Associates, PLLC

Liberty Lake, Washington

March 21, 2014

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, 2013, with comparative data, in most cases, for 2009 through 2012. 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 NWIC Foundation was added this year to the financial statements as a discretely presented component unit. The Foundation accounts for its operations and prepares its financial statements in accordance with U.S. generally accepted accounting principles promulgated by the Financial Accounting Standards Board; as such it does not include management's discussion and analysis (MD&A) information as part of its financial statement presentation. Accordingly, the detailed presentation given here is for the College's basic financial statements, footnotes and supplementary information.

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 2012-2013 Fiscal Year

Institutional Developments

The 2012-2013 fiscal year continued to see significant growth for the Northwest Indian College in several areas. Academically, the College received accreditation for the third bachelor's degree, adding the Bachelors of Arts in Tribal Governance and Business Management to the Bachelors of Science in Native Environmental Studies and the Bachelors of Arts in Native Studies Leadership degrees. In overall capacity, the College added the Salish Sea Research Lab to its growing number of new buildings. Both of these areas are supported by, and reflective of, the growing number of students and student opportunities.

The College continues to focus on providing a high quality, meaningful, culturally oriented education that meets the educational needs of the tribal communities in the Pacific Northwest and beyond. The College had one of the largest graduating classes in this academic year, with 10 students receiving Bachelor's degrees, it approved and implemented new culturally-based institutional outcomes and continues to work on initiatives that support student success and educational access.

Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2012-2013 Fiscal Year (continued)

Institutional Developments (continued)

The College also continues to invest in building a permanent campus for students. Replacing the temporary modular buildings with a new campus through the College's first Capital Campaign has seen much success over the 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, the Bill and Melinda Gates Foundation, the Murdock and Norcliffe Foundations, and grants from the Department of Education and the USDA, the College has been able to continue building a campus that is the foundation of academic excellence. This year was celebrated with the opening of the ninth new building of the campaign, the Salish Sea Research Lab, which houses several research oriented lab classrooms to support the growing Bachelors in Native Environmental Studies and the National Indian Center for Marine Environmental Research and Education (NICMERE) activities.

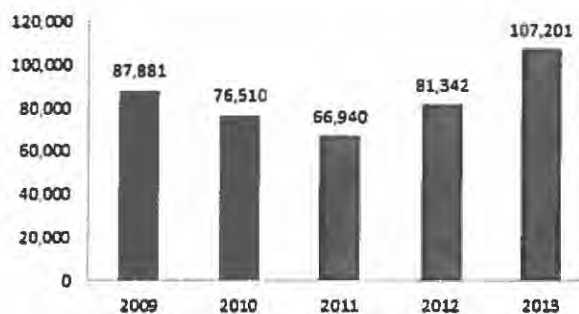
The downturn in the national economy has continued to impact the speed and momentum with which the capital campaign is proceeding. Major contributors have delayed payment of pledges until the economy sees a more significant upturn, and the current federal budget offers fewer opportunities for funding. 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.

It is important to note that all of these positive advancements have occurred during recent periods of diminishing financial resources due to the federal sequestration and long-time funding inequities via federal appropriations. In FY13, NWIC budgeted for a 6 percent cut in ISC allocations and federal grant programs due to the sequestration, which resulted in a two-year tuition increase, and implemented a 55 percent reduction in institutionally-supported family health benefits to close the budget gap. For TCUs, this budget cut was significant given that TCUs have never received full funding based on their authorized appropriation by Congress—roughly 70% of \$8,000 in FY 2012, for example.

Financial Overview

The College has continued to see a growth in overall revenue this fiscal year – largely due to contributions to the capital campaign (see Contributions-other, Figure 2, below).

Figure 1: Total Institutional Revenue (in hundreds) for 2009-2013:



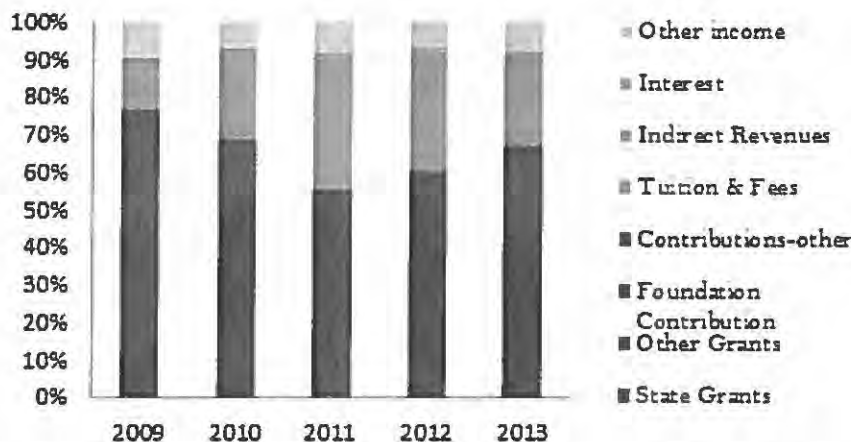
Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2012-2013 Fiscal Year (continued)

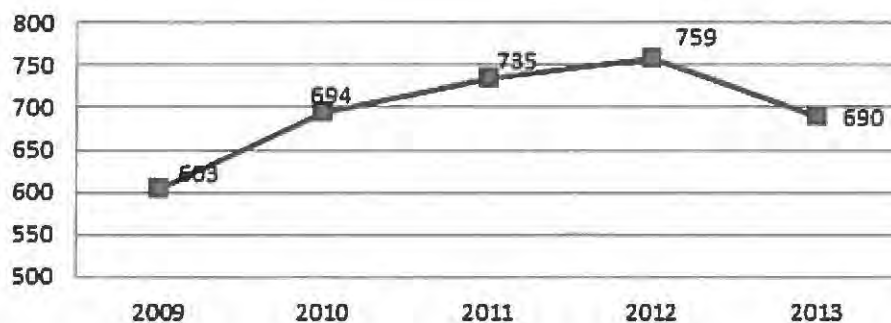
Financial Overview (continued)

Figure 2: Revenue Sources, by Percentage of the Total, for Years 2009-2013:



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. Both of these key sources of funding are based on the number of students attending, and, more specifically, the number of tribal students attending. TCC funding is federal formula funding based on *the previous year's* Indian Student Count (ISC).

Figure 3: Indian Student Count (ISC) by year



The decrease in ISC for the current year is the result of a reporting adjustment made by the College to exclude students who are enrolled in General Education Equivalency (GED) programming. The federal funding formula is such that the College will see the impact of this decrease, in their TCC funding, until the next fiscal year.

Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2012-2013 Fiscal Year (continued)

Financial Overview (continued)

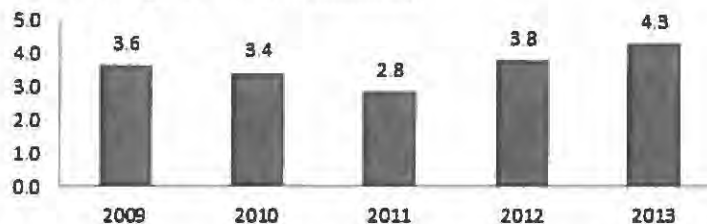
Figure 4 shows the variations in funding, per ISC, that the College experiences. This is due to the federal financial environment that continues to budget a fixed allocation for the Tribal Colleges and Universities (TCUs) to share, regardless of any growth in overall ISC, or increase in the number of TCUs. This results in a growing number of TCUs receiving, theoretically, smaller pieces of the pie.

Figure 4: History of Award per ISC, 2009-2013

Year	2009	2010	2011	2012	2013
Award/ISC	5,494	5,784	5,223	5,665	5,850

Figure 5 demonstrates the receipt and, *more importantly*, the budgeting of the TCC funds in the College's fiscal year. In order to maximize the initiation of *forward funding* of TCC funds (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. This resulted in a one-time reduction in the amount of TCC funds available to the institution for the fiscal year, but, while a difficult adjustment to make, eventually enabled the college to establish a carryover reserve from the college's fiscal year to the start of the federal fiscal year.

Figure 5: Tribally Controlled College Funds (*in millions*)



What the above figures show is the very real potential (see 2011 data) 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 funding environment.

The TCC funding represents the only *per student* funding that the College receives. Unlike state institutions, the College does not receive governmental funding for all students; students who are not enrolled tribal members, or their first generation descendants, are not funded outside of what is collected for their tuition and fees. Typically, these *non-beneficiary* students make up approximately 20% of the total student body.

The enrollment trends at Northwest Indian College show a general increase in the number of full-time undergraduate students, even though the overall number of students is decreasing. Figure 6 shows this comparative trend between the numbers of undergraduate students (*Headcount*) translated into the full-time equivalency (*FTE*) of undergraduate students.

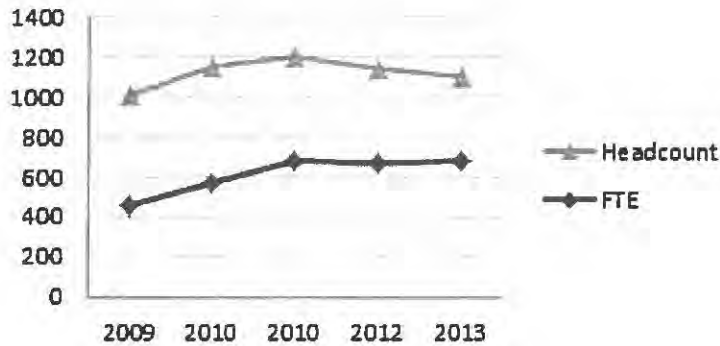
Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2012-2013 Fiscal Year (continued)

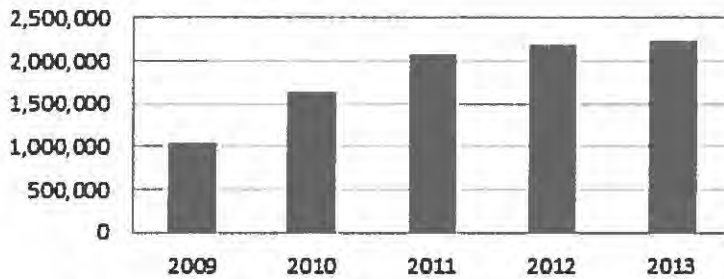
Financial Overview (continued)

Figure 6: Undergraduate Students



Like most other institutions nationwide, the College found it necessary to increase the costs to students in recent years. The challenge to meet the costs of providing a quality education and keep the education accessible to our student constituencies is great – and is a challenge that meets the College at its mission. As such, tuition increases are not implemented easily and are still well below the national averages.

Figure 8: Total Tuition Revenue 2009-2013:



Student tuition is most commonly covered by PELL grants and scholarship payments from the many 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.

Northwest Indian College

Management's Discussion and Analysis

Highlights of the 2012-2013 Fiscal Year (continued)

Financial Overview (continued)

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 10: Total Restricted Grants by Year (in hundreds)

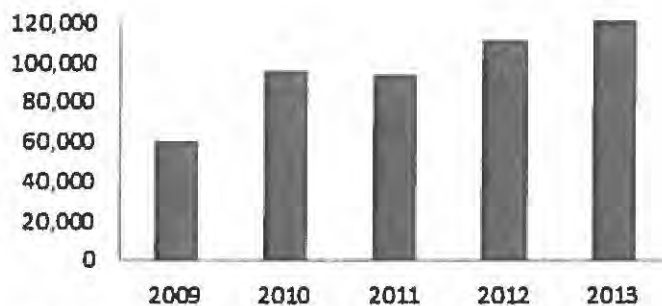
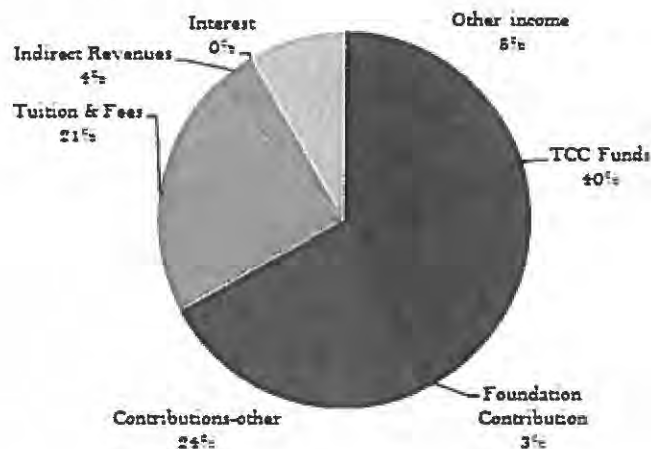


Figure 9 demonstrates the percentages of the different revenue sources, and their percentage of the total budget for the 2012-2013 fiscal year:



General Fund Budgetary Highlights

The College prepares an annual budget for the general institutional operations. Grant funds 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 to salaries and direct 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.

General Fund Budgetary Highlights (continued)

Figures 10 & 11 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 10: Total Operating Expenses for FY13 (with Restricted Grants):

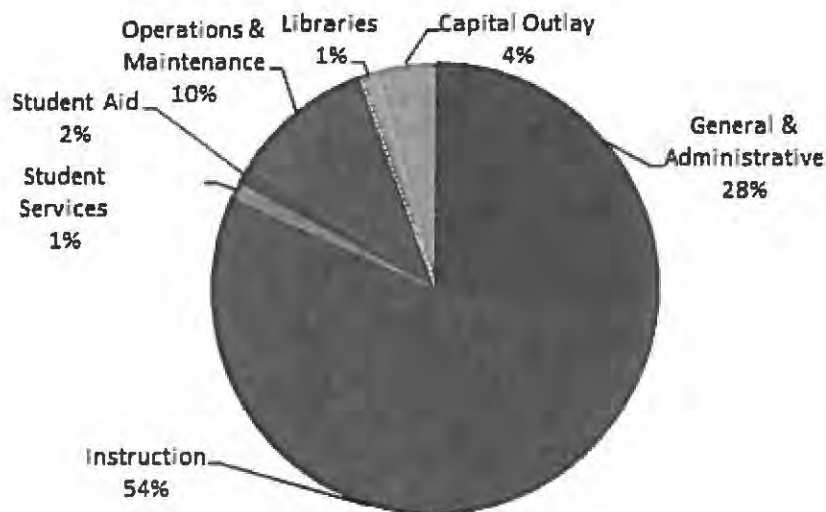
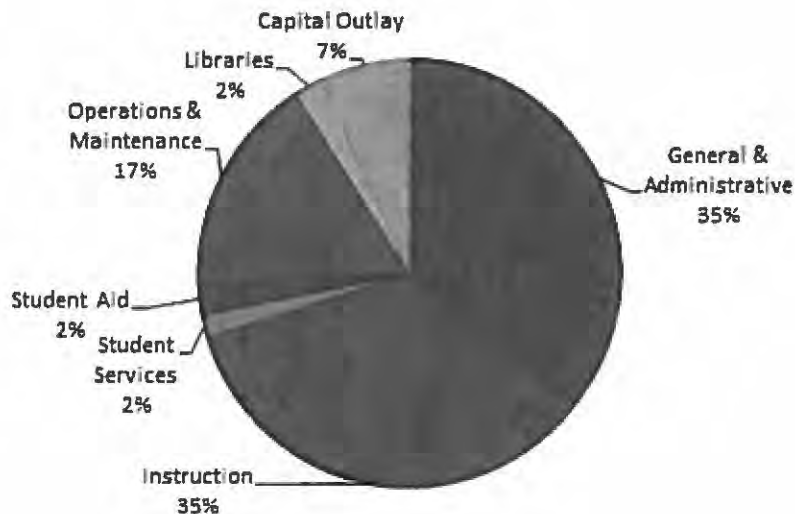


Figure 11: Institutional Operating Expenses for FY13 (*without* Restricted Grants):



Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 12 shows the comparisons of general revenue and expenditure categories for 2010 through 2013, relative to the Governmental Fund. The Net Change in the Fund Balance continues to be directly impacted by the Capital Campaign contributions and outlay – that is, larger contributions coming in and being spent over several years. The Interest Income has begun to fund an institutional reserve that is held in a separate, interest-bearing account.

Figure 12
Statement of Revenues, Expenditures and Change in Fund Balance -
Governmental Funds

	2013	2012	2011	2010
Revenues				
Federal and private grants	\$ 16,821,598	\$ 14,811,779	\$ 12,159,347	\$ 12,916,624
Tuitions and fees	2,231,936	2,196,638	2,081,882	1,648,330
Contributions	2,977,045	1,074,607	861,810	1,816,217
Other revenue	1,569,378	1,060,366	909,494	817,944
Total revenue	<u>23,599,957</u>	<u>19,143,390</u>	<u>16,012,533</u>	<u>17,199,115</u>
Expenses				
Educational	13,927,300	13,102,467	12,725,815	11,145,273
General and administrative	4,113,727	4,569,590	2,484,798	3,052,590
Capital outlay	3,897,097	1,989,343	874,130	3,583,776
Debt service	40,661	42,704	42,704	42,704
Total expenses	<u>21,978,785</u>	<u>19,704,104</u>	<u>16,127,447</u>	<u>17,824,343</u>
Change in Net Position	1,621,172	(560,714)	(114,914)	(625,228)
Interest Income	12,034	54,706	53,312	806
USDA Loan Proceeds	-	100,113	-	-
Net Change in Fund Balance	<u>\$ 1,633,206</u>	<u>\$ (405,895)</u>	<u>\$ (61,602)</u>	<u>\$ (624,422)</u>

Figure 13 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 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.

Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 13: Statement of Net Assets

	Net Assets		
	2013	2012	2011
Assets			
Current	\$ 3,628,531	\$ 2,208,279	\$ 3,121,924
Noncurrent	18,779,809	15,573,353	13,655,601
Total assets	22,408,340	17,781,632	16,777,525
Liabilities			
Current	1,496,645	1,709,279	1,816,191
Noncurrent	710,699	719,537	634,577
Total liabilities	2,207,344	2,428,816	2,450,768
Net Assets			
Invested in capital assets	16,703,637	13,288,663	11,856,709
Restricted	-	31,439	31,439
Unrestricted	3,497,359	2,032,714	2,438,609
Total net assets	\$ 20,200,996	\$ 15,352,816	\$ 14,326,757

Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

The Changes in Capital Assets shown in Figure 14 reflect the completion of the Salish Sea Research Lab (completion April 2013) and the construction of the next two buildings, the Library/Technology Building (scheduled for completion in March 2014) and the Coast Salish Institute (scheduled for completion in July 2014).

Figure 14: Changes in Capital Assets

Changes in Capital Assets				
	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 760,229	\$ 3,755,927	\$ (747,208)	\$ 3,768,948
Total capital assets not being depreciated	<u>760,229</u>	<u>3,755,927</u>	<u>(747,208)</u>	<u>3,768,948</u>
Capital assets being depreciated:				
Land improvements	1,717,249	-	315,973	2,033,222
Buildings and improvements	13,341,517	-	431,235	13,772,752
Equipment and vehicles	1,520,533	141,170	-	1,661,703
Total capital assets being depreciated	<u>16,579,299</u>	<u>141,170</u>	<u>747,208</u>	<u>17,467,677</u>
Less accumulated depreciation:				
Land improvements	(107,966)	(49,327)	-	(157,293)
Buildings and improvements	(1,894,551)	(333,603)	-	(2,228,154)
Equipment and vehicles	(1,313,658)	(107,711)	-	(1,421,369)
Total accumulated depreciation	<u>(3,316,175)</u>	<u>(490,641)</u>	<u>-</u>	<u>(3,806,816)</u>
Net capital assets being depreciated	<u>13,263,124</u>	<u>(349,471)</u>	<u>747,208</u>	<u>13,660,861</u>
Net capital assets	<u>\$ 14,023,353</u>	<u>\$ 3,406,456</u>	<u>\$ -</u>	<u>\$ 17,429,809</u>

Contacting the Tribe's Financial Management

This financial report is designed to provide tribal members, customers, and investors and creditors with a general overview of the College's finances and demonstrate the College's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Wendy Swedelius, Senior Accountant at (360) 392-4209.

College-wide Financial Statements

Northwest Indian College

Statement of Net Position

June 30, 2013

	Primary Government College 2013	Foundation 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,257,110	\$ 724,009
Investments	1,067,528	6,178,874
Contributions receivable	100,000	-
Receivables:		
Grants	719,497	-
Other	1,661,850	-
Allowance for doubtful accounts	(1,184,470)	-
Inventory	7,016	-
Total current assets	<u>3,628,531</u>	<u>6,902,883</u>
Noncurrent assets:		
Capital assets:		
Land improvements	2,033,222	202,975
Buildings and improvements	13,772,752	-
Machinery and equipment	1,661,703	10,000
Accumulated depreciation	(3,806,816)	(10,000)
Construction in progress	3,768,948	-
Total capital assets	<u>17,429,809</u>	<u>202,975</u>
Contributions receivable	1,350,000	-
Total noncurrent assets	<u>18,779,809</u>	<u>202,975</u>
Total assets	<u>22,408,340</u>	<u>7,105,858</u>
Liabilities		
Current liabilities:		
Accounts payable	479,109	1,972
Accrued expenses	206,761	-
Deferred revenue	795,302	-
Current portion of long-term obligations	15,473	-
Total current liabilities	<u>1,496,645</u>	<u>1,972</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	<u>710,699</u>	<u>-</u>
Total liabilities	<u>2,207,344</u>	<u>1,972</u>
Net Position		
Net investment in capital assets	16,703,637	-
Restricted nonexpendable	-	1,579,775
Restricted expendable	-	6,378,020
Unrestricted	<u>3,497,359</u>	<u>(853,909)</u>
Total net position	<u>\$ 20,200,996</u>	<u>\$ 7,103,886</u>

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

Northwest Indian College

Statement of Activities

Year Ended June 30, 2013

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 2013	Foundation 2013
		Tuition and Fees	Sales, Services, and Other Revenues					
PRIMARY GOVERNMENT:								
Governmental activities:								
General and administrative	\$ 4,636,514	\$ -	\$ 406,024	\$ 6,809,407	\$ -	\$ 2,578,917	\$ -	
Education:								
Instruction	8,033,278	2,231,936	-	4,504,859	-	(1,296,483)	-	
Student services	458,187	-	1,163,354	303,815	-	1,008,982	-	
Student aid	3,158,384	-	-	4,791,553	-	1,633,169	-	
Operations and maintenance	2,033,385	-	-	3,144,711	-	1,111,326	-	
Libraries	244,066	-	-	44,301	-	(199,765)	-	
Total governmental activities	<u>\$ 18,563,814</u>	<u>\$ 2,231,936</u>	<u>\$ 1,569,378</u>	<u>\$ 19,598,646</u>	<u>\$ -</u>	<u>4,836,146</u>	<u>-</u>	
COMPONENT UNIT:								
Foundation	<u>\$ 1,152,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,469</u>			<u>(741,553)</u>	
	<u>\$ 1,152,022</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 410,469</u>			<u>(741,553)</u>	
General revenues:								
Investment income						12,034	370,575	
Other revenue						-	86	
						<u>12,034</u>	<u>370,661</u>	
CHANGE IN NET POSITION						<u>4,848,180</u>	<u>(370,892)</u>	
NET POSITION, BEGINNING						<u>15,352,816</u>	<u>7,474,778</u>	
NET POSITION, ENDING						<u>\$ 20,200,996</u>	<u>\$ 7,103,886</u>	

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

Fund Financial Statements

Northwest Indian College

Balance Sheet - Governmental Funds

June 30, 2013

	<u>General Fund</u>	<u>Grants and Contracts Fund</u>	<u>Endowment Fund</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 461,808	\$ 795,302	\$ -	\$ 1,257,110
Investments	1,067,528	-	-	1,067,528
Receivables:				
Grants	-	719,497	-	719,497
Contributions	100,000	-	-	100,000
Others	1,661,850	-	-	1,661,850
Allowance for doubtful accounts	(1,184,470)	-	-	(1,184,470)
Due from other funds	719,497	-	-	719,497
Inventory	7,016	-	-	7,016
	<u>\$ 2,833,229</u>	<u>\$ 1,514,799</u>	<u>\$ -</u>	<u>\$ 4,348,028</u>
Total assets				
Liabilities and Fund Balances				
LIABILITIES:				
Accounts payable	\$ 479,109	\$ -	\$ -	\$ 479,109
Accrued liabilities	206,761	-	-	206,761
Deferred revenue	-	795,302	-	795,302
Due to other funds	-	719,497	-	719,497
Total liabilities	<u>685,870</u>	<u>1,514,799</u>	<u>-</u>	<u>2,200,669</u>
FUND BALANCES:				
Nonspendable	7,016	-	-	7,016
Restricted	-	-	-	-
Unassigned	2,140,343	-	-	2,140,343
Total fund balances	<u>2,147,359</u>	<u>-</u>	<u>-</u>	<u>2,147,359</u>
	<u>\$ 2,833,229</u>	<u>\$ 1,514,799</u>	<u>\$ -</u>	
Total liabilities and fund balances				
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.				
				17,429,809
Amounts reported for governmental activities in the statement of net position are different because noncurrent receivables (contributions) used in governmental activities are not financial resources and, therefore, are not reported in the funds.				
				1,350,000
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.				
				<u>(726,172)</u>
Net position of governmental activities				
				<u>\$ 20,200,996</u>

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

Northwest Indian College

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

Year Ended June 30, 2013

	General Fund	Grants and Contracts Fund	Endowment Fund	Total Governmental Funds
<i>REVENUES:</i>				
Federal grants	\$ 4,298,380	\$ 10,575,295	\$ -	\$ 14,873,675
State grants	-	294,043	-	294,043
Other grants	-	1,653,880	-	1,653,880
Contributions - NWIC Foundation	350,000	-	-	350,000
Contributions - Other	2,627,045	-	-	2,627,045
Tuition and fees	2,231,936	-	-	2,231,936
Indirect cost revenues	406,024	-	-	406,024
Interest	12,034	-	-	12,034
Other income	894,786	268,568	-	1,163,354
Total revenues	<u>10,820,205</u>	<u>12,791,786</u>	<u>-</u>	<u>23,611,991</u>
<i>EXPENDITURES:</i>				
Current:				
General and administrative	3,234,246	849,048	30,433	4,113,727
Education:				
Instruction	3,163,846	4,869,432	-	8,033,278
Student services	154,372	303,815	-	458,187
Student aid	219,155	2,939,229	-	3,158,384
Operations and maintenance	1,515,719	517,666	-	2,033,385
Libraries	199,765	44,301	-	244,066
Debt service:				
Principal	8,518	-	-	8,518
Interest	32,143	-	-	32,143
Capital outlay	628,802	3,268,295	-	3,897,097
Total expenditures	<u>9,156,566</u>	<u>12,791,786</u>	<u>30,433</u>	<u>21,978,785</u>
<i>NET CHANGE IN FUND BALANCES</i>	1,663,639	-	(30,433)	1,633,206
<i>FUND BALANCES, BEGINNING OF YEAR</i>	<u>483,720</u>	<u>-</u>	<u>30,433</u>	<u>514,153</u>
<i>FUND BALANCES, END OF YEAR</i>	<u>\$ 2,147,359</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,147,359</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, 2013

Net change in fund balances - governmental funds \$ 1,633,206

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	\$ 3,897,097	
Depreciation expense	<u>(490,641)</u>	
		3,406,456

Current year decrease to long-term receivables (contributions) (200,000)

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.

8,518

Change in net position of governmental activities \$ 4,848,180

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Northwest Indian College (the College), located in Bellingham, Washington, 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. However, LIBC is not financially accountable for the College because its appointment of Board Members is ministerial only, it cannot impose its will on the College, the College is not fiscally dependent on LIBC, and no financial benefits or burden exists between LIBC and the College. Accordingly, the College is not a component unit of LIBC (see also the discussion of the implementation of Statement 61 of the Governmental Accounting Standards Board in the **New Accounting Standards Implemented During the Year Ended June 30, 2013** section of Note 1).

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 governmental in nature.

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.

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

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:

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 Board (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.

Northwest Indian College

Notes to Basic Financial Statements

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

Component Units (continued)

Discrete Component Units (continued)

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.

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

B. Basis of Presentation

Basic Financial Statements

The basic financial statements of the College include the government-wide (i.e., "college"-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.

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 \$18,521 of accrued vacation at June 30, 2013.

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 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued):

New Accounting Standards Implemented During the Year Ended June 30, 2013

The following pronouncements of the Governmental Accounting Standards Board became effective and were implemented during the year ended June 30, 2013:

- In November 2010, the GASB issued Statement 60, *Accounting and Financial Reporting for Service Concession Arrangements* (GASBS 60). GASBS 60 provides financial reporting guidance for services concession arrangements (SCAs). This statement is effective for periods beginning after December 15, 2011. The College does not have any SCAs and the adoption of GASBS 60 had no impact on the College's financial statements.
- In December 2010, the GASB issued Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* (GASBS 62). This statement is effective for periods beginning after December 15, 2011. GASBS 62 incorporated into GASB's authoritative literature certain accounting and financial reporting guidance included in
 - pronouncements of the Financial Accounting Standards Board (FASB) and
 - opinions of the Accounting Principles Board and Accounting Research Bulletins issued by the Committee on Accounting Procedures, both bodies of the American Institute of Certified Public Accountants (AICPA).

This statement improves financial reporting by contributing to GASB's efforts to codify all sources of GAAP for state, local, and tribal governments so that they derive from a single source. It eliminates the need for financial statement preparers and auditors' to determine which FASB and AICPA pronouncements apply to state, local, and tribal governments, and is intended to result in a more consistent application of applicable guidance in their financial statements. It also supersedes GASBS 20 which was the preceding guidance for government business-type activities that elected to apply FASB and AICPA pronouncements issued before November 30, 1989.

Because the College has no business-type activities, implementation of GASBS 62 did not result in any changes in the College's accounting and reporting practices.

- In June 2011, the GASB issued Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASBS 63). GASBS 63 provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The effect of adopting GASBS 63 was to rename the previously titled statement of net assets as the "Statement of Net Position" and includes four components: *assets, deferred outflows of resources, liabilities, and deferred inflows of resources*. Adoption of this statement also results in "net assets" being renamed "net position" and the "invested in capital assets" component of net position being renamed "net investment in capital assets." The provisions of this statement are effective for financial statements for periods beginning after December 15, 2011.

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, 2013 (continued):

- In June 2011, GASB issued Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions – an amendment of GASB Statement 53* (GASBS 64). This statement is effective for periods beginning after June 15, 2011, and was implemented in the College's fiscal year ended June 30, 2013. The adoption of GASBS 64 does not have any impact on the College's 2013 financial statements.
- In November 2010, the GASB issued Statement 61, *The Financial Reporting Entity: Omnibus— an amendment of GASB Statements No. 14 and No. 34* (GASBS 61). GASBS 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes only organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. The statement is effective for periods beginning after June 15, 2012. As a result of the issuance and implementation of GASBS 61, the College re-evaluated the classification of the Foundation and determined it more properly should be reported as a component unit of the college. Thus, the 2013 financial statements include financial information and disclosures, as appropriate, for the Foundation as a discrete component unit and in the financial statement disclosures.

Additionally, as a result of GASBS 61 implementation, LIBC re-evaluated the status of the College, which had previously been reported one of its component units. The College is not considered an LIBC component unit.

NOTE 2 — CASH AND INVESTMENTS:

Governmental Activities:

At June 30, 2013, cash and cash equivalents consisted of the following:

Governmental activities:	
Cash in demand deposits	\$ 1,256,460
Cash on hand	<u> 650</u>
Total cash and cash equivalents	<u>\$ 1,257,110</u>

For the governmental activities, at June 30, 2013, the carrying amount of deposits was \$1,257,110 and the bank balance was \$1,411,917. Of the bank balance, \$250,000 was covered by the Federal Deposit Insurance Corporation (FDIC), \$500,000 was covered by Securities Investor Protection Corporation (SIPC) insurance, and the remaining \$661,917 was fully collateralized.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS (continued):

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

Component Unit:

All cash is deposited in various Foundation checking and investment accounts. At June 30, 2013, the carrying amount of deposits was \$724,009 and the bank balance was \$717,203. Of the bank balance, \$86,312 was covered by the Federal Deposit Insurance Corporation (FDIC), \$500,000 was covered by the Securities Investor Protection Corporation (SIPC), the remaining balance of \$130,891 was fully collateralized.

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
Bonds	\$ 1,041,534	\$ 1,041,534	-	-	-
CD	25,994	25,994	-	-	-
Total	\$ 1,067,528	\$ 1,067,528	-	-	-

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.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS (continued):

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
A+	Corporate Bonds	55%
A	Corporate Bonds	2%
BBB+	Corporate Bonds	40%

The carrying amount of these investments is cost. 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 covered by the SIPC up to \$500,000 and any balance in excess is collateralized by pledged securities.

	Market Value
Mutual funds	\$ 1,319,913
Stocks	4,848,556
Other	10,405
Total investments	<u>\$ 6,178,874</u>

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.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 3 — ENDOWMENT FUND:

Component Unit

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.

Following is a summary of activity in the endowment fund during fiscal year 2013:

	Department of Education Challenge Grant	Bureau of Indian Affairs	LIBC Share (Part 2)	Other	Total
<i>Balance, June 30, 2012</i>	\$ 5,395,601	\$ 843,791	\$ 262,575	\$ 1,308,252	\$ 7,810,219
Contributions	291,414	4,542	-	10,380	306,336
Investment earnings, net of losses	248,693	27,253	-	45,163	321,109
Earnings transferred from endowment fund, net	(601,729)	(75,000)	(262,575)	(113,743)	(1,053,047)
<i>Balance, June 30, 2013</i>	<u>\$ 5,333,979</u>	<u>\$ 800,586</u>	<u>\$ -</u>	<u>\$ 1,250,052</u>	<u>\$ 7,384,617</u>

Northwest Indian College

Notes to Basic Financial Statements

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, 2013, is as follows:

	29 Palms Band of Mission Indians	Trillium Corporation	Totals
2014	\$ 100,000	\$ -	\$ 100,000
2015	100,000	200,000	300,000
2016	100,000	200,000	300,000
2017	100,000	200,000	300,000
2018 and thereafter	100,000	350,000	450,000
Total contributions receivable	<u>\$ 500,000</u>	<u>\$ 950,000</u>	<u>\$ 1,450,000</u>

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

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, 2013, are summarized below:

Agency	Accrued Revenue	Deferred Revenue
Department of Education	\$ 104,386	\$ 106,441
U.S. Department of Health and Human Services	65,407	1,889
U.S. Department of Agriculture	75,019	57,077
U.S. Department of Housing and Urban Development	226,188	-
Institute of Museum and Library Services	20,457	-
National Aeronautic and Space Administration	1,050	1,125
National Science Foundation	117,282	157
Department of Defense	17,397	-
Corporation for National and Community Services	66	-
State and other assistance	92,245	628,613
Total all sources	<u>\$ 719,497</u>	<u>\$ 795,302</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 6 — CAPITAL ASSETS:

Governmental Activities:

Capital assets activity for the year ended June 30, 2013, is summarized as follows:

	Balance June 30, 2012	Additions	Transfers	Balance June 30, 2013
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 760,229	\$ 3,755,927	\$ (747,208)	\$ 3,768,948
Total capital assets not being depreciated	<u>760,229</u>	<u>3,755,927</u>	<u>(747,208)</u>	<u>3,768,948</u>
Capital assets being depreciated:				
Land improvements	1,717,249	-	315,973	2,033,222
Buildings and improvements	13,341,517	-	431,235	13,772,752
Equipment and vehicles	1,520,533	141,170	-	1,661,703
Total capital assets being depreciated	<u>16,579,299</u>	<u>141,170</u>	<u>747,208</u>	<u>17,467,677</u>
Less accumulated depreciation:				
Land improvements	(107,966)	(49,327)	-	(157,293)
Buildings and improvements	(1,894,551)	(333,603)	-	(2,228,154)
Equipment and vehicles	(1,313,658)	(107,711)	-	(1,421,369)
Total accumulated depreciation	<u>(3,316,175)</u>	<u>(490,641)</u>	<u>-</u>	<u>(3,806,816)</u>
Net capital assets being depreciated	<u>13,263,124</u>	<u>(349,471)</u>	<u>747,208</u>	<u>13,660,861</u>
Net capital assets	<u>\$ 14,023,353</u>	<u>\$ 3,406,456</u>	<u>\$ -</u>	<u>\$ 17,429,809</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 \$490,641 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, 2013, is summarized as follows:

	Balance June 30, 2012	Disposals	Balance June 30, 2013
Property not being depreciated:			
Land	\$ 202,975	\$ -	\$ 202,975
Total property not being depreciated	<u>202,975</u>	<u>-</u>	<u>202,975</u>
Equipment being depreciated:			
Equipment	10,000	-	10,000
Total equipment being depreciated	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Less accumulated depreciation:			
Equipment	(10,000)	-	(10,000)
Vehicles	(12,411)	12,411	-
Total accumulated depreciation	<u>(22,411)</u>	<u>12,411</u>	<u>(10,000)</u>
Net equipment being depreciated	<u>(12,411)</u>	<u>12,411</u>	<u>-</u>
Net property and equipment	<u>\$ 190,564</u>	<u>\$ 12,411</u>	<u>\$ 202,975</u>

Depreciation expense for 2013 was \$0.

NOTE 7 — LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2013, were as follows:

	Balance June 30, 2012	Reductions	Balance June 30, 2013	Amounts Due Within One Year
USDA loan	<u>\$ 734,690</u>	<u>\$ (8,518)</u>	<u>\$ 726,172</u>	<u>\$ 15,473</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 7 — LONG-TERM LIABILITIES (continued):

Long-term liabilities at June 30, 2013, 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.

	\$ 726,172
Less current maturities	<u>15,473</u>
Total long-term debt, net of current maturities	<u>\$ 710,699</u>

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

Years Ended June 30,	Principal	Interest	Total
2014	\$ 15,473	\$ 27,231	\$ 42,704
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
2019-2023	100,239	113,280	213,519
2024-2028	120,497	93,023	213,520
2029-2033	144,849	68,670	213,519
2034-2038	174,124	39,396	213,520
2039-2043	103,076	7,172	110,248
	<u>\$ 726,172</u>	<u>\$ 451,674</u>	<u>\$ 1,177,846</u>

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, 2013, employer and employee contributions were \$255,138 and \$18,750, respectively, to the Plan.

Northwest Indian College

Notes to Basic Financial Statements

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.

NOTE 11 — LINE OF CREDIT:

Component Unit:

The Foundation has a line of credit agreement with US Bank under which it may borrow up to \$2,765,000 with interest at the bank's prime lending rate plus 0.75%. The outstanding balance as of June 30, 2013, was \$0. This line of credit is unsecured.

NOTE 12 — 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).

Northwest Indian College

Notes to Basic Financial Statements

NOTE 13 — 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 2013.

Northwest Indian College, employees	\$	3,975
State of Washington Combined Fund Drive		1,691
Boeing		15,685
Seattle Foundation/General Scholarship		1,500
William Freeman		1,000
Gularte, Gloria.		5,000
Ellen Ferguson		1,250
Judith Mich		1,000
Swinomish Contributions		5,000
Sequoia Leasing/Linda Webb		5,000
Other - under \$1,000 individually		12,670
Total	\$	<u>53,771</u>

NOTE 14 — UNRESTRICTED NET POSITION:

The Foundation's unrestricted net position has a deficit of \$853,909 at June 30, 2013. 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



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, 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, the discretely presented component unit, and each major fund of Northwest Indian College (the College) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the College's basic financial statements and have issued our report thereon dated March 21, 2014.

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 a 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2013-001 that we consider to a significant deficiency.



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*.

The College's Response to Findings

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

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.

Stauffer & Associates, PLLC

Liberty Lake, Washington
March 21, 2014



STAUFFER & ASSOCIATES PLLC
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY 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'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 its major federal programs for the year ended June 30, 2013. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The College's basic financial statements include the operations of Northwest Indian College Foundation (Foundation) which reported \$6,134,565 in federal awards which is not included in the schedule during the year ended June 30, 2013. Our audit, described below, did not include the operations of the Foundation because it obtained a separate OMB A-133 compliance audit for the year ended June 30, 2013, and the required reporting and schedules are available in that audit report.

Management's Responsibility

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

Auditors' 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 Major Federal Program

In our opinion, the Northwest Indian 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, 2013.

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.

Stauffer & Associates, PLLC

Liberty Lake, Washington
March 21, 2014

Section I — Summary of Auditors' Results

FINANCIAL STATEMENTS:

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

Yes No

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 No

Significant deficiency(ies) identified?

Yes none reported

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

Unmodified

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, 2013

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.031T 47.082	Title - III ARRA NSF Facilities Renovation

Dollar threshold used to distinguish
between type A and type B programs: \$446,210

Auditee qualified as low-risk auditee? yes no

Section II — Financial Statement Findings

Finding 2013-001

Criteria:

Internal control is a process effected by an entity's [governing body], management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

(Internal Control – Integrated Framework, Committee of Sponsoring Organizations of the Treadway Commission, © 1992, 1994, p. 13)

Condition:

[] *Compliance Finding* [X] *Significant Deficiency* [] *Material Weakness*

During transactional testing we found 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.

Effect:

Without adequate internal controls to ensure that purchases are approved by the finance department prior to making the purchase, there is a possibility of unallowable expenditures being purchased with grant funds.

Recommendation:

We recommend that all employees be informed of the College's Purchasing Policies and Procedure upon hire and that periodic reviews be conducted to monitor compliance with these policies/purchases.

Northwest Indian College

**Schedule of Findings
and Questioned Costs (Continued)**

Year Ended June 30, 2013

Section III — Financial Statement Findings

No Matters to Report

AUDITEE'S SECTION

Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2013

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C.F.D.A. Number	Award Number	Expenditures
DEPARTMENT OF THE INTERIOR:				
00000	Bureau of Indian Affairs: Tribally Controlled Colleges	15 027	N/A	\$ 4,298,380
Total Department of the Interior				<u>4,298,380</u>
DEPARTMENT OF EDUCATION:				
21007	Title III - Strengthening Institutions	84.031T	P031T060018	137
21008	Title III - 2010-2011	84.031T	P031T100319	1,324,550
21014	Title III - Coast Salish Library	84.031T	P031T080050	1,218,564
21121	Title III - Formula Funds	84.031T	P031T090204	23,077
21122	Title III - Formula Funds	84.031T	P031T100419	1,295,940
Subtotal				<u>3,862,268</u>
21120	Minority Science Improvement	84.120A	P120A090033-10	8,981
24512	Pell	84.063	P063P113893	(6,392)
24513	Pell	84.063	P063P123893	1,982,998
27013	ED -FWS	84.033	P033A127627	62,588
26512	Distribution of Student Grants	84.007	P007A117627	13,368
26513	Distribution of Student Grants	84.007	P007A127627	48,000
				<u>2,100,562</u>
35513	Adult Basic Education	84.002A	262-ABE-13	56,543
35550	ABE Program Development	84.002A	262-PD-12	1,000
				<u>57,543</u>
Total Department of Education				<u>6,029,354</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES				
24213	Native American Research Center for Health	93.933	U26IHS300291/01	428,489
24214	Caring for Our Generations	93.279	1R01DA029000-01	107,179
24215	CBPR with Tribal Colleges	93.279	1R01DA029001-01	171,812
24216	Native Pathways to Sobriety	93.279	1R015A029002-01	194,507
24217	Caring for Our Generations	93.279	3R01DA029000-01S1	135
				<u>473,633</u>
25100	Women's Wellness Activities	93.015	HPPWH100073-01-00	122,177
51007	Passed Through University of Washington: Tissue and Organ Donation	93.---	N/A	411
51008	CMOP	93.---	N/A	14,904
51009	CMOP	93.---	N/A	68
				<u>14,972</u>
Passed Through State Board of Community and Technical Colleges:				
45012	Work First	93.558	262-WDA-12	1,829
45013	Work First	93.558	262-WFDA-13	61,215
Subtotal				<u>63,044</u>
Total Department of Health and Human Services				<u>1,102,726</u>
DEPARTMENT OF COMMERCE				
22810	NOAA - Discovery Internship Passed Through University of Washington	11.454	NA09NMF4540240	28,408
Total Department of Commerce				<u>28,408</u>

See accompanying independent auditors' report.

Schedule of Expenditures of Federal and Nonfederal Awards (Continued)

Year Ended June 30, 2013

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C F D A Number	Award Number	Expenditures
DEPARTMENT OF AGRICULTURE				
28510	Education Equity	10 221	2006-38421-66922	\$ 113,179
				<u>113,179</u>
28409	Tribal Colleges Endowment	10 222	2008-38423-06922	1,513
28410	Tribal Colleges Endowment	10 222	2010-38423-06922	32,702
28411	Tribal Colleges Endowment	10 222	2012-38423-06922	119,874
				<u>154,089</u>
28712	Tribal Community Health	10 500	2011-47002-30748	73,857
28720	Cooperative Extension	10 500	2010-47002-21335	116,506
60912	Financial Literacy Development	10 500	2011-47002-30747	85,369
28735	Tool Kits	10 500	2012-46100-20110	13,554
28740	Food and Traditions Institute	10 500	2011-47002-30746	59,421
				<u>348,707</u>
28612	Traditional Foods Lummi	10.227	2011-38424-30667	91,652
28750	Bellingham Bay Pollution Study	10.227	2012-38424-19745	38,554
				<u>130,206</u>
28105	University of Idaho Travel	10.303	2008-51130-04734	59,958
29109	Natural Resource Lab	10 --	N/A	620
29110	Natural Resource Lab	10 --	N/A	30,558
29111	Natural Resource Lab	10 --	N/A	181,602
				<u>212,780</u>
	Total Department of Agriculture			<u><u>1,018,919</u></u>
DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
29201	HUD/TCUP	14 519	TCUP-10-WA-420	290,325
	Total Department of Housing and Urban Development			<u><u>290,325</u></u>
INSTITUTE OF MUSEUM AND LIBRARY SCIENCES				
20511	Native American Library Services	45 311	NG-05-11-0124-11	2,940
20512	Native American Library Services	45 311	NG-05-12-0062-12	7,177
20709	Native American Library Enhancement	45 311	NG-03-10-0258-10	20,711
	Total Institute of Museum and Library Services			<u><u>30,828</u></u>
NATIONAL ENDOWMENT FOR THE ARTS				
84913	National Endowment for the Arts	45 024	12-5500-7061	25,000
	Total National Endowment for the Arts			<u><u>25,000</u></u>
NATIONAL AERONAUTIC AND SPACE ADMINISTRATION				
51005	Pass Through the University of Washington Space Grant	43 --	991496	20,322
	Total National Aeronautic and Space Administration			<u><u>20,322</u></u>

See accompanying independent auditors' report.

Schedule of Expenditures of Federal and Nonfederal Awards (Continued)

Year Ended June 30, 2013

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C F D.A. Number	Award Number	Expenditures
NATIONAL SCIENCE FOUNDATION				
26410	ARRA NSF - Science Facilities Renovation	47 082	OIA-0963546	1,326,697
26409	NSF - Science and Technology Education	47 076	HRD-1023263	495,404
26411	NSF - Scholarships NA Enviro Scientists	47 076	DUE-1060692	164,254
Passed through the Salish Kootenai College				
67208	Louis Stokes Alliance	47 076	N/A	43,058
				<u>702,716</u>
Total National Science Foundation				<u>2,029,413</u>
Total Federal Financial Assistance				<u>14,873,675</u>
STATE AND OTHER:				
20400	AICF		N/A	\$ 8,850
20610	Pass Through UW National Network of Libraries of Medicine, Pacific NW Region		N/A	13,645
23409	AIHEC - NASA Summer Research		N/A	26,133
23411	AIHEC - Breaking Through		N/A	6,129
23425	AIHEC - EPA ecoAmbassador Project		N/A	30,348
25501	Boeing Scholarships		N/A	10,000
25502	Rosalie & Sam Long Scholarships		N/A	19,600
25503	Linda Kay Webb Scholarships		N/A	5,000
25504	Lummi High School Scholarships		N/A	2,000
25505	San Manuel Scholarships		N/A	10,400
25506	Student Assistance Fund		N/A	24,019
28616	WCF - Sustainable Whatcom Fund		20130224	289
28620	ConAgra Foods		N/A	1,301
35101	WWU Grad Study		N/A	10,264
35102	WWU/WACC		N/A	5,646
37413	ABE CBO State Grant		N/A	19,048
40513	Work Study		N/A	17,214
41012	State Need		N/A	(1,085)
41013	State Need		N/A	262,279
42013	College Bound 12/13		N/A	15,634
52020	Edmonds Community College Mathematical Ed Collaboration's		N/A	3,000
60320	NRC - REACH		N/A	86,333
60512	AICF - Student Scholarships		N/A	(875)
60513	AICF - Student Scholarships		N/A	127,290
60611	College Spark Washington		N/A	69,457
60613	College Spark Washington		N/A	58,384
60750	American Indian Endowed Scholarship		N/A	3,100
60814	AICF - Lilly		N/A	25
60907	Financial Literacy Development		N/A	59,270
60940	Salish Kootenai College-Partners in Student Success		N/A	2,500
60950	AICF - Sacred Little Ones		N/A	204,779
60951	AICF - Sacred Little Ones - Suppliment		N/A	17,418
61512	Lummi Scholarship		150.8020	291,083
66011	Whatcom Conservation District - Ten Mile Watershed		G0500076b	881
66015	Whatcom County Public Works - Water Quality		N/A	17,573
67308	Bill & Melinda Gates Foundation		N/A	20,592
73013	AIS FY13		N/A	37,850
82507	AICF - Cultural Preservation		N/A	4,073
82600	LIBC Art Carving Project		N/A	8,153
83411	Thi Beta Kappa		N/A	1,897
83412	Athletics		N/A	7,090
83417	Drama - NWIC Players		N/A	684
83419	NWIC Space Center		N/A	10,697

See accompanying independent auditors' report.

Schedule of Expenditures of Federal and Nonfederal Awards (Continued)

Year Ended June 30, 2013

Program Number	Federal Grantor/Pass-Through Grantor/Program Title	C F D A. Number	Award Number	Expenditures
STATE AND OTHER (continued):				
83420	Sia-Hal Club		N/A	368
83421	Athletics Fundraising		N/A	7,086
83422	Annual Canoe Journey		N/A	3,740
83427	NWIC Space Center USLI Team		N/A	1,161
84104	NASA - Applied Technology		N/A	41,982
84106	Traditional Plants		N/A	69,271
84107	Extension - Community Events		N/A	21,827
84108	Muckleshoot Food and Plants		N/A	9,418
84109	Indigenous Food & Traditions		N/A	12,502
84121	First Nations Development Institute		N/A	33,331
84122	First Nations Development Institute		N/A	4,475
84506	Service Learning - NWIC		N/A	2,518
84825	MJ Mudock-Campus Tech Improvement		N/A	179,561
84850	MAC Cultural Arts Programs		N/A	131,091
85112	Vine Deloria Indigenous Studies Symposium		N/A	9,484
90200	LNSO		N/A	17,960
90300	LIBC - LSOC		N/A	51,144
90301	LIBC - LSOC		N/A	1,060
90400	NSL Internships		N/A	10,835
91000	Annual Career Fair		N/A	343
92000	Lannan - Native Studies Program		N/A	89,366
Total State and Other				2,216,491
Total Federal, State and Other				17,090,166
Reconciling Items				
Expenditures recorded in the general fund				
00000	Tribally Controlled Colleges			(4,298,380)
Total expenditures in Grants and Contracts Fund				12,791,786

See accompanying independent auditors' report.

Northwest Indian College

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2013

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, 2013

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:

<u>Name</u>	<u>CFDA#</u>
Tribally Controlled Community College Student Financial Aid Program Cluster:	15.027
SEOG	84.007
College Work Study	84.033
Pell Grant	84.063
Title - III	84.031T
Caring for Our Generations	93.279
NSF Science and Technology Education	47.076
ARRA NSF - Science Facilities Renovation	47.082

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 Title – III and ARRA NSF – Science Facilities Renovation were 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):

<u>Name</u>	<u>CFDA#</u>
Education Equity	10.221
Tribal Colleges Endowment	10.222
Traditional Foods	10.227
Permanent Extension Office/Diabetes	10.500
HUD/TCUP	14.519
National Resource Lab	10.---
Native American Research Center for Health	93.933
Women's Wellness Activities	93.015

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). None of the Type B programs with expenditures in excess of the Small-Program Floor were determined to be "high-risk" programs.

Northwest Indian College

Notes to Schedule of Expenditures of Federal and Nonfederal Awards

Year Ended June 30, 2013

NOTE 6 – USDA LOAN

The College has an existing USDA Rural Development loan issued in fiscal year 2007. At June 30, 2012 (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 2013.

Finding #13-1 Purchasing outside of the established protocols and procedures

Management Response:

The employee in question is no longer an employee of the College. As a institutional response, the institutional Leadership Team is scheduled to receive a tutorial in *Purchasing protocols* at their next regular meeting. This training should receive the majority of Leadership and supervisors in the institution, as a reminder of the established policies and procedures.

Program Responsible:

Supervisors are responsible for responding when an employee is identified as violating the purchasing policies.

The Finance Department is responsible for developing the *Purchasing Tutorial*.

Corrective Action:

The employee in question is no longer an employee of the College, but the institutional response is to provide reminders to all individuals responsible for the purchasing of goods and services.

Anticipated completion date:

The anticipated completion is April of 2013.

Northwest Indian College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

Findings from the year ended June 30, 2012, and prior

No matters to report.