

NORTHWEST INDIAN COLLEGE

Basic Financial Statements and Independent Auditors' Reports



June 30, 2015

Northwest Indian College

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Northwest Indian College
Bellingham, Washington

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Northwest Indian College (the College), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Northwest Indian College as of and for the year ended June 30, 2015, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2016 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.



Gilbert, Arizona
March 31, 2016

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, 2015, with comparative data, in most cases, for fiscal years 2011 through 2014. The information contained here is intended to provide the users of these financial statements with a well-rounded picture of the College's financial condition. It addresses the primary government financial statements only; the detailed presentation is given in the College's basic financial statements, footnotes and supplementary information. Responsibility for this discussion and the completeness and fairness of the information presented resides with the College.

Using This Report

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

Highlights of the 2014-2015 Fiscal Year

Institutional Developments

The College successfully developed and received approval from its accrediting body, the Northwest Commission on Colleges and Universities (NWCCU), to offer a new Bachelor of Arts degree in Community Activists and Responsive Education (CARE). This is the fourth Bachelor's degree developed by the College since 2010. NWCCU officially approved the CARE degree in December of 2014. The first courses were implemented in January (Winter Quarter) of 2015.

The College's graduating class reached triple digits for the first time in its history as a total of 100 credentials were conferred in the 2015 academic year. This represents a milestone for the College. The breakdown of credentials includes 32 Bachelor's degrees, 62 Associates of Arts and Sciences degrees, 4 ATA/certificates, and 2 Awards of Completion.

During the year, the College also successfully completed the four-year Achieving the Dream (ATD) student success initiative. Overall, the ATD plan had a positive impact on the retention and graduation rates of students campus wide, including our six extended campus sites. Although the grant has expired, this is by no means an end to our student success initiatives. We will continue to sustain and institutionalize the effective retention strategies and practices gained through the ATD framework in the future.

As part of the mission of the College, one of our primary goals is to promote and encourage the development of healthy tribal communities. Each of our educational offerings contributes to this goal in some fashion. The evolution in the college's capacity to meet the educational needs of the tribal communities in the Pacific Northwest is the culmination of years of significant investment and will impact the College operations and its service to students in positive and empowering ways for years to come.

Northwest Indian College

Management’s Discussion and Analysis

Highlights of the 2014-2015 Fiscal Year (continued)

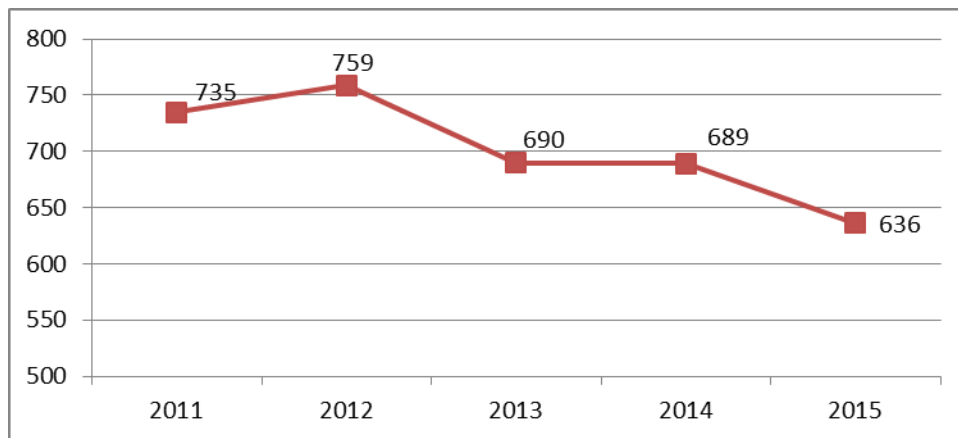
Institutional Developments (continued)

As a land-grant institution, the College took an important step this past year by developing a short-term land-grant plan that aligns with our institutional strategic plan, which concludes in 2017. The plan is comprised of two primary goals: develop a Northwest Indian College Indigenous Wellness Plan and develop an Indigenous Research Framework/Policy. Both of these goals have a deadline of 2017—or at conclusion of the existing strategic plan—with the expectation that the ongoing implementation of these goals will be integrated into the next institutional strategic plan.

Financial Overview

The College’s chief sources of unrestricted operating revenue are from the Tribally Controlled College (TCC) funding through the Bureau of Indian Affairs, tuition and fees, and donations. TCC funding is federal formula funding based on the previous year’s Indian Student Count (ISC). This formula strategy means the College won’t see an impact on TCC revenue that reflects the current year’s average ISC until the next fiscal year. During the 2015 academic year, TCUs nationwide experienced a 6% decrease in total ISCs. The decrease in ISCs at NWIC during this period of time mirrors that trend.

Figure 1: Indian Student Count (ISC) by year



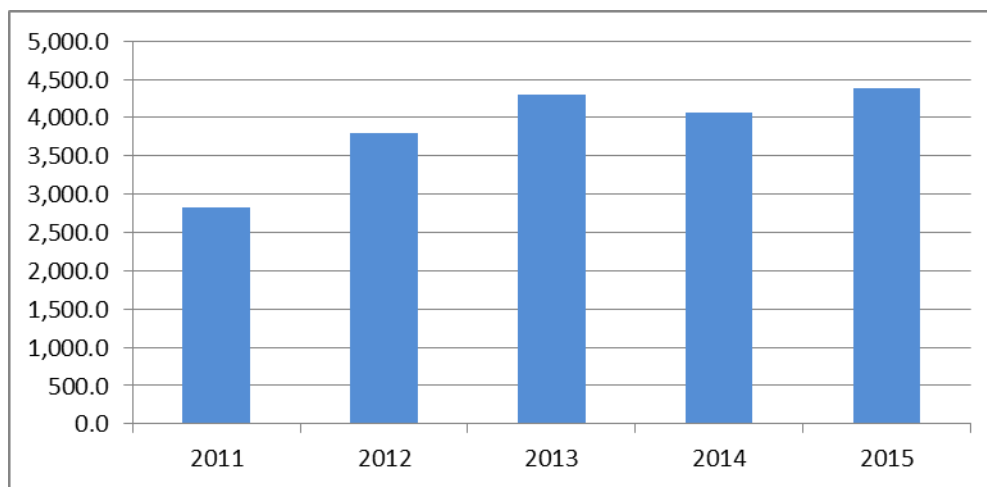
Management's Discussion and Analysis

Highlights of the 2014-2015 Fiscal Year (continued)

Financial Overview (continued)

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

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



TCC funding levels for the College include some amount of uncertainty due to the method of calculation for the TCC Award amount per ISC. The federal government budgets a fixed dollar amount for all Tribal Colleges and Universities (TCUs) to share, regardless of changes in the number of total ISC throughout the country or in the number of TCUs receiving awards. This method of allocation results in fluctuating amounts of funding per ISC each year. Everything remaining the same, an increase in the aggregate number of ISCs nationally will decrease the award amount per ISC, while a decrease in the aggregate number of ISCs will increase the award amount per ISC. In 2015, the total number of ISCs for all TCUs decreased and this resulted in an increase in the award per ISC as shown in Figure 3.

Figure 3: History of Award per ISC, 2010-2015

Year	2010	2011	2012	2013	2014	2015
Award	5,784	5,223	5,665	5,850	6,355	6,717

Even with these fluctuations, TCC funds represent a relatively stable percentage of the College's total unrestricted revenues.

Management's Discussion and Analysis

Highlights of the 2014-2015 Fiscal Year (continued)

Financial Overview (continued)

Figure 4 shows the total Revenue for Years 2011-2015.

Figure 4: Total Revenue for Years 2011-2015 (in hundreds)

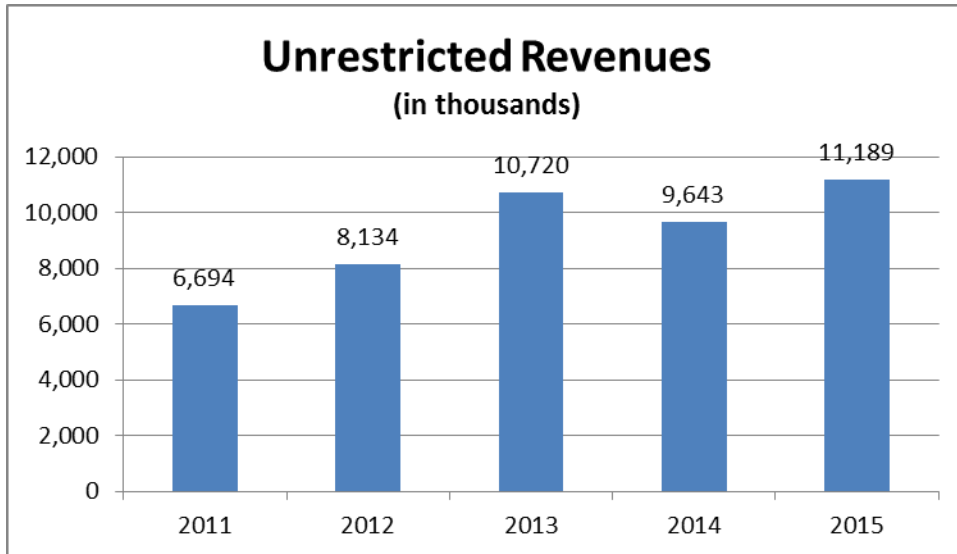
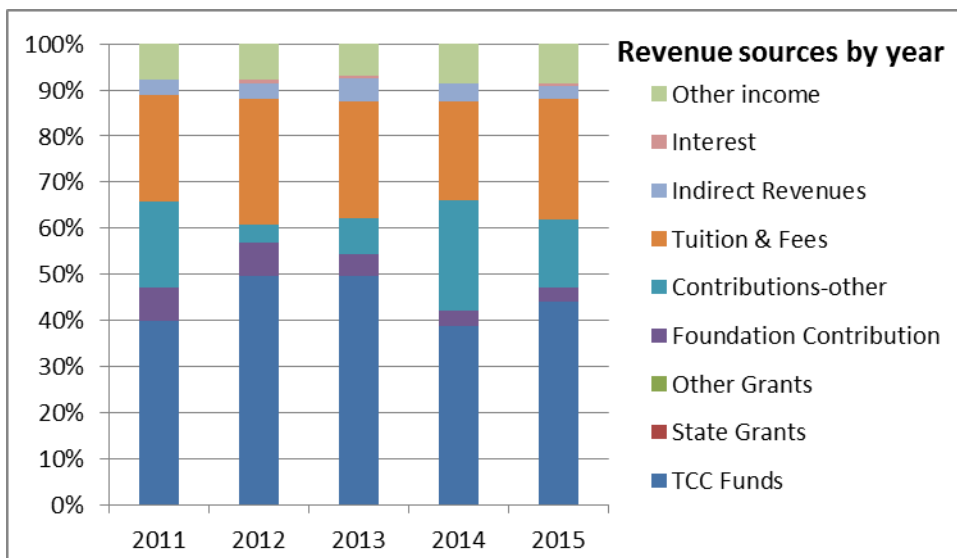


Figure 5 shows the different Revenue Sources by year.

Figure 5: Revenue Sources by Year



Northwest Indian College

Management’s Discussion and Analysis

Highlights of the 2014-2015 Fiscal Year (continued)

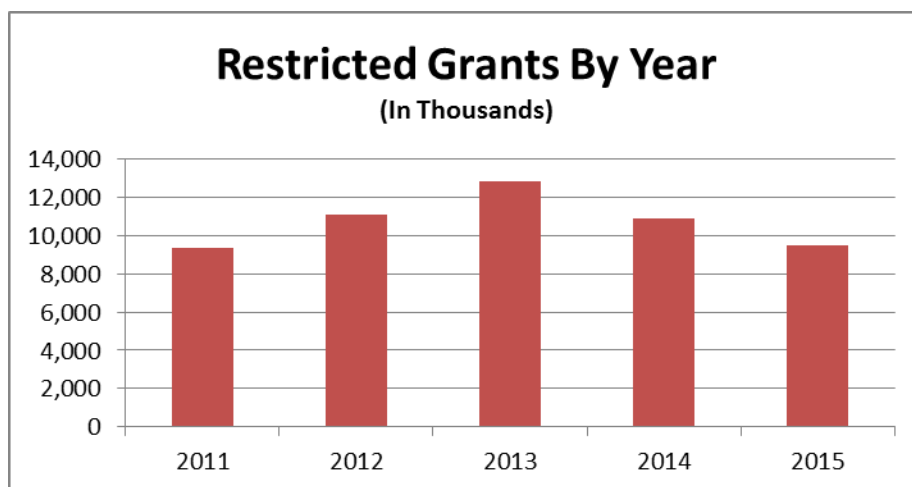
Financial Overview (continued)

The federal sequestration of spending authority in 2012 reduced funding from multiple federal revenue sources. To offset these reductions, a proportional increase in the tuition and fees amounts was approved by the Board of Trustees. The College has observed a positive impact from these changes on tuition and fee revenues.

Student tuition is most commonly covered by PELL grants and scholarship payments from the various tribes that are represented in our student body. As tuition increases and the federal PELL regulations become more restrictive, students are finding it more challenging to meet their financial obligation to the College—especially when pursuing a Bachelor’s degree. In response to this need, the College has received increased scholarship support from the Northwest Indian College Foundation and other tribal entities.

Federal grants, including the Department of Education’s Title III grant, continue to make up a significant portion of the College’s total revenues. Many of these federal grants include restrictions on the use of the grant funds. These purpose restrictions are often directed at activities whose goal is to build the capacity of the College to serve tribal students and communities. The College has seen an increase in Restricted Grants since 2011, primarily due to the change of the Title III funding from a competitive grant process to a formula funded process. This increase in stable funds has substantially supported the college’s efforts to develop baccalaureate degree offerings and other customized programs that meet the needs of the tribal communities and constituent members served by the College.

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



General Fund Budgetary Highlights

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

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Due to the significance of restricted grants to the College's total revenues, the annual institutional budgeting process now includes consideration of grant initiation and expiration. Additionally, in Fiscal Year 2015 the College developed a three year budget projection process to provide more proactive resource utilization planning for the medium and long term. These budget projections are linked directly to the 2010 – 2017 Strategic Plan and other institutional goals and objectives.

Figures 7 & 8 demonstrate the allocation of funds for FY 2015 and the impact of restricted grants on the proportions of funding allocated to major expense categories.

Figure 7: Total Operating Expenses for FY 15 (with Restricted Grants):

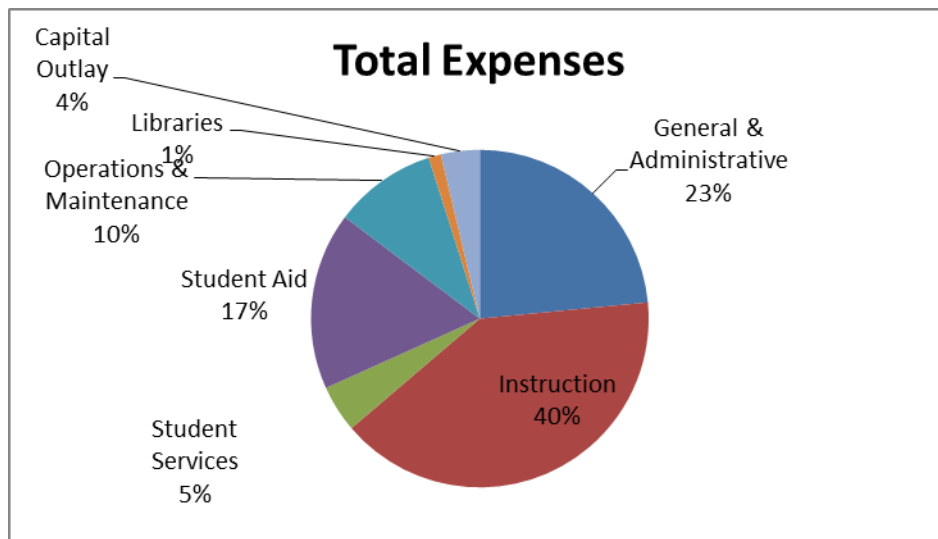
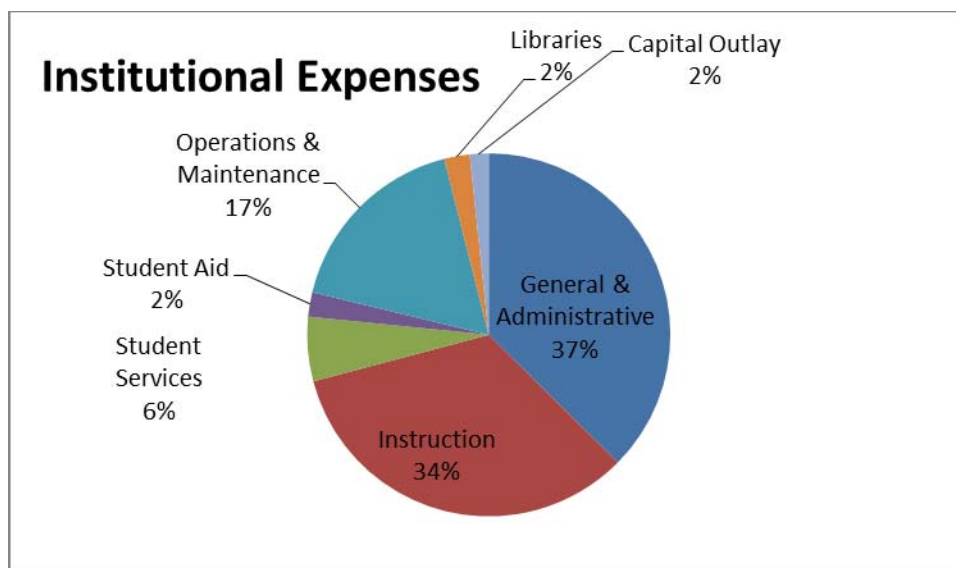


Figure 8: Institutional Operating Expenses for FY 15 (without Restricted Grants):



Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 9 shows comparisons of general revenue and expenditure categories, relative to Governmental Funds, for fiscal years 2012 through 2015. The positive Net Change in Fund Balance for FY 2015 primarily resulted from annual institutional expenditures being approximately 8% under budget.

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

	2015	2014	2013	2012
Revenues				
Federal and private grants	\$ 13,787,455	\$ 14,851,136	\$ 16,821,598	\$ 14,811,779
Tuition and fees	2,686,722	2,610,432	2,231,936	2,196,638
Contributions	2,743,167	1,941,856	2,977,045	1,074,607
Other revenue	1,453,383	1,303,383	1,569,378	1,060,366
Total revenues	<u>20,670,727</u>	<u>20,706,807</u>	<u>23,599,957</u>	<u>19,143,390</u>
Expenses				
Educational	14,479,368	13,286,324	13,927,300	13,102,467
General and administrative	3,889,218	3,878,264	4,113,727	4,569,590
Capital outlay	429,125	4,156,687	3,897,097	1,989,343
Debt service	42,704	42,303	40,661	42,704
Total expenses	<u>18,840,415</u>	<u>21,363,578</u>	<u>21,978,785</u>	<u>19,704,104</u>
Change in Net Position	1,830,312	(656,771)	1,621,172	(560,714)
Interest Income/(Loss)	(19,944)	12,540	12,034	54,706
USDA Loan Proceeds	-	-	-	100,113
Net Change in Fund Balance	<u>\$ 1,810,368</u>	<u>\$ (644,231)</u>	<u>\$ 1,633,206</u>	<u>\$ (405,895)</u>

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

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

Figure 10: Statement of Net Position

Figure 10			
Net Position			
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Assets			
Current	4,437,622	\$ 2,933,548	\$ 3,628,531
Noncurrent	\$ 21,026,588	22,054,201	18,779,809
Total assets	<u>25,464,210</u>	<u>24,987,749</u>	<u>22,408,340</u>
Liabilities			
Current	1,140,179	1,446,473	1,496,645
Noncurrent	684,939	699,497	710,699
Total liabilities	<u>1,825,118</u>	<u>2,145,970</u>	<u>2,207,344</u>
Net Position			
Net investment in capital assets	20,025,596	20,288,651	16,703,637
Restricted	-	-	-
Unrestricted	3,613,496	2,553,128	3,497,359
Total net position	<u>\$ 23,639,092</u>	<u>\$ 22,841,779</u>	<u>\$ 20,200,996</u>

Northwest Indian College

Management's Discussion and Analysis

General Fund Budgetary Highlights (continued)

Figure 11: Changes in Capital Assets

Figure 11
Changes in Capital Assets

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 6,843	\$ 51,709	\$ -	\$ 58,552
Total capital assets not being depreciated	<u>6,843</u>	<u>51,709</u>	<u>-</u>	<u>58,552</u>
	-	-	-	-
Capital assets being depreciated:				
Land improvements	2,033,222	3,390	-	2,036,612
Buildings and improvements	21,625,821	79,898	-	21,705,719
Equipment and vehicles	1,727,426	294,118	(142,406)	1,879,138
Total capital assets being depreciated	<u>25,386,469</u>	<u>377,406</u>	<u>(142,406)</u>	<u>25,621,469</u>
	-	-	-	-
Less accumulated depreciation:				
Land improvements	(210,569)	(53,319)	-	(263,888)
Buildings and improvements	(2,657,020)	(540,031)	-	(3,197,051)
Equipment and vehicles	(1,521,522)	(113,378)	142,406	(1,492,494)
Total accumulated depreciation	<u>(4,389,111)</u>	<u>(706,728)</u>	<u>142,406</u>	<u>(4,953,433)</u>
Net capital assets being depreciated	<u>20,997,358</u>	<u>(329,322)</u>	<u>-</u>	<u>20,668,036</u>
Net capital assets	<u>\$ 21,004,201</u>	<u>\$ (277,613)</u>	<u>\$ -</u>	<u>\$ 20,726,588</u>

College-wide Financial Statements

Northwest Indian College

Statement of Net Position

June 30, 2015

	Primary Government College-wide 2015	Foundation 2015
Assets		
Current assets:		
Cash and cash equivalents	\$ 608,156	\$ 331,818
Investments	2,508,556	6,738,805
Contributions receivable	100,000	-
Receivables:		
Grants	381,697	-
Other	2,443,132	-
Allowance for doubtful accounts	(1,611,208)	-
Inventory	7,289	-
Total current assets	<u>4,437,622</u>	<u>7,070,623</u>
Noncurrent assets:		
Capital assets:		
Land improvements	2,036,612	202,975
Buildings and improvements	21,705,719	-
Machinery and equipment	1,879,138	10,000
Accumulated depreciation	(4,953,433)	(10,000)
Construction in progress	58,552	-
Total capital assets	<u>20,726,588</u>	<u>202,975</u>
Contributions receivable	<u>300,000</u>	<u>-</u>
Total noncurrent assets	<u>21,026,588</u>	<u>202,975</u>
Total assets	<u>25,464,210</u>	<u>7,273,598</u>
Liabilities		
Current liabilities:		
Accounts payable	252,575	299,460
Accrued expenses	236,875	-
Unearned revenue	634,676	-
Current portion of long-term obligations	16,053	-
Total current liabilities	<u>1,140,179</u>	<u>299,460</u>
Noncurrent liabilities:		
Noncurrent portion of long-term obligations	<u>684,939</u>	<u>-</u>
Total liabilities	<u>1,825,118</u>	<u>299,460</u>
Net Position		
Net investment in capital assets	20,025,596	202,975
Permanently restricted	-	1,579,775
Temporarily restricted	-	6,928,337
Unrestricted	3,613,496	(1,736,949)
Total net position	<u>\$ 23,639,092</u>	<u>\$ 6,974,138</u>

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

Northwest Indian College

Statement of Activities

June 30, 2015

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 2015	Foundation 2015
		Tuition and Fees	Sales, Services, and Other Revenues				
PRIMARY GOVERNMENT:							
Governmental activities:							
General and administrative	\$ 5,374,102	\$ -	\$ 432,508	\$ 6,849,974	\$ -	\$ 1,908,380	\$ -
Education:							
Instruction	7,894,200	2,686,722	-	5,184,158	-	(23,320)	-
Student services	878,305	-	1,003,328	103,205	-	228,228	-
Student aid	3,503,649	-	-	2,950,146	-	(553,503)	-
Operations and maintenance	1,976,024	-	-	1,167,879	-	(808,145)	-
Libraries	227,190	-	-	11,907	-	(215,283)	-
Total governmental activities	<u>\$ 19,853,470</u>	<u>\$ 2,686,722</u>	<u>\$ 1,435,836</u>	<u>\$ 16,267,269</u>	<u>\$ -</u>	<u>536,357</u>	<u>-</u>
COMPONENT UNIT:							
Foundation	\$ 259,090	\$ -	\$ -	\$ 63,533			(195,557)
	<u>\$ 259,090</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,533</u>			<u>(195,557)</u>
General revenues:							
Transfers						280,900	(300,000)
Investment income (loss)						(19,944)	(211,400)
						<u>260,956</u>	<u>(511,400)</u>
<i>CHANGE IN NET POSITION</i>						797,313	(706,957)
<i>NET POSITON, BEGINNING</i>						<u>22,841,779</u>	<u>7,681,095</u>
<i>NET POSITION, ENDING</i>						<u>\$ 23,639,092</u>	<u>\$ 6,974,138</u>

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

Fund Financial Statements

Northwest Indian College

Balance Sheets – Governmental Funds

June 30, 2015

	General Fund	Grants and Contracts Fund	Total Governmental Funds
<i>Assets</i>			
Cash and cash equivalents	\$ 608,156	\$ -	\$ 608,156
Investments	2,508,556	-	2,508,556
Receivables:			
Grants	-	381,697	381,697
Contributions receivable	100,000	-	100,000
Other	2,443,132	-	2,443,132
Allowance for doubtful accounts	(1,611,208)	-	(1,611,208)
Due from other funds	-	252,979	252,979
Inventory	7,289	-	7,289
	<u>7,289</u>	<u>-</u>	<u>7,289</u>
Total assets	<u>\$ 4,055,925</u>	<u>\$ 634,676</u>	<u>\$ 4,690,601</u>
<i>Liabilities and Fund Balances</i>			
<i>LIABILITIES:</i>			
Accounts payable	\$ 252,575	\$ -	\$ 252,575
Accrued expenses	236,875	-	236,875
Unearned revenue	-	634,676	634,676
Due to other funds	252,979	-	252,979
Total liabilities	<u>742,429</u>	<u>634,676</u>	<u>1,377,105</u>
<i>FUND BALANCES:</i>			
Nonspendable	7,289	-	7,289
Unassigned	3,306,207	-	3,306,207
Total fund balance	<u>3,313,496</u>	<u>-</u>	<u>3,313,496</u>
Total liabilities and fund balances	<u>\$ 4,055,925</u>	<u>\$ 634,676</u>	<u>\$ 4,690,601</u>

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

Northwest Indian College

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

June 30, 2015

Fund balances - governmental funds	\$ 3,313,496
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.	20,726,588
Amounts reported for governmental activities in the statement of net position are different because noncurrent receivables (contribution) used in governmental activities are not financial resources and, therefore, are not reported in the funds.	300,000
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(700,992)</u>
Net position of governmental activities	<u><u>\$ 23,639,092</u></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

June 30, 2015

	General Fund	Grants and Contracts Fund	Total Governmental Funds
Revenues			
Federal grants	\$ 4,386,507	\$ 7,125,591	\$ 11,512,098
State grants	-	719,414	719,414
Other grants	-	1,555,943	1,555,943
Contributions - NWIC Foundation	280,900	-	280,900
Contributions - Other	2,462,267	-	2,462,267
Tuition and fees	2,686,722	-	2,686,722
Indirect cost recovery	432,508	-	432,508
Interest income (loss)	(19,944)	-	(19,944)
Other income	960,251	60,624	1,020,875
Total revenues	<u>11,189,211</u>	<u>9,461,572</u>	<u>20,650,783</u>
EXPENDITURES:			
Current:			
General and administrative	3,431,607	457,611	3,889,218
Education:			
Instruction	3,138,452	4,755,748	7,894,200
Student services	537,522	340,783	878,305
Student aid	203,224	3,300,425	3,503,649
Operations and maintenance	1,621,458	354,566	1,976,024
Libraries	212,566	14,624	227,190
Debt service:			
Principal	14,558	-	14,558
Interest	28,146	-	28,146
Capital outlay	191,310	237,815	429,125
Total expenses	<u>9,378,843</u>	<u>9,461,572</u>	<u>18,840,415</u>
NET CHANGE IN FUND BALANCES	1,810,368	-	1,810,368
FUND BALANCES, BEGINNING OF YEAR	<u>1,503,128</u>	<u>-</u>	<u>1,503,128</u>
FUND BALANCES, END OF YEAR	<u>\$ 3,313,496</u>	<u>\$ -</u>	<u>\$ 3,313,496</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

June 30, 2015

Net Change in fund balances - governmental funds		\$ 1,810,368
Amounts reported for governmentnal activities in the statement of activities are different because:		
Capital outlays are reported in governmentnal funds as expenditures. However, in the statement of activities, the cost of there assets is allocated over their useful lives as depreciation expense. In the current period, the cost of these assets and the current period depreciation expense are:		
Capital outlay	\$ 429,115	
Depreciation expense	<u>(706,728)</u>	(277,613)
Current year decrease in long-term receivables (Contributions)		(750,000)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position, In the current year, these amounts consist of long-term debt retirement.		<u>14,558</u>
Change in net position of governmental activities		<u><u>\$ 797,313</u></u>

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

Northwest Indian College

Notes to Basic Financial Statements

NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

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

A. Reporting Entity

Legal Entity

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

Component Units

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

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

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

Blended Component Units

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

Northwest Indian College

Notes to Basic Financial Statements

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

A. Reporting Entity (continued)

Component Units (continued)

Blended Component Units (continued)

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

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

Discrete Component Units

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

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

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

Northwest Indian College

Notes to Basic Financial Statements

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

B. Reporting Entity (continued)

Component Units (continued)

Discrete Component Units (continued)

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

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

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

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

Northwest Indian College Foundation
2522 Kwina Road
Bellingham , WA 98226

C. Basis of Presentation

Basic Financial Statements

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

Government-wide Financial Statements

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

Northwest Indian College

Notes to Basic Financial Statements

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

B. Basis of Presentation (continued)

Government-wide Financial Statements (continued)

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

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

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

Fund Financial Statements

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

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

The College reports the following major governmental funds:

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

Northwest Indian College

Notes to Basic Financial Statements

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

B. Basis of Presentation (continued)

Fund Financial Statements (continued)

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

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

C. Basis of Accounting

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

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

Budgets - The College does adopt an annual budget for its general fund and utilizes 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 \$25,015 of accrued vacation at June 30, 2015.

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, 2015, are recorded as prepaid expenses.

L. Deferred Revenue

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

M. Federal Income Tax

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

Notes to Basic Financial Statements

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

N. Accounts Receivable

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

O. Fund Balance

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

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

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

Northwest Indian College

Notes to Basic Financial Statements

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

New Accounting Standards Implemented During the Year Ended June 30, 2015

The following pronouncements of the Governmental Accounting Standards Board became effective and were implemented during the year ended June 30, 2015:

- GASB Statement No. 68 - *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. This Statement is to improve accounting and financial reporting by state and local governments for pensions. The adoption of Statement No. 68 did not result in any significant changes in the College's accounting and reporting practices.
- GASB Statement No. 69 - *Government Combinations and Disposals of Government Operations*. This statement requires disclosures to be made about government combinations and disposals of government operations to enable financial statement users to evaluate the nature and financial effects of those transactions. The adoption of Statement No. 69 did not result in any significant changes in the College's accounting and reporting practices.
- GASB Statement No. 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. The adoption of Statement No. 70 did not result in any significant changes in the College's accounting and reporting practices.
- GASB Statement No. 71 - *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. This Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The adoption of Statement No. did not result in any significant changes in the College's accounting and reporting practices.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS:

At June 30, 2015, cash and cash equivalents consisted of the following:

Governmental activities:		
Cash in demand deposits	\$	607,032
Cash on hand		<u>1,124</u>
Total cash and cash equivalents	\$	<u><u>608,156</u></u>

For the governmental activities, at June 30, 2015, the carrying amount of deposits was \$607,032 and the bank balance was \$748,333. Of the bank balance, \$169,179 was insured by Federal Deposit Insurance Corporation (FDIC), \$250,000 was insured by Securities Investor Protection Corporation (SIPC) insurance, and the remaining \$329,154 was uncollateralized.

Component Unit:

All cash is deposited in various Foundation checking and investment accounts. At June 30, 2015, the carrying amount of deposits was \$336,043. Of the bank balance, \$27,273 was covered by the Federal Deposit Insurance Corporation (FDIC), \$500,000 was covered by the Federal Deposit Insurance Corporation (FDIC), and the remaining balance of \$308,770 was uninsured and uncollateralized.

Northwest Indian College

Notes to Basic Financial Statements

NOTE 2 — CASH AND INVESTMENTS (continued):

Investments

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

Investment Type	Fair Value	Investment Maturities (in years)			Greater than 10
		Less than 1	1 - 5	6 - 10	
U.S. Agency Securities	\$ 818,156	\$ -	\$ -	\$ -	\$ 818,156
Corporate Bonds	905,515	329,436	576,079	-	-
Certificate of Deposit	784,885	784,885	-	-	-
Total	\$ 2,508,556	\$ 1,114,321	\$ 576,079	\$ -	\$ -

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.

<u>Rating</u>	<u>Investment Type</u>	<u>Percentage</u>
AA+	U.S. Agency Securities	47.47%
AA+	Corporate Bonds	2.04%
A+	Corporate Bonds	1.41%
A-	Corporate Bonds	1.49%
BBB+	Corporate Bonds	7.70%
BBB	Corporate Bonds	13.26%
BB+	Corporate Bonds	12.04%
B+	Corporate Bonds	7.32%
CCC+	Corporate Bonds	7.27%

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

Component Unit:

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

	<u>Market Value</u>
Equities	\$ 4,301,520
Fixed Income Mutual Funds	\$ 1,309,140
Non-traditional Mutual Funds	\$ 1,128,145
Total investments	<u>6,738,805</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 \$1,269,611 as of June 30, 2015. 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:

The Foundation's endowment fund consists of permanently and temporarily restricted net assets. 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 assets, 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 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 2015:

	Department of Education Challenge Grant	Bureau of Indian Affairs	Other	Total
Balance June 30, 2014	\$ 6,065,854	\$ 896,750	\$ 1,377,079	\$ 8,339,683
Investment earnings, free of net losses	(178,821)	(33,939)	(56,181)	(268,941)
Earnings transferred from endowment fund, net	(259,055)	(71,000)	(79,901)	(409,956)
Balance, June 30, 2015	<u>\$ 5,627,978</u>	<u>\$ 791,811</u>	<u>\$ 1,240,997</u>	<u>\$ 7,660,786</u>

NOTE 4 — CONTRIBUTIONS RECEIVABLE:

The College has received promises to give from two organizations. One promise to give is over a period of five years with four years remaining. A summary of contributions receivable at June 30, 2015, is as follows:

	29 Palms Band of Mission Indians
2015	100,000
2016	100,000
2017	100,000
2018	100,000
Total contributions receivable	<u>400,000</u>

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

Northwest Indian College

Notes to Basic Financial Statements

NOTE 5 — ACCRUED AND DEFERRED REVENUE:

Amounts recorded as deferred revenue represent funds received from awards in excess of expenditures incurred. Amounts recorded as accrued revenue represent those awards with allowable expenditures in excess of amounts received. The net accrued revenue and deferred revenue at June 30, 2015, are summarized below:

<u>Agency</u>	<u>Accrued Revenue</u>	<u>Deferred Revenue</u>
U.S. Department of Education	\$ 67,349	\$ 135,686
U.S. Department of Health and Human Services	53,648	2,760
U.S. Department of Agriculture	17,620	5,531
U.S. Department of Housing and Urban Development	13,269	-
Institute of Museum and Library Services	22,297	132
National Aeronautic and Space Administration	1,434	1,125
National Science Foundation	99,676	157
Corporation for National and Community Service	66	-
U.S. Department of Commerce	124	-
State and other assistance	<u>106,214</u>	<u>489,285</u>
Total all sources	<u>\$ 381,697</u>	<u>\$ 634,676</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 6 — CAPITAL ASSETS:

Capital assets activity for the year ended June 30, 2015, is summarized as follows:

	Balance June 30, 2014	Additions	Disposals	Balance June 30, 2015
Governmental activities:				
Capital assets not being depreciated:				
Construction in progress	\$ 6,843	\$ 51,709	\$ -	\$ 58,552
Total capital assets not being depreciated	<u>6,843</u>	<u>51,709</u>	<u>-</u>	<u>58,552</u>
Capital assets being depreciated:				
Land improvements	2,033,222	3,390	-	2,036,612
Buildings and improvements	21,625,821	79,898	-	21,705,719
Equipment and vehicles	1,727,426	294,118	(142,406)	1,879,138
Total capital assets being depreciated	<u>25,386,469</u>	<u>377,406</u>	<u>(142,406)</u>	<u>25,621,469</u>
Less accumulated depreciation:				
Land improvements	(210,569)	(53,319)	-	(263,888)
Buildings and improvements	(2,657,020)	(540,031)	-	(3,197,051)
Equipment and vehicles	<u>(1,521,522)</u>	<u>(113,378)</u>	<u>142,406</u>	<u>(1,492,494)</u>
Total accumulated depreciation	<u>(4,389,111)</u>	<u>(706,728)</u>	<u>142,406</u>	<u>(4,953,433)</u>
Net capital assets being depreciated	<u>20,997,358</u>	<u>(329,322)</u>	<u>-</u>	<u>20,668,036</u>
Net capital assets	<u>\$ 21,004,201</u>	<u>\$ (277,613)</u>	<u>\$ -</u>	<u>\$ 20,726,588</u>

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

Depreciation expense of \$706,728 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, 2015, is summarized as follows:

	June 30, 2014	Additions	Disposals	June 30, 2015
Capital assets not being depreciated:				
Land	\$ 202,975	\$ -	\$ -	\$ 202,975
Total capital assets not being depreciated	202,975	-	-	202,975
Capital assets being depreciated:				
Equipment	10,000	-	-	10,000
Total capital assets being depreciated	10,000	-	-	10,000
Less accumulated depreciation:				
Equipment	(10,000)	-	-	(10,000)
Total accumulated depreciation	(10,000)	-	-	(10,000)
Net capital assets being depreciated	-	-	-	-
Net capital assets	\$ 202,975	\$ -	\$ -	\$ 202,975

NOTE 7 — LONG-TERM LIABILITIES:

Changes in long-term liabilities for the year ended June 30, 2015, were as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Amounts Due Within One Year
USDA loan	\$ 715,550	\$ -	\$ (14,558)	\$ 700,992	\$ 16,053

Northwest Indian College

Notes to Basic Financial Statements

NOTE 7 — LONG-TERM LIABILITIES (continued):

Long-term liabilities at June 30, 2015, are summarized as follows:

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

	\$	700,992
Less current maturities		<u>(16,053)</u>
Total long-term debt, net of current maturities	\$	<u><u>684,939</u></u>

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

Year Ended June 30,	Principal	Interest	Total
2016	\$ 16,053	\$ 26,651	\$ 42,704
2017	17,279	25,425	42,704
2018	17,927	24,777	42,704
2019	18,600	24,104	42,704
2020	19,297	23,405	42,702
2021-2025	107,898	105,622	213,520
2026-2030	129,704	83,816	213,520
2031-2035	155,917	57,603	213,520
2036-2040	187,428	26,092	213,520
2041	30,889	2,705	33,594
	<u>\$ 700,992</u>	<u>\$ 400,200</u>	<u>\$ 1,101,192</u>

Northwest Indian College

Notes to Basic Financial Statements

NOTE 8 — RETIREMENT PLAN:

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

During the year ended June 30, 2015, employer and employee contributions were \$271,841 and \$34,608, respectively, to the Plan.

NOTE 9 — RISK MANAGEMENT:

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

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

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

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

NOTE 10 — ECONOMIC DEPENDENCY:

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

Northwest Indian College

Notes to Basic Financial Statements

NOTE 11 — CONCENTRATION OF CREDIT RISK:

Component Unit:

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

NOTE 12 — PUBLIC SUPPORT:

Component Unit:

The following detail of public support lists supporters who made contributions, special events revenue, and grants of \$1,000 or more in 2015.

Ecotrust Scholarship	\$	20,000
Boeing Scholarship		12,500
Muckleshoot Casino		6,000
Skagit River Salmon Festival		5,000
Gloria Gularte		5,000
Ken & Kathy Hertz		1,250
Robert Moles/Julie Johansen		1,250
AAUW Scholarship		1,000
Other- under \$1,000 individually		11,527
Total	\$	<u>63,527</u>

NOTE 13 — UNRESTRICTED NET POSITION:

The Foundation's unrestricted net position has a deficit of \$2,485,091 at June 30, 2015. The deficit balance in unrestricted net position is the result of expenditures exceeding revenues. Northwest Indian College Foundation has entered into a commitment agreement with the College to provide necessary financial support to assure the Foundation remains operational.

SINGLE AUDIT

AUDITORS' SECTION

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

Board of Trustees
Northwest Indian College
Bellingham, Washington

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Northwest Indian College (the College) as of and for the year ended June 30, 2015, 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 31, 2015.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Smsola + Butler, CPAs, PLLC

Gilbert, Arizona
March 31, 2016

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

Board of Trustees
Northwest Indian College
Bellingham, Washington

Report on Compliance for Each Major Federal Program

We have audited the Northwest Indian College (the College) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015. The College's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Northwest Indian College's basic financial statements include the operations of the Northwest Indian College Foundation (a discrete component unit), which received \$791,811 in federal awards which is not included in the schedule during the year ended June 30, 2015. Our audit, described below, did not include the operations of Northwest Indian College Foundation because the entity is a discrete component unit which receives a separate audit in accordance with OMB-Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each of the Major Federal Programs

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

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.



Gilbert, Arizona
March 31, 2016

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

No 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, 2015

Section I — Summary of Auditors' Results (continued)

FEDERAL AWARDS (continued):

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.766	Community Facilities Loans and Grants
15.027	Tribally Controlled Community College
47.076	Education and Human Resources
84.031T	Higher Education _ Institutional Aid
84.101A	Career and Technical Education - Grants to Native Americans and Alaska Natives
93.243	Substance Abuse and Mental Health Services _ Projects of Regional and National Significance

Dollar threshold used to distinguish between type A and type B programs: \$344,900

Auditee qualified as low-risk auditee? yes no

Section II — Financial Statement Findings

No financial statement findings for fiscal year 2015.

Northwest Indian College

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2015

Section III — Federal Award Findings and Questioned Costs

No federal award findings for fiscal year 2015

AUDITEE'S SECTION

Northwest Indian College

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Award Number	Expenditures
DEPARTMENT OF THE INTERIOR:			
Bureau of Indian Affairs:			
Assistance to Tribally Controlled Community Colleges and Universities	15.027	N/A	\$ 4,386,507
Total Department of the Interior			<u>4,386,507</u>
DEPARTMENT OF EDUCATION			
Higher Education_Institutional Aid	84.031T	P031T100319 P031T100419	2,036,506
Career and Technical Education - Grants to Native Americans and Alaska Natives	84.101A	V101A130032	472,200
Student Financial Assistance Cluster: Federal Pell Grant Program	84.063	P063P073893 P063P103893 P063P113893	1,999,533
Federal Work-Study Program	84.033	P033A137627	51,210
Federal Supplemental Educational Opportunity Grants	84.007	P007A137627	52,552
Total Student Financial Assistance Cluster			<u>2,103,295</u>
Adult Basic Education	84.022	262-ABE-15	21,273
Adult Education - Basic Grants to States	84.002	262-ALB-15	2,778
Total Department of Education			<u>4,636,052</u>
DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Demonstration Projects for Indian Health	93.933	U26IHS300291/01	3,931
Drug Abuse and Addiction Research Programs	93.279	1R01DA029000-01 1R01DA029001-01 1R01DA029002-01 3R01DA029000-01S1	35,558
Substance Abuse and Mental Health Services_Projects of Regional and National Significance	93.243	1U79SM061482-01	428,464
Passed Through Univeristy of Washington: Alcohol Research Programs	93.273		12,951
CMOP	93.Unknown	N/A	19,434
Total Department of Health and Human Services			<u>500,338</u>

See accompany notes to the Schedule of Federal Awards

Northwest Indian College

Schedule of Expenditures of Federal Awards (continued)

Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Award Number	Expenditures
DEPARTMENT OF COMMERCE			
Unallied Management Projects	11.454	NA14NMF4540167	9,100
Integrated Ocean Observing System (IOOS)	11.012	NA14NOS0120149	124
Total Department of Commerce			<u>9,224</u>
DEPARTMENT OF AGRICULTURE			
Tribal Colleges Education Equity Grants	10.221	2006-38421-66922 2014-38421-21994	133,684
Tribal Colleges Endowment Program	10.222	2010-38423-06922 2012-38423-06922	161,327
Cooperative Extension Service	10.500	2011-47002-30748	301,121
1994 Institutions Research Program	10.227	2012-38424-19745	245,243
Agriculture and Food Research Initiative (AFRI)	10.310	2014-68004-21955	47,318
Community Facilities Loans and Grants	10.766	N/A	158,656
Total Department of Agriculture			<u>1,047,349</u>
INSTITUTE OF MUSEUM AND LIBRARY SERVICES			
Native American and Native Hawaiian Library Services	45.311	NG-05-12-0062-12	11,907
Total Institute of Museum and Library Services			<u>11,907</u>
NATIONAL ENDOWMENT FOR THE ARTS			
Promotion of the Arts_Grants to Organizations and Individuals	45.024	14-5500-7079	22,683
Total National Endowment for the Arts			<u>22,683</u>
NATIONAL AERONAUTIC AND SPACE ADMINISTRATION			
Pass Through the University of Washington: Space Grant	43.Unknown	NNX10AT36A 991496	28,427
Total National Aeronautic and Space Administration			<u>28,427</u>
NATIONAL SCIENCE FOUNDATION			
Computer and Information Science and Engineering	47.070	ACI-1440617	97,262
Education and Human Resources	47.076	HRD-1023263 DUE-1060692 HRD-1361825	756,913
Total National Science Foundation			<u>854,175</u>
Total Federal Financial Assistance			<u>\$ 11,496,662</u>

See accompany notes to the Schedule of Federal Awards

Northwest Indian College

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2015

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, 2015. 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 Unknown.

NOTE 4 – USDA LOAN

The College has an existing USDA Rural Development loan issued in fiscal year 2007. At June 30, 2015 (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 2015.

Northwest Indian College

Corrective Action Plan

Year Ended June 30, 2015

No findings for fiscal year 2015.

Northwest Indian College

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2015

No prior year audit findings for fiscal year 2015.