

**First Nations Development Institute
and Subsidiary**

**Consolidated Financial Statements and
Supplementary Information**

June 30, 2012 and 2011

(With Independent Auditor's Report Thereon)

First Nations Development Institute and Subsidiary

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Independent Auditor's Report

Board of Directors First Nations Development Institute and Subsidiary:

We have audited the accompanying consolidated statement of financial position of First Nations Development Institute and Subsidiary (collectively, the "Organization") as of June 30, 2012 and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The financial statements of the Organization as of June 30, 2011 were audited by other auditors. Those auditors expressed an unqualified opinion on those financial statements in their report dated December 21, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of First Nations Development Institute and Subsidiary as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The information in the accompanying consolidating schedules and consolidated schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

Board of Directors
First Nations Development Institute and Subsidiary

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Kundinger, Corder & Engle, P.C.

December 17, 2012

First Nations Development Institute and Subsidiary
Consolidated Statements of Financial Position
June 30, 2012 and 2011

	2012	2011
Assets:		
Current assets:		
Cash and cash equivalents	\$ 4,391,993	3,093,838
Grants receivable (note 2)	2,052,045	856,758
Notes receivable, current (note 3)	650,000	800,000
Government grants receivable (note 10)	301,333	215,032
Interest receivable	25,053	5,801
Other current receivables, net	16,534	314,176
Prepaid expenses	24,103	39,854
Total current assets	<u>7,461,061</u>	<u>5,325,459</u>
Property and equipment:		
Furniture, equipment, and software	313,987	291,970
Less accumulated depreciation and amortization	(258,807)	(232,925)
Net property and equipment	<u>55,180</u>	<u>59,045</u>
Other assets:		
Long-term notes receivable, net of valuation allowance (note 3)	3,359,750	2,782,250
Long-term grants receivable, net of discount (note 2)	995,364	543,923
Investments (note 4)	1,072,538	928,797
Assets restricted for endowment (notes 4 and 13)	3,127,700	3,277,700
Security deposits	2,865	3,340
Total other assets	<u>8,558,217</u>	<u>7,536,010</u>
Total assets	<u>\$ 16,074,458</u>	<u>12,920,514</u>
Liabilities and Net Assets:		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 296,523	216,642
Regrants payable	1,070,945	639,229
Deferred revenue	110,074	483,863
Short-term debt (note 6)	5,000	5,000
Current maturities of long-term debt (note 6)	660,000	155,000
Total current liabilities	<u>2,142,542</u>	<u>1,499,734</u>
Noncurrent liabilities:		
Long-term debt, net of current maturities (note 6)	4,130,000	4,620,000
Total liabilities	<u>6,272,542</u>	<u>6,119,734</u>
Net assets:		
Unrestricted	2,383,754	1,578,494
Temporarily restricted (note 8)	4,290,462	1,944,586
Permanently restricted (notes 8 and 13)	3,127,700	3,277,700
Total net assets	<u>9,801,916</u>	<u>6,800,780</u>
Commitments and contingencies (notes 6, 7, 9, and 10)		
Total liabilities and net assets	<u>\$ 16,074,458</u>	<u>12,920,514</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Activities
Years Ended June 30, 2012 and 2011

	June 30, 2012			June 30, 2011			
	Unrestricted	Temporarily Restricted		Unrestricted	Temporarily Restricted		Total
		Permanently Restricted	Total		Permanently Restricted	Total	
Revenue, Gains and Support:							
Public support:							
Grants	\$ 1,632,168	6,768,695	-	8,400,863	410,513	4,380,049	4,790,562
Contributions	59,148	575	-	59,723	41,954	-	41,954
In-kind contributions	79,917	-	-	79,917	-	-	-
Total public support	<u>1,771,233</u>	<u>6,769,270</u>	<u>-</u>	<u>8,540,503</u>	<u>452,467</u>	<u>4,380,049</u>	<u>4,832,516</u>
Other revenue:							
Program service fees	186,091	-	-	186,091	1,284,377	-	1,284,377
Interest and dividend income	189,421	56,179	-	245,600	137,118	83,129	220,247
Unrealized (loss) gain on investments	(23,441)	-	-	(23,441)	95,931	54,864	150,795
Other	4,528	1,125	-	5,653	1,335	-	1,335
Total other revenue	<u>356,599</u>	<u>57,304</u>	<u>-</u>	<u>413,903</u>	<u>1,518,761</u>	<u>137,993</u>	<u>1,656,754</u>
Net assets released from restrictions (note 8)	4,630,698	(4,630,698)	-	-	3,764,778	(3,764,778)	-
Reclassification of net assets (note 13)	-	150,000	(150,000)	-	-	-	-
Total revenue, gains and support	<u>6,758,530</u>	<u>2,345,876</u>	<u>(150,000)</u>	<u>8,954,406</u>	<u>5,736,006</u>	<u>753,264</u>	<u>6,489,270</u>
Expenses:							
Program services:							
Combating Predatory Lending	41,712	-	-	41,712	181,970	-	181,970
Financial and Investor Education	965,552	-	-	965,552	296,230	-	296,230
Native American Foods and Health	1,358,330	-	-	1,358,330	383,249	-	383,249
Native American Business Development	20,199	-	-	20,199	94,429	-	94,429
Strengthening Native American Nonprofits	1,040,649	-	-	1,040,649	1,568,121	-	1,568,121
Public Education	212,270	-	-	212,270	147,862	-	147,862
First Nations Oweesta Corporation	1,260,909	-	-	1,260,909	1,534,729	-	1,534,729
Total program services	<u>4,899,621</u>	<u>-</u>	<u>-</u>	<u>4,899,621</u>	<u>4,206,590</u>	<u>-</u>	<u>4,206,590</u>
Supporting services:							
Administration	601,136	-	-	601,136	811,274	-	811,274
Development	452,513	-	-	452,513	491,834	-	491,834
Total supporting services	<u>1,053,649</u>	<u>-</u>	<u>-</u>	<u>1,053,649</u>	<u>1,303,108</u>	<u>-</u>	<u>1,303,108</u>
Total expenses	<u>5,953,270</u>	<u>2,345,876</u>	<u>(150,000)</u>	<u>3,001,136</u>	<u>226,308</u>	<u>753,264</u>	<u>979,572</u>
Change in net assets	<u>805,260</u>	<u>1,944,586</u>	<u>3,277,700</u>	<u>6,800,780</u>	<u>1,352,186</u>	<u>1,191,322</u>	<u>5,821,208</u>
Net assets at beginning of year	1,578,494	1,944,586	3,277,700	6,800,780	1,352,186	1,191,322	5,821,208
Net assets at end of year	<u>\$ 2,383,754</u>	<u>4,290,462</u>	<u>3,127,700</u>	<u>9,801,916</u>	<u>1,578,494</u>	<u>1,944,586</u>	<u>6,800,780</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary
Consolidated Statements of Cash Flows
Years Ended June 30, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Change in net assets	\$ 3,001,136	979,572
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	25,882	36,255
Unrealized loss (gain) on investments	23,441	(150,795)
Loan loss reserve provision	22,500	58,350
Discount on long-term grants	-	17,377
Amortization of discount on long-term grants	(12,741)	-
Donated stock	(232)	-
Decrease (increase) in operating assets:		
Grants receivable	(1,633,987)	(1,236,733)
Government grants receivable	(86,301)	44,500
Interest receivable	(19,252)	14,143
Other receivables	297,642	152,111
Prepaid expenses	15,751	(15,179)
Security deposits	475	8,609
Increase (decrease) in operating liabilities:		
Accounts payable and accrued liabilities	79,881	(94,400)
Deferred revenue	(373,789)	(602,728)
Regrants payable	431,716	(16,802)
Net cash provided by (used in) operating activities	<u>1,772,122</u>	<u>(805,720)</u>
Cash flows from investing activities:		
Net (purchases) proceeds from sales of investments	(16,950)	670,482
Purchases of property and equipment	(22,017)	(17,381)
Disbursements related to notes receivable	(1,610,000)	(1,347,000)
Collections of notes receivable	1,160,000	185,000
Net cash used in investing activities	<u>(488,967)</u>	<u>(508,899)</u>
Cash flows from financing activities:		
Proceeds from debt	355,000	1,005,000
Payments on debt	(340,000)	(30,000)
Net cash provided by financing activities	<u>15,000</u>	<u>975,000</u>
Net increase (decrease) in cash and cash equivalents	1,298,155	(339,619)
Cash and cash equivalents at beginning of year	3,093,838	3,433,457
Cash and cash equivalents at end of year	<u>\$ 4,391,993</u>	<u>3,093,838</u>
Supplemental cash flow information:		
Cash paid during the year for interest	<u>\$ 78,563</u>	<u>95,500</u>

See accompanying notes to consolidated financial statements.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Years Ended June 30, 2012 and 2011

Note 1 - Organization and Summary of Significant Accounting Policies

Organization

First Nations Development Institute (“First Nations”) is a non-profit organization dedicated to advancing and promoting the direct participation of tribes, tribal members, and other indigenous peoples in the full use of the economy. First Nations is funded by grants from foundations, corporations, federal awards and program fees.

Summary of Program Activities

First Nations holds as its key belief that “when armed with the appropriate resources, Native Peoples hold the capacity and ingenuity to ensure the sustainable, economic, spiritual and cultural well-being of their communities.” First Nations’ mission is to invest in and create innovative institutions and models that strengthen asset control and support economic development for American Indian people and their communities. First Nations’ three strategies are to 1) educate grassroots practitioners, 2) advocate for systemic change and, 3) capitalize American Indian communities.

First Nations has seven program areas.

Combatting Predatory Lending

For Native Americans, the impact of predatory lending is devastating because it destroys the potential for asset-building that is needed to bring economic security to Indian families and communities. First Nations’ research has demonstrated that predatory lending is stripping money from low-income tribal citizens, especially those who are unbanked or under banked. First Nations’ studies on predatory lending in Indian Country include best practices to combat abusive lending and prevent the bleeding of assets from Native communities.

Financial and Investor Education

First Nations Development Institute, and its wholly-owned subsidiary, First Nations Oweesta Corporation (a community development financial institution), work in partnership with Native American tribes and communities throughout the U.S. to assist them in designing and administering financial and investor education programs. The projects range from helping individuals and families understand the basics of financial management – opening and maintaining a bank account and using credit wisely – to helping individuals understand financial markets and a variety of financial instruments for borrowing and saving.

Native American Foods and Health

First Nations’ work in food systems is at the intersection between food systems/food security and economic development. First Nations supports tribes and Native communities as they strengthen food systems in their communities, improve health and nutrition and build food security. First Nations increases the control over Native agriculture and food systems by providing financial and technical support, including training materials, to projects that address the agriculture and food sectors in Native communities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Native American Business Development

To create systemic economic change, First Nations works with Native American communities in reclaiming direct control of their assets. Working directly with grassroots community partners, individuals and tribes, First Nations supports and provides Native asset-development strategies and models to help communities understand, create and control the way in which Native assets are valued, as well as the decision-making process in deciding whether to monetize those assets.

Strengthening Native American Nonprofits

Through grant support, technical assistance and training, First Nations provides Native communities with the tools and resources necessary to create new community-based nonprofit organizations and to strengthen the capacity of existing nonprofits. For 32 years, First Nations has supported hundreds of model projects that revitalize Native communities, while integrating social empowerment and economic strategies. An essential component of First Nations nonprofit capacity building strategy is the Leadership, Entrepreneurial and Apprenticeship Development (LEAD) program that is identifying and training the next generation of Native nonprofit leaders.

Public Education

Through the use of print, electronic and personal contact methods, the public education program develops and implements strategies to increase public awareness about the Organization's programs and projects and the current challenges facing rural and reservation-based Native American communities. The program works across the Organization and serves the educational and informational needs of the Organization's constituents including those of tribes and Native non-profit organizations. The Public Education program leverages this awareness to increase support for the benefit of Native peoples throughout the nation.

First Nations Oweesta Corporation

By providing technical assistance and loan capital, First Nations Oweesta seeks to enhance the capacity of tribes, Native communities and individuals to access, control, create, leverage, utilize, and retain financial assets and to provide access to appropriate financial capital for Native development efforts.

Principles of Consolidation

The consolidated financial statements include the accounts of First Nations and its wholly-owned subsidiary, First Nations Oweesta Corporation ("First Nations Oweesta") (together known as the "Organization"). All significant inter-entity transactions and balances have been eliminated in consolidation.

Basis of Accounting

The accompanying financial statements of the Organization have been prepared on the accrual basis of accounting, and accordingly reflect all significant receivables, payables, and other liabilities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Basis of Presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Unrestricted amounts are those currently available at the discretion of the Boards of Directors for use in the Organization's operations and those amounts invested in property and equipment.

Temporarily restricted amounts are monies restricted by donors specifically for certain time periods, purposes, or programs.

Permanently restricted amounts are assets that must be maintained permanently by the Organization as required by the donor; however, the Organization is permitted to use or expend part or all of any income derived from those assets.

Use of Estimates

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

Concentrations of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash and cash equivalents, investments, notes receivable, and grants receivable. The Organization places its cash and money market accounts with creditworthy, high-quality financial institutions.

The Organization provides financing to Native Tribal Governments and not-for-profit organizations. Concentrations of credit risk with respect to loans receivable is limited due to the Organization's loan policies which set a maximum loan size and also limit the total amount loaned to a borrower. Credit risk with respect to grants receivable is limited due to the number and credit worthiness of the organizations from whom the amounts are due.

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with original maturities of three months or less to be cash equivalents excluding assets restricted for endowment. The Organization continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Throughout the year, the Organization held balances of cash and cash equivalents in excess of the federally insured limit.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Investments and Investment Returns

The Organization reports investments in equity securities with readily determinable fair values and all investments in debt securities at their fair values with unrealized gains and losses included in the statements of activities and changes in net assets. Investment return includes dividends, interest and other investment income, and realized and unrealized gains and losses on investments carried at fair value. Investment income and gains restricted by a donor are reported as increases in temporarily restricted net assets.

Fair Value Measurements

The Organization follows the requirements of the *Fair Value Measurements* standard of accounting, which among other things requires enhanced disclosures about investments that are measured and reported at fair value. The standard requires the use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels: quoted market prices in active markets for identical assets and liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs from the asset or liability (Level 3).

Assets Restricted for Endowment

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

Receivables

Receivables relate to amounts due from customers for fees for program services provided. An allowance for uncollectible receivables is provided based upon prior years' experience and management's analysis of specific balances.

Property and Equipment

Property and equipment purchased by the Organization are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. The Organization capitalizes property and equipment in excess of \$2,000. Depreciation and amortization is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to seven years.

Regrants Payable

Regrants payable represents confirmed grants to other organizations.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

Income Tax Status

First Nations is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity pursuant to Section 509(a)(1). First Nations Oweesta is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and has been classified as a public charity pursuant to Section 509(a)(2). Accordingly, contributions are deductible to the extent allowed by law.

The Organization applies a more-likely-than-not measurement methodology to reflect the financial statement impact of uncertain tax positions. After evaluating the tax positions taken, none are considered to be uncertain; therefore, no amounts have been recognized as of June 30, 2012 and 2011.

If incurred, interest and penalties associated with tax positions are recorded in the period assessed as general and administrative expense. No interest and penalties have been assessed as of June 30, 2012 and 2011.

Tax years that remain subject to examination include 2009 through the current period for the federal returns.

Functional Expenses

Expenses are charged to each program based on direct expenditures incurred. Indirect expenditures are allocated to program and supporting services based on various direct costs related to each program. Development costs reported in the consolidated statements of activities reflect costs associated with raising funds for both program operations and the Organization's regranting programs.

Revenue Recognition

Revenue from exchange transactions is recorded at the time the service is provided. Amounts received in advance are deferred until such time as they are earned.

Contributions

Contributions, including grants receivable, are recognized as revenue when they are received or unconditionally pledged. The Organization reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

Contributions to be received after one year are discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions.

Donated marketable securities are recorded at market value on the date received.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

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

In-kind Contributions

Contributed goods and services are recorded as in-kind contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind contributions for the year ended June 30, 2012 totaled \$79,917 and consisted of in-kind advertising from Google Grants. There were no in-kind contributions for the year ended June 30, 2011.

A number of volunteers have donated time in connection with the Organization's activities. No amounts have been reflected in the accompanying financial statements for volunteers' donated services because they do not meet the criteria of recognition.

Subsequent Events

The Organization has evaluated all subsequent events through December 17, 2012, which is the date the financial statements were available to be issued. Besides the information in note 5, the Organization did not identify additional subsequent events requiring disclosure.

Reclassifications

Certain prior year amounts have been reclassified to conform to current year's financial statement presentation. The reclassifications had no effect on previously reported net assets.

Note 2 - Grants Receivable

Grants receivable consist of the following at June 30, 2012:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Temporarily restricted	<u>\$ 3,052,045</u>	<u>-</u>	<u>3,052,045</u>
Amounts due in			
Less than one year	\$ 2,052,045	-	2,052,045
One to five years	<u>\$ 1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	\$ 3,052,045	-	3,052,045
Less discount	<u>(4,636)</u>	<u>-</u>	<u>(4,636)</u>
	<u>\$ 3,047,409</u>	<u>-</u>	<u>3,047,409</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 2 - Grants Receivable, Continued

Grants receivable consist of the following at June 30, 2011:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Temporarily restricted	<u>\$ 1,325,000</u>	<u>3,058</u>	<u>1,328,058</u>
Unrestricted	<u>\$ 90,000</u>	<u>-</u>	<u>90,000</u>
Amounts due in			
Less than one year	\$ 853,700	3,058	856,758
One to five years	<u>\$ 561,300</u>	<u>-</u>	<u>561,300</u>
	\$ 1,415,000	3,058	1,418,058
Less discount	<u>(17,377)</u>	<u>-</u>	<u>(17,377)</u>
	<u>\$ 1,397,623</u>	<u>3,058</u>	<u>1,400,681</u>

Note 3 - Notes Receivable

Notes receivable consist of loans made to qualified Native Community Development Financial Institutions. The notes accrue interest at rates from 2.8% to 4.25% and are payable, including accrued interest, at various dates ranging from February 2013 to November 2016.

Loans are recorded at the principal balance outstanding. Interest income is recognized on the accrual basis. A loan is considered to be impaired if, based on current information, it is probable the Organization will not receive all amounts due in accordance with the contractual terms of a loan agreement.

When the ultimate collectability of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged off.

The accrual of interest is generally discontinued on loans that become 90 days past due as to principal or interest. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan is returned to accrual status.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

Notes receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a loan loss reserve and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to notes receivable.

The Organization has accounted for the doubtful collection of notes receivable by providing a loan loss reserve of \$220,250 and \$197,750 at June 30, 2012 and 2011, respectively.

Annual maturities of notes receivable at June 30, 2012 are as follows for the years ending June 30:

2013	\$ 650,000
2014	987,000
2015	400,000
2016	1,068,000
2017	<u>1,125,000</u>
Total notes receivable	4,230,000
Less loan loss reserve	<u>(220,250)</u>
Net notes receivable	\$ <u>4,009,750</u>

The following is an aging of the Organization's notes receivable at June 30, 2012:

	Current	Over 30 days	Over 60 days	Over 90 days	Total
Loan type:					
Capital loans	\$ 4,075,000	-	-	-	4,075,000
First In loans	<u>155,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155,000</u>
Total	<u>\$ 4,230,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,230,000</u>

Loans for which no payments are due are considered current.

A summary of the activity in the allowance for loan losses for the years ended June 30 is as follows:

	Capital loans	First In loans	Total
Beginning balance, June 30, 2010	\$ 139,400	-	139,400
Provision for loan losses	<u>54,500</u>	<u>3,850</u>	<u>58,350</u>
Ending balance, June 30, 2011	193,900	3,850	197,750
Provision for loan losses	<u>14,750</u>	<u>7,750</u>	<u>22,500</u>
Ending balance, June 30, 2012	\$ <u>208,650</u>	<u>11,600</u>	<u>220,250</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 3 - Notes Receivable, Continued

Credit Quality

At least quarterly, the loan loss reserve is adjusted to reflect the loan rating updates for the borrowers' delinquency status. Credit quality of loans is adjusted based on the following assessments:

<u>Payment Status</u>	<u>Loan Downgrade</u>	<u>Loan Rating Recovery</u>
30 days delinquent	Reduce loan rating by one category	60 days of on-time payments
60 days delinquent	Reduce loan rating by two categories	90 days of on-time payments
90 days delinquent	Reduce loan rating by three categories	120 days of on-time payments

The following is the credit quality classification of the notes receivable by loan type at June 30, 2012:

	Capital loans	First In loans	Total
Non-delinquent	\$ 4,075,000	155,000	4,230,000
30 days delinquent	-	-	-
60 days delinquent	-	-	-
90 days delinquent	-	-	-
Total	\$ 4,075,000	155,000	4,230,000

Note 4 - Investments

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

	2012	2011
Certificates of deposit	\$ 794,411	692,094
Corporate bonds	713,598	1,195,366
Money market funds	806,442	886,951
Mutual funds - equities	809,941	758,813
Mutual funds - fixed income	747,145	673,273
Government and agency	328,701	-
	\$ 4,200,238	4,206,497

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

	2012	2011
Investments	\$ 1,072,538	928,797
Assets restricted for endowment	3,127,700	3,277,700
	\$ 4,200,238	4,206,497

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 5 - Fair Value Measurements

The Organization values its financial assets and liabilities based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following fair value hierarchy prioritizes observable inputs used to measure fair value into three broad levels, which are described below:

- Level 1: Quoted prices (unadjusted) in active markets that are accessible at the measurement date for assets and liabilities. The fair value hierarchy gives highest priority to Level 1 inputs.
- Level 2: Quoted prices that are based on inputs not quoted on active markets, but corroborated by market data.
- Level 3: Unobservable inputs where little or no market data is available, which requires the reporting entity to develop its own assumptions.

In determining fair value, the Organization utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value. These classifications (Levels 1, 2, and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Following is a description of the valuation methodologies used for assets measured at fair value:

Money market funds, fixed income securities, certificates of deposit: Valued based on prices currently available on comparable securities of the issuer or other issuers with similar credit ratings.

Mutual funds: Valued at the closing price reported on the active market on which the securities are traded.

There have been no changes in the valuation methodologies during the current year.

Financial assets and liabilities carried at fair value at June 30, 2012 are classified in the following table in one of the three categories described above:

Description	Level 1	Level 2	Level 3	Total
Mutual funds – equities	\$ 809,941	-	-	809,941
Mutual funds – fixed income	747,145	-	-	747,145
Money market funds	-	806,442	-	806,442
Certificate of deposit	-	794,411	-	794,411
Corporate bonds	-	713,598	-	713,598
Government and agency	-	328,701	-	328,701
	<u>\$ 1,557,086</u>	<u>2,643,152</u>	<u>-</u>	<u>4,200,238</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 5 - Fair Value Measurements, Continued

Financial assets and liabilities carried at fair value at June 30, 2011 are classified in the following table in one of the three categories described above:

Description	Level 1	Level 2	Level 3	Total
Mutual funds – equities	\$ 758,813	-	-	758,813
Mutual funds – fixed income	673,273	-	-	673,273
Money market funds	-	886,951	-	886,951
Certificate of deposit	-	692,094	-	692,094
Corporate bonds	-	1,195,366	-	1,195,366
	<u>\$ 1,432,086</u>	<u>2,774,411</u>	<u>-</u>	<u>4,206,497</u>

(Continued)

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 6 - Short-Term and Long-Term Debt

The Organization maintains short and long-term debt for capital for its loan portfolio. Long-term debt consists of the following:

Lender	Note Dated	Maturity	Rate	June 30	
				2012	2011
Bank of America	(a) 3/31/2008	3/31/2018	2.75%	\$ 2,000,000	2,000,000
The Ford Foundation	(b) 9/17/2004	9/17/2012	1.00%	500,000	500,000
The Ford Foundation	9/17/2004	9/17/2013	1.00%	500,000	500,000
The Ford Foundation	9/17/2004	9/17/2014	1.00%	500,000	500,000
Mercy Investment Program, Inc.	5/1/2010	5/1/2015	3.00%	500,000	500,000
Suzanne Laffetra	10/1/2008	10/1/2013	3.00%	100,000	100,000
Basilian Fathers of Toronto	4/1/2012	4/1/2017	3.00%	100,000	-
Sisters of Charity of Incarnate Word	10/7/2008	10/7/2013	2.50%	100,000	100,000
Adrian Dominican Sisters	10/20/2011	8/15/2014	2.00%	75,000	-
James Adams Babson Trust – 1996	12/1/2009	12/1/2012	3.00%	50,000	50,000
Unitarian Universalist Association	(b) 8/1/2010	8/1/2012	3.00%	50,000	50,000
Trillium	7/1/2009	7/1/2014	2.00%	50,000	50,000
Charles Schwab	10/7/2011	10/1/2016	1.85%	50,000	-
Sylvia Granadar Trust	3/28/2012	3/15/2015	2.00%	50,000	-
Charles Schwab	10/31/2011	10/31/2014	1.85%	40,000	-
Sisters of St. Francis of Philadelphia	6/1/2012	6/1/2017	2.50%	30,000	-
Sisters of the Blessed Sacrament	4/5/2010	4/5/2015	3.50%	25,000	25,000
Sisters of Mercy of the Americas NE Community	12/1/2008	12/1/2012	2.00%	20,000	20,000
James Adams Babson Trust – 1958	(c) 9/1/2008	8/31/2011	3.00%	10,000	10,000
Sisters of Loretto	2/12/2010	2/12/2013	3.00%	10,000	10,000
Trillium	(c) 1/2/2009	1/2/2011	2.00%	10,000	10,000
Trillium	1/22/2008	11/12/2012	3.00%	10,000	10,000
Larry Dansinger & Karen Marysdaughter	10/14/2011	5/1/2015	0.00%	5,000	-
Peter & Sharon Moller	1/18/2011	1/18/2014	0.00%	5,000	5,000
Calvert Foundation	8/31/2010	8/31/2013	4.00%	-	200,000
Adrian Dominican Sisters	8/15/2008	8/15/2011	3.00%	-	50,000
Basilian Fathers of Toronto	4/1/2009	4/1/2012	3.00%	-	50,000
Sisters of St. Francis of Philadelphia	6/17/2007	6/1/2012	2.50%	-	30,000
Larry Dansinger & Karen Marysdaughter	1/15/2007	5/1/2011	0.00%	-	5,000
Total				4,790,000	4,775,000
Less current maturities				(660,000)	(155,000)
Long-term debt less current maturities				\$ 4,130,000	4,620,000

(a) Beginning March 31, 2015, annual principal payments of \$500,000 are due and payable until the loan is paid in full on March 31, 2018.

(b) These notes were paid in full shortly after June 30, 2012.

(c) These notes are past due at June 30, 2012 and have either been paid in full or are in the process of being paid.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 6 - Short-Term and Long-Term Debt, Continued

None of the notes are collateralized. At June 30, 2012, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2013		\$	660,000
2014			705,000
2015			1,745,000
2016			500,000
2017			680,000
Thereafter			500,000
			\$ 4,790,000

Short-term debt of \$5,000 at June 30, 2012 and 2011, respectively, consists of a promissory note, principal due February 1, 2013.

Note 7 - Line-of-Credit

The Organization has a line-of-credit agreement with Wells Fargo Bank, N.A. for a maximum amount of \$100,000. Per the terms of the agreement, any outstanding balances are due within 30 days of disbursement plus interest at a rate of prime plus 2% (5.25% at June 30, 2012 and 2011). There was no balance outstanding as of June 30, 2012 and 2011.

Note 8 - Net Assets

Temporarily restricted net assets consist of the following as of June 30, 2012:

	First Nations	First Nations Oweesta	Consolidated
Native American Foods and Health	\$ 2,551,850	-	2,551,850
Financial and Investor Education	1,176,721	-	1,176,721
Native American Business Development	181,635	-	181,635
Strengthening Native American Nonprofits	162,898	-	162,898
Combatting Predatory Lending	54,858	-	54,858
First Nations Oweesta (see note 13)	-	162,500	162,500
	\$ 4,127,962	162,500	4,290,462

Temporarily restricted net assets consist of the following as of June 30, 2011:

	First Nations	First Nations Oweesta	Consolidated
Native American Business Development	\$ 1,217,592	-	1,217,592
Financial and Investor Education	474,889	-	474,889
Strengthening Native American Nonprofits	243,307	-	243,307
Native American Foods and Health	8,798	-	8,798
	\$ 1,944,586	-	1,944,586

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 8 - Net Assets, Continued

Net assets totaling \$4,630,698 in 2012 and \$3,764,778 in 2011 were released from restrictions as a result of satisfying purpose and time restrictions.

At June 30, 2012, permanently restricted net assets consist of endowment funds comprised of the following:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Endowment funds (see note 13)	<u>\$ 3,127,700</u>	<u>-</u>	<u>3,127,700</u>

At June 30, 2011, permanently restricted net assets consist of endowment funds comprised of the following:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Endowment funds (see note 13)	<u>\$ 3,127,700</u>	<u>150,000</u>	<u>3,277,700</u>

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

Note 9 - Retirement Plan

Eligible employees may make contributions to a 403(b) savings plan operated by First Nations. First Nations is not required to match employee contributions and did not elect to make contributions to the 403(b) plan for the years ended June 30, 2012 and 2011.

First Nations Oweesta has a Simple IRA pension plan (the "Plan"). Under the Plan, First Nations Oweesta matches up to 3% of employee salary contributions. First Nations Oweesta made contributions to the Plan during the years ended June 30, 2012 and 2011 totaling \$10,449 and \$11,722, respectively.

Note 10 - Commitments and Contingencies

Operating Leases

First Nations occupies office space in Fredericksburg, Virginia and Longmont, Colorado. The Colorado lease, effective September 1, 2010, at a monthly rate of \$5,250 expires February 28, 2013. The Virginia lease, effective March 15, 2009, at a monthly rate of \$1,050, expires March 31, 2014. Total rent expense for First Nations for the years ended June 30, 2012 and 2011 was \$56,520 and \$86,545, respectively.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 10 - Commitments and Contingencies, Continued

First Nations Oweesta occupied office space in Rapid City, South Dakota and in Longmont, Colorado. The lease in Rapid City, at a monthly rate of \$7,314, expired April 30, 2011. First Nations Oweesta entered into a new lease in Rapid City at a monthly rate of \$475 which expired April 30, 2012 and was not renewed. Effective July 1, 2011, First Nations Oweesta shares office space with First Nations and reimburses First Nations one third of its lease expense (\$1,750 per month) under a cost sharing agreement. Rent expense for the years ended June 30, 2012 and 2011 was \$25,750 and \$74,512, respectively.

Future minimum lease payments at June 30, 2012 are as follows:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
2013	\$ 40,600	14,000	54,600
2014	<u>9,450</u>	<u>-</u>	<u>9,450</u>
Total	\$ <u>50,050</u>	<u>14,000</u>	<u>64,050</u>

Commitment

First Nations engaged a consulting firm to expand its branded action signup online and email subscriber lists through social media during the fiscal year ending June 30, 2013 at a cost of \$70,000.

Government Grants

The Organization receives certain revenues from grants from various governmental agencies. The disbursement of funds received under those grants generally requires compliance with the terms and conditions specified in the grant contracts and is subject to audit by the governmental agencies. Management believes the amount of charges to these grants that may be disallowed, if any, by such audits would not have a significant impact on the financial statements, and accordingly, no provision has been made in the consolidated financial statements for any liability that may result. Government grants receivable total \$301,333 and \$215,032 at June 30, 2012 and 2011, respectively.

Note 11 - Related Party Transactions

The Organization makes loans and grants to tribal groups as part of its programmatic mission. It also has a policy of investing in Native American businesses. As a result, the Organization may have lender and business relationships with groups headed by members of its board of directors. All loans and grants are made in accordance with long-standing procedures in which board members do not participate. All business dealings are conducted at market rates on terms consistent with those available to similar organizations or from similar businesses.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 11 - Related Party Transactions, Continued

An officer of the Organization is related to a vendor who provides graphic design and print services to the Organization. Payments during the years ended June 30, 2012 and 2011 aggregated \$122,036 and \$102,561, respectively.

The Organization was fiscal sponsor for a grant to another organization. The Organization paid consulting fees to a member of First Nations' board of directors for services to the sponsored organization specifically identified in the grant. Payments during the year ended June 30, 2012 aggregated approximately \$74,800. During the prior year the consultant was not a member of First Nations' board.

The Organization is one of seven Native American organizations which founded Native Ways Federation Inc. ("NWF") in 2008, a not-for-profit organization dedicated to Native American philanthropy. The Organization's President is a member of the board and treasurer of NWF. The Organization has served as fiscal manager of NWF since 2009. The Organization entered into an agreement with NWF to provide program and administrative services for a monthly fee. During the years ended June 30, 2012 and 2011 fees of \$16,248 and \$0 were charged to NWF. At June 30, 2012 and 2011 receivables from NWF were \$16,248 and \$0, respectively.

The Board of Directors of the Organization has approved all related party transactions.

Note 12 - Re grants

Regranting funds are not used for the program operations of the Organization, but are instead regranted to other Native non-profits, tribal projects, and individual participants in their projects. Re grants and related stipends consisted of:

	<u>First Nations</u>	<u>First Nations Oweesta</u>	<u>Consolidated</u>
Year ended June 30, 2012	\$ 1,435,215	74,000	1,509,215
Year ended June 30, 2011	\$ 792,230	-	792,230

Note 13 - Endowments

The Organization's endowment consists of donor-restricted endowment funds established for a variety of purposes. In accordance with generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. During the year ended June 30, 2007, First Nations received a grant of \$3,000,000 from the Ford Foundation. The earnings on this grant for the first five years were earmarked for use in Grantmaking: 75% to be regranted to other organizations and 25% for grant administration and technical assistance to grantees. During the year ended June 30, 2012 the board of directors directed the earnings to be used for unrestricted expenditures. The income from the other endowment balances is not restricted and can be used to support the Organization's general activities.

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 13 – Endowments, Continued

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment and (b) the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) The purposes of the Organization and the donor-restricted endowment fund
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and the appreciation of investments
- (6) Other resources of the Organization
- (7) The investment policies of the Organization.

Endowment net assets consist of the following at June 30:

	<u>2012</u>	<u>2011</u>
Permanently restricted net assets	\$ 3,127,700	3,277,700
Temporarily restricted net assets	<u>-</u>	<u>88,097</u>
Total endowment funds	<u>\$ 3,127,700</u>	<u>3,365,797</u>

Changes in endowment net assets for 2012 and 2011 are as follows:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment assets, at June 30, 2010	\$ 59,107	3,277,700	3,336,807
Investment gain	137,994	-	137,994
Appropriated for expenditure	<u>(109,004)</u>	<u>-</u>	<u>(109,004)</u>
Endowment assets, at June 30, 2011	<u>88,097</u>	<u>3,277,700</u>	<u>3,365,797</u>
Investment gain	55,073	-	55,073
Appropriated for expenditure	(143,170)	-	(143,170)
Reclassification (see note below)	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Endowment assets, at June 30, 2012	<u>\$ -</u>	<u>3,127,700</u>	<u>3,127,700</u>

First Nations Development Institute and Subsidiary

Notes to Consolidated Financial Statements

Note 13 - Endowments, Continued

Reclassification

During 2004, First Nations Oweesta received a \$150,000 gift that was recorded as permanently restricted based on management's understanding of the gift at the time. Upon further review of the grant agreement during 2012 and based upon additional information obtained, management concluded that this was not an endowment gift to be maintained in perpetuity. This resulted in a reclassification of net assets noted above from permanently restricted net assets to temporarily restricted net assets.

Funds with Deficiencies

From time to time, the fair value of assets associated with certain individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the Organization to retain as a fund of perpetual duration. Deficiencies of this nature are reported as a reduction of unrestricted net assets. There were no such deficiencies for the years ended June 30, 2012 and 2011.

Return Objectives and Risk Parameters

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the board of directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 Index while assuming a moderate level of investment risk. The Organization expects its endowment funds, over time, to provide an average rate of return of approximately six percent annually. Actual returns in any given year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The Organization has a policy of retaining interest and dividends earned in the endowment accounts in order to achieve compound earnings. Expenditures of endowment account earnings are provided by unrestricted funds.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2012

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 1,504,841	2,887,152	-	4,391,993
Grants receivable	2,052,045	-	-	2,052,045
Notes receivable, current	-	650,000	-	650,000
Government grants receivable	28,759	272,574	-	301,333
Interest receivable	-	25,053	-	25,053
Other current receivables, net	15,898	636	-	16,534
Due from affiliate	40,129	-	(40,129)	-
Prepaid expenses	18,119	5,984	-	24,103
Total current assets	<u>3,659,791</u>	<u>3,841,399</u>	<u>(40,129)</u>	<u>7,461,061</u>
Property and equipment:				
Furniture, equipment, and software	136,268	177,719	-	313,987
Less accumulated depreciation and amortization	(116,322)	(142,485)	-	(258,807)
Net property and equipment	<u>19,946</u>	<u>35,234</u>	<u>-</u>	<u>55,180</u>
Other assets:				
Long-term notes receivable, net of valuation allowance	-	3,359,750	-	3,359,750
Long-term grants receivable, net of discount	995,364	-	-	995,364
Investments	7,548	1,064,990	-	1,072,538
Assets restricted for endowment	3,127,700	-	-	3,127,700
Security deposits	975	1,890	-	2,865
Total other assets	<u>4,131,587</u>	<u>4,426,630</u>	<u>-</u>	<u>8,558,217</u>
Total assets	<u>\$ 7,811,324</u>	<u>8,303,263</u>	<u>(40,129)</u>	<u>16,074,458</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 90,616	205,907	-	296,523
Due to affiliate	-	40,129	(40,129)	-
Regrants payable	1,070,945	-	-	1,070,945
Deferred revenue	-	110,074	-	110,074
Short-term debt	-	5,000	-	5,000
Current maturities of long-term debt	-	660,000	-	660,000
Total current liabilities	<u>1,161,561</u>	<u>1,021,110</u>	<u>(40,129)</u>	<u>2,142,542</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	4,130,000	-	4,130,000
Total liabilities	<u>1,161,561</u>	<u>5,151,110</u>	<u>(40,129)</u>	<u>6,272,542</u>
Net assets:				
Unrestricted	(605,899)	2,989,653	-	2,383,754
Temporarily restricted	4,127,962	162,500	-	4,290,462
Permanently restricted	3,127,700	-	-	3,127,700
Total net assets	<u>6,649,763</u>	<u>3,152,153</u>	<u>-</u>	<u>9,801,916</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 7,811,324</u>	<u>8,303,263</u>	<u>(40,129)</u>	<u>16,074,458</u>

See accompanying independent auditor's report.

First Nations Developing Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2012

	First Nations			First Nations Oweesta			Consolidated			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted	
	Total	Total	Total	Total	Total	Total	Total	Total	Total	
Revenue, Gains and Support:										
Public support:										
Grants	23,956	5,916,186	-	1,625,000	852,509	-	2,477,509	1,632,168	6,768,695	-
Contributions	58,148	575	-	1,000	-	-	1,000	59,148	575	-
In-kind contributions	79,917	-	-	79,917	-	-	-	79,917	-	-
Total public support	162,021	5,916,761	-	1,626,000	852,509	-	2,478,509	1,771,233	6,769,270	-
Other revenue:										
Program service fees	71,215	-	-	137,046	-	-	137,046	186,091	-	-
Interest and dividend income	34,454	56,179	-	154,967	-	-	154,967	189,421	56,179	-
Unrealized loss on investments	(21,953)	-	-	(1,488)	-	-	(1,488)	(23,441)	-	-
Other	97,658	-	-	3,748	1,125	-	4,873	4,528	1,125	-
Total other revenue	181,374	56,179	-	294,273	1,125	-	295,398	356,599	57,304	-
Net assets released from restrictions	3,789,564	(3,789,564)	-	841,134	(841,134)	-	-	4,630,698	(4,630,698)	-
Reclassification of net assets	-	-	-	-	150,000	(150,000)	-	150,000	-	(150,000)
Total revenue, gains and support	4,132,959	2,183,376	-	2,761,407	162,500	(150,000)	2,773,907	6,758,530	2,345,876	(150,000)
Expenses:										
Program services:										
Combating Predatory Lending	41,712	-	-	-	-	-	-	41,712	-	-
Financial and Investor Education	982,340	-	-	-	-	-	-	965,552	-	-
Native American Foods and Health	1,358,330	-	-	-	-	-	-	1,358,330	-	-
Native American Business Development	20,199	-	-	-	-	-	-	20,199	-	-
Strengthening Native American Nonprofits	1,040,649	-	-	-	-	-	-	1,040,649	-	-
Public Education	212,270	-	-	-	-	-	-	212,270	-	-
First Nations Oweesta Corporation	67,498	-	-	1,300,931	-	-	1,300,931	1,260,909	-	-
Total program services	3,722,998	-	-	1,300,931	-	-	1,300,931	4,899,621	-	-
Supporting services:										
Administration	344,301	-	-	263,907	-	-	263,907	601,136	-	-
Development	388,831	-	-	68,138	-	-	68,138	452,513	-	-
Total supporting services	733,132	-	-	332,045	-	-	332,045	1,053,649	-	-
Total expenses	4,456,130	-	-	1,632,976	-	-	1,632,976	5,953,270	-	-
Change in net assets	(323,171)	2,183,376	-	1,128,431	162,500	(150,000)	1,140,931	805,260	2,345,876	(150,000)
Net assets at beginning of year	(282,728)	1,944,586	3,127,700	1,861,222	-	150,000	2,011,222	1,578,494	1,944,586	3,277,700
Net assets at end of year	(605,899)	4,127,962	3,127,700	2,989,653	162,500	-	3,152,153	2,383,754	4,290,462	3,127,700

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2012

	Program Services										Supporting Services		Total
	Combating Predatory Lending	Financial & Investor Education	Native Foods & Health	Native American Business Development	Strengthening Native American Nonprofits	Public Education	First Nations Oweesta	Administration	Development				
Salaries, payroll taxes and benefits	\$ 15,325	276,297	263,464	7,601	256,001	84,145	509,441	366,333	146,661			1,925,268	
Grants and stipends	-	132,155	901,500	(8,150)	409,710	-	74,000	-	-	-	-	1,509,215	
Professional and consulting fees	10,790	330,226	69,403	8,748	152,434	27,307	244,874	97,728	121,073			1,062,583	
Travel	11,523	89,699	57,498	1,940	119,000	4,546	125,365	35,536	28,180			473,287	
Printing and publications	42	62,753	8,897	7	16,670	314	13,962	8,370	50,735			161,750	
Conferences and meetings	5	28,026	25,899	6,522	24,108	4,242	44,939	15,722	8,938			158,401	
Interest expense	-	-	-	-	-	-	103,403	-	-			103,403	
Rent and occupancy	604	12,099	12,347	362	14,138	5,554	31,167	13,428	7,760			97,459	
Postage and delivery	183	3,635	1,151	1	1,209	543	4,102	2,355	67,026			80,205	
In-kind advertising	-	-	-	-	-	79,917	-	-	-			79,917	
Equipment/software rental/maintenance	7	4,132	4,694	298	5,638	86	31,930	7,402	6,397			60,584	
Supplies and small equipment	2,912	8,620	2,167	13	30,786	1,118	5,044	3,433	1,320			55,413	
Telephone	222	10,959	5,386	2,778	5,796	1,635	18,541	5,111	2,370			52,798	
Other expenses	-	1,317	3,060	-	1,599	150	11,589	17,125	4,497			39,337	
Outside computer services	88	5,402	2,628	70	3,344	2,610	852	12,205	6,434			33,633	
Provision for loan loss reserve	-	-	-	-	-	-	22,500	-	-			22,500	
Investment fees	-	-	-	-	-	-	25	6,178	-			6,203	
Insurance	6	142	140	4	130	62	38	4,836	74			5,432	
Subtotals	41,707	965,462	1,358,234	20,194	1,040,563	212,229	1,241,772	595,762	451,465	451,465	5,927,388		
Depreciation and amortization	5	90	96	5	86	41	19,137	5,374	1,048			25,882	
Total functional expenses	\$ 41,712	965,552	1,358,330	20,199	1,040,649	212,270	1,260,909	601,136	452,513	452,513	5,953,270		

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Financial Position
June 30, 2011

	First Nations	First Nations Oweesta	Eliminating Entries	Consolidated Total
Assets:				
Current assets:				
Cash and cash equivalents	\$ 722,462	2,371,376	-	3,093,838
Grants receivable	853,700	3,058	-	856,758
Notes receivable, current	-	800,000	-	800,000
Government grants receivable	215,032	-	-	215,032
Interest receivable	-	5,801	-	5,801
Other current receivables, net	2,766	311,410	-	314,176
Due from affiliate	5,764	-	(5,764)	-
Prepaid expenses	31,670	8,184	-	39,854
Total current assets	<u>1,831,394</u>	<u>3,499,829</u>	<u>(5,764)</u>	<u>5,325,459</u>
Property and equipment:				
Furniture, equipment, and software	127,617	164,353	-	291,970
Less accumulated depreciation and amortization	(112,134)	(120,791)	-	(232,925)
Net property and equipment	<u>15,483</u>	<u>43,562</u>	<u>-</u>	<u>59,045</u>
Other assets:				
Long-term notes receivable, net of valuation allowance	-	2,782,250	-	2,782,250
Long-term grants receivable, net of discount	543,923	-	-	543,923
Investments	18,407	910,390	-	928,797
Assets restricted for endowment	3,127,700	150,000	-	3,277,700
Security deposits	975	2,365	-	3,340
Total other assets	<u>3,691,005</u>	<u>3,845,005</u>	<u>-</u>	<u>7,536,010</u>
Total assets	<u>\$ 5,537,882</u>	<u>7,388,396</u>	<u>(5,764)</u>	<u>12,920,514</u>
Liabilities and Net Assets:				
Current liabilities:				
Accounts payable and accrued liabilities	\$ 109,095	107,547	-	216,642
Due to affiliate	-	5,764	(5,764)	-
Regrants payable	639,229	-	-	639,229
Deferred revenue	-	483,863	-	483,863
Short-term debt	-	5,000	-	5,000
Current maturities of long-term debt	-	155,000	-	155,000
Total current liabilities	<u>748,324</u>	<u>757,174</u>	<u>(5,764)</u>	<u>1,499,734</u>
Noncurrent liabilities:				
Long-term debt, net of current maturities	-	4,620,000	-	4,620,000
Total liabilities	<u>748,324</u>	<u>5,377,174</u>	<u>(5,764)</u>	<u>6,119,734</u>
Net assets:				
Unrestricted	(282,728)	1,861,222	-	1,578,494
Temporarily restricted	1,944,586	-	-	1,944,586
Permanently restricted	3,127,700	150,000	-	3,277,700
Total net assets	<u>4,789,558</u>	<u>2,011,222</u>	<u>-</u>	<u>6,800,780</u>
Commitments and contingencies				
Total liabilities and net assets	<u>\$ 5,537,882</u>	<u>7,388,396</u>	<u>(5,764)</u>	<u>12,920,514</u>

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidating Schedule of Activities
Year Ended June 30, 2011

	First Nations			First Nations Oweesta			Consolidated			
	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	Unrestricted	Temporarily	Permanently	
		Restricted	Restricted		Restricted	Restricted		Restricted	Restricted	Restricted
	Total	Total	Total	Total	Eliminations	Total	Total	Total	Total	
Revenue, Gains and Support:										
Public support:										
Grants	\$ 305,513	-	4,076,980	105,000	-	713,582	-	410,513	-	4,790,562
Contributions	41,954	-	41,954	-	-	-	-	41,954	-	41,954
In-kind contributions	-	-	-	-	-	-	-	-	-	-
Total public support	347,467	3,771,467	4,118,934	105,000	608,582	713,582	-	452,467	4,380,049	4,832,516
Other revenue:										
Program service fees	42,986	-	42,986	1,241,391	-	1,241,391	-	1,284,377	-	1,284,377
Interest and dividend income	6,187	83,129	89,316	130,931	-	130,931	-	137,118	83,129	220,247
Unrealized gain on investments	69,225	54,864	124,089	26,706	-	26,706	-	95,931	54,864	150,795
Other	120,070	-	120,070	1,265	-	1,265	(120,000)	1,335	-	1,335
Total other revenue	238,468	137,993	376,461	1,400,293	-	1,400,293	(120,000)	1,518,761	137,993	1,656,754
Net assets released from restrictions	2,963,668	(2,963,668)	-	801,110	(801,110)	-	-	3,764,778	(3,764,778)	-
Total revenue, gains and support	3,549,603	945,792	4,495,395	2,306,403	(192,528)	2,113,875	(120,000)	5,736,006	753,264	6,489,270
Expenses:										
Program services:										
Predatory Lending	181,970	-	181,970	-	-	-	-	181,970	-	181,970
Financial and Investor Education	296,230	-	296,230	-	-	-	-	296,230	-	296,230
Native American Foods and Health	383,249	-	383,249	-	-	-	-	383,249	-	383,249
Native American Business Development	94,429	-	94,429	-	-	-	-	94,429	-	94,429
Strengthening Native American Nonprofits	1,568,121	-	1,568,121	-	-	-	-	1,568,121	-	1,568,121
Public Education	147,862	-	147,862	-	-	-	-	147,862	-	147,862
First Nations Oweesta Corporation	68,828	-	68,828	1,552,507	-	1,552,507	(86,606)	1,534,729	-	1,534,729
Total program services	2,740,689	-	2,740,689	1,552,507	-	1,552,507	(86,606)	4,206,590	-	4,206,590
Supporting services:										
Administration	409,885	-	409,885	429,229	-	429,229	(27,840)	811,274	-	811,274
Development	347,761	-	347,761	149,627	-	149,627	(5,554)	491,834	-	491,834
Total supporting services	757,646	-	757,646	578,856	-	578,856	(33,394)	1,303,108	-	1,303,108
Total expenses	3,498,335	945,792	3,498,335	2,131,363	(192,528)	2,131,363	(120,000)	5,509,698	753,264	5,509,698
Change in net assets	51,268	-	997,060	175,040	-	(17,488)	-	226,308	-	979,572
Net assets at beginning of year	(333,996)	998,794	3,127,700	1,686,182	192,528	2,028,710	-	1,352,186	1,191,322	3,277,700
Net assets at end of year	(282,728)	1,944,586	4,789,558	1,861,222	-	2,011,222	-	1,578,494	1,944,586	6,800,780

See accompanying independent auditor's report.

First Nations Development Institute and Subsidiary
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2011

	Program Services										Supporting Services			Total
	Combating Predatory Lending	Financial & Investor Education	Native Foods & Health	Native American Business Development	Strengthening Native American Nonprofits	Public Education	First Nations Oweesta	Administration	Development					
Salaries, payroll taxes and benefits	\$ 84,697	91,814	204,007	36,250	330,847	104,486	733,755	447,170	194,125	2,227,151				
Professional and consulting fees	57,817	126,421	51,032	13,344	242,577	24,258	242,456	107,755	120,920	986,580				
Grants and stipends	-	-	25,125	21,350	745,755	-	-	-	-	792,230				
Travel	13,673	40,714	43,590	15,824	161,795	19,512	169,187	74,072	29,037	567,404				
Rent and occupancy	6,382	5,414	15,212	2,648	24,407	8,498	58,041	42,636	18,299	181,537				
Conferences and meetings	3,312	9,614	28,561	331	10,968	3,339	33,638	15,935	5,861	111,559				
Printing and publications	10,166	12,363	4,083	97	2,391	2,192	12,694	15,226	45,711	104,923				
Interest expense	-	-	-	-	-	-	93,870	-	-	93,870				
Telephone	2,772	2,148	4,445	910	10,936	3,195	40,091	15,970	5,953	86,420				
Postage and delivery	157	3,036	483	167	1,077	1,304	6,715	2,456	59,192	74,587				
Expense for loan loss reserve	-	-	-	-	-	-	58,350	-	-	58,350				
Equipment/software rental/maintenance	54	42	964	7	5,505	97	30,238	14,905	5,292	57,104				
Other expenses	-	1,580	511	21	110	2,487	8,712	33,727	1,200	48,348				
Supplies and small equipment	2,418	1,264	4,149	2,056	4,068	1,098	10,940	12,502	2,061	40,556				
Outside computer services	387	1,721	848	345	968	1,616	16,918	12,389	1,987	37,179				
Insurance	54	37	100	15	207	67	36	5,043	86	5,645				
Subtotals	181,889	296,168	383,110	93,365	1,541,611	172,149	1,515,641	799,786	489,724	5,473,443				
Depreciation and amortization	81	62	139	1,064	2,106	117	19,088	11,488	2,110	36,255				
Total functional expenses	\$ 181,970	296,230	383,249	94,429	1,543,717	172,266	1,534,729	811,274	491,834	5,509,698				

See accompanying independent auditor's report.