



AMERICAN  
INDIAN  
COLLEGE  
FUND

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**Financial Statements**

Year Ended June 30, 2013

(With Comparative Totals for 2012)



# **American Indian College Fund**

## **Financial Statements**

**Year Ended June 30, 2013**

**(With Comparative Totals for 2012)**

# American Indian College Fund

## Contents

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<b>Independent Auditor's Report</b>	1
<b>Statement of Financial Position</b>	2
<b>Statement of Activities</b>	3
<b>Statement of Functional Expenses</b>	4
<b>Statement of Cash Flows</b>	5
<b>Summary of Significant Accounting Policies</b>	6 – 11
<b>Notes to Financial Statements</b>	12 – 20

## Independent Auditor's Report

Board of Trustees  
American Indian College Fund

We have audited the accompanying financial statements of American Indian College Fund, which comprise the statement of financial position as of June 30, 2013, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the American Indian College Fund's 2012 financial statements and, in our report dated September 6, 2012, we expressed an unqualified opinion on those financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; 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 an opinion on these financial statements based on our audit. 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 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 that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of American Indian College Fund as of June 30, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Anton Collins Mitchell LLP*

Denver, Colorado  
September 13, 2013

# American Indian College Fund

## Statement of Financial Position

(With Comparative Totals for 2012)

<i>June 30,</i>	2013	2012
<b>Assets</b>		
Cash and cash equivalents	\$ 3,251,161	\$ 2,350,583
Promises to give	3,863,208	6,067,049
Prepaid expenses and other assets	101,201	103,643
Donated assets held for resale	1,343,928	1,956,643
Property and equipment, net	670,935	702,515
Investments:		
American Indian College Fund	61,856,909	57,290,809
Held in trust for others	573,309	538,924
Total investments	62,430,218	57,829,733
Total assets	\$ 71,660,651	\$ 69,010,166
<b>Liabilities</b>		
Accounts payable and accrued expenses	\$ 264,796	\$ 365,442
Liabilities under charitable gift annuities	14,683	16,212
Held in trust for others	573,309	538,924
Total liabilities	852,788	920,578
<b>Commitments and contingencies</b>		
<b>Net assets</b>		
Unrestricted:		
Undesignated	15,106,201	17,953,959
Board-designated for endowment	12,213,092	10,646,398
Total unrestricted	27,319,293	28,600,357
Temporarily restricted	17,657,737	15,131,560
Permanently restricted	25,830,833	24,357,671
Total net assets	70,807,863	68,089,588
Total liabilities and net assets	\$ 71,660,651	\$ 69,010,166

*See accompanying summary of significant accounting policies and notes to financial statements.*

# American Indian College Fund

## Statement of Activities

(With Comparative Totals for 2012)

Year Ended June 30,	2013				2012
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support, Revenue and Gains</b>					
Contributions	\$ 5,138,470	\$ 8,510,220	\$ 1,194,773	\$ 14,843,463	\$ 16,938,161
Donated public service announcements	3,507,848	-	-	3,507,848	1,662,481
Net special events revenue	363,150	14,100	-	377,250	268,816
Net investment return	1,226,008	2,468,565	-	3,694,573	(620,450)
Change in value of charitable trusts	167,790	-	-	167,790	(66,085)
Other income	131,367	(79,207)	-	52,160	54,305
Reclassification of gift residual	-	(278,389)	278,389	-	-
Net assets released from restrictions	8,109,112	(8,109,112)	-	-	-
<b>Total support, revenue and gains</b>	<b>18,643,745</b>	<b>2,526,177</b>	<b>1,473,162</b>	<b>22,643,084</b>	<b>18,237,228</b>
<b>Expenses</b>					
Program services:					
Scholarships and grants program	11,307,740	-	-	11,307,740	11,713,537
Public education program	4,093,682	-	-	4,093,682	2,306,891
<b>Total program services</b>	<b>15,401,422</b>	<b>-</b>	<b>-</b>	<b>15,401,422</b>	<b>14,020,428</b>
Supporting services:					
Administrative	1,211,020	-	-	1,211,020	973,120
Donor development	3,312,367	-	-	3,312,367	2,806,346
<b>Total supporting services</b>	<b>4,523,387</b>	<b>-</b>	<b>-</b>	<b>4,523,387</b>	<b>3,779,466</b>
<b>Total expenses</b>	<b>19,924,809</b>	<b>-</b>	<b>-</b>	<b>19,924,809</b>	<b>17,799,894</b>
Change in net assets	(1,281,064)	2,526,177	1,473,162	2,718,275	437,334
<b>Net assets, beginning of year</b>	<b>28,600,357</b>	<b>15,131,560</b>	<b>24,357,671</b>	<b>68,089,588</b>	<b>67,652,254</b>
<b>Net assets, end of year</b>	<b>\$ 27,319,293</b>	<b>\$ 17,657,737</b>	<b>\$ 25,830,833</b>	<b>\$ 70,807,863</b>	<b>\$ 68,089,588</b>

See accompanying summary of significant accounting policies and notes to financial statements.

# American Indian College Fund

## Statement of Functional Expenses

(With Comparative Totals for 2012)

Year Ended June 30,	2013					2012
	Scholarships and Grants	Public Education	Administrative	Donor Development	Total	Total
Salaries	\$ 603,163	\$ 335,694	\$ 554,116	\$ 918,849	\$ 2,411,822	\$ 2,434,178
Payroll taxes and benefits	178,340	98,762	161,394	268,892	707,388	638,295
Scholarships and grants	10,077,605	600	-	-	10,078,205	10,319,729
Advertising/marketing	42,764	37,092	-	105	79,961	203,183
Direct response and donor stewardship	-	-	-	1,821,630	1,821,630	1,391,695
Donated public service announcements	-	3,507,848	-	-	3,507,848	1,662,481
Accounting, audit, legal, and consulting fees	141,052	31,439	247,127	38,054	457,672	332,190
Rent, utilities, maintenance and equipment rental	15,930	9,589	32,860	24,216	82,595	51,403
Special events and donor tours	-	-	-	-	-	8,601
Cost of direct benefits to donors	-	-	-	157,585	157,585	105,958
Travel and meals	125,023	21,830	49,594	115,683	312,130	232,777
Board meetings	-	-	92,155	-	92,155	81,489
Office expenses	29,116	5,115	88,041	36,043	158,315	126,213
Depreciation	16,890	9,490	15,573	25,641	67,594	63,352
Publications, dues, and subscriptions	15,269	16,689	14,560	6,301	52,819	133,719
Bank charges	-	-	61,529	-	61,529	65,598
Staff development	13,475	4,263	19,734	13,225	50,697	29,383
Insurance	620	297	38,659	1,241	40,817	36,167
Bad debt expense	-	-	-	3,280	3,280	2,500
Other expenses	1,176	474	21,973	1,821	25,444	45,622
Information technology	47,317	14,500	16,722	37,386	115,925	148,613
<b>Total expenses</b>	<b>11,307,740</b>	<b>4,093,682</b>	<b>1,414,037</b>	<b>3,469,952</b>	<b>20,285,411</b>	<b>18,113,146</b>
Less expenses netted against revenue:						
Investment management fees	-	-	162,707	-	162,707	157,828
Expense on rental property	-	-	40,310	-	40,310	49,466
Cost of direct benefits to donors	-	-	-	157,585	157,585	105,958
	<b>\$ 11,307,740</b>	<b>\$ 4,093,682</b>	<b>\$ 1,211,020</b>	<b>\$ 3,312,367</b>	<b>\$ 19,924,809</b>	<b>\$ 17,799,894</b>
Functional expense as a percentage of total expense	57%	20%	6%	17%	100%	

See accompanying summary of significant accounting policies and notes to financial statements.

# American Indian College Fund

## Statement of Cash Flows

(With Comparative Totals for 2012)

### Increase (Decrease) in Cash and Cash Equivalents

<i>Year Ended June 30,</i>	<b>2013</b>	<b>2012</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 2,718,275	\$ 437,334
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	67,594	63,352
Bad debt expense	3,280	2,500
Donated assets capitalized as held for sale	-	(11,670)
Change in value of charitable gift annuity	3,786	5,428
Net realized and unrealized (gain) loss on investments	(2,790,384)	1,436,371
Contributions restricted to endowment	(1,194,773)	(2,377,990)
Decrease (increase) in operating assets:		
Promises to give	2,167,461	(235,771)
Prepaid expenses and other assets	157	28,652
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(100,646)	118,631
<b>Net cash flows from operating activities</b>	<b>874,750</b>	<b>(533,163)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of donated property	615,000	5,582
Payments for purchases of property and equipment	(36,014)	(78,001)
Interest and dividend income reinvested	(1,066,896)	(973,749)
Net purchases in investment portfolio	(708,820)	(629,563)
<b>Net cash flows from investing activities</b>	<b>(1,196,730)</b>	<b>(1,675,731)</b>
<b>Cash flows from financing activities:</b>		
Collections of contributions restricted to endowment	1,227,873	2,297,390
Payments to charitable gift annuity beneficiaries	(5,315)	(5,315)
<b>Net cash flows from financing activities</b>	<b>1,222,558</b>	<b>2,292,075</b>
<b>Net increase in cash and cash equivalents</b>	<b>900,578</b>	<b>83,181</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>2,350,583</b>	<b>2,267,402</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 3,251,161</b>	<b>\$ 2,350,583</b>
<b>Supplementary disclosure:</b>		
Promise to give satisfied by real estate	\$ -	\$ 1,300,000

*See accompanying summary of significant accounting policies and notes to financial statements.*



# American Indian College Fund

## Summary of Significant Accounting Policies

### *Organization*

The American Indian College Fund (the “Fund,” “we,” “us,” or “our”), a Washington, D.C. nonprofit corporation, transforms Indian higher education by funding and creating awareness of the unique, community-based accredited tribal colleges and universities, offering students access to knowledge, skills, and cultural values which enhance their communities and the country as a whole. During our 2013 fiscal year, we provided scholarships to over 3,800 students seeking to better their lives through higher education. We also provided support for tribal college needs, ranging from capital support to cultural preservation curricula. Tribal colleges serve large proportions of non-traditional students, those with dependent family members, first-generation college students, and many others who previously had little access to post-secondary education in their communities. However, tribal colleges receive little or no local or state tax support. To help alleviate this funding gap, we work with the private sector to raise funds crucial to the colleges and their students.

### *Comparative Financial Information*

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2012, from which the summarized information was derived.

### *Basis of Accounting*

The accompanying financial statements have been prepared on the accrual basis of accounting, in accordance with GAAP, as promulgated in the Financial Accounting Standards Board (“FASB”) publication, *FASB Accounting Standards Codification*<sup>TM</sup> (“FASB Codification”).

### *Cash and Cash Equivalents*

We consider all highly liquid financial instruments with original maturities of three months or less, and which are not held for long term purposes, to be cash and cash equivalents. All other highly liquid financial instruments which are to be used for long-term purposes are classified as investments regardless of original length to maturity.

# American Indian College Fund

## Summary of Significant Accounting Policies

### *Investments*

Investment purchases are initially recorded at cost. If contributed, such investments are recorded at fair value on the date of contribution. Investments are reported at their fair values in the statement of financial position, and unrealized gains and losses are included in the statement of activities. Net investment return consists of the Fund's interest and dividend income, and realized and unrealized capital gains and losses generated from the Fund's investments, less investment management and custodial fees.

Our investments include private and publicly held investments, and are structured to provide the financial resources needed to meet our short and long-term capital requirements, operating reserves, scholarships and other charitable objectives. With limited exceptions, our investments are managed by independent professional investment management firms and include a variety of investment products, such as individual equity and debt securities, open and closed-end mutual funds, exchange traded securities, investment company shares, and limited partnership interests. Our investments are exposed to various risks that cause the reported value of our investments to fluctuate on a daily basis and could result in material changes to our net assets. Investments in equity securities fluctuate in value in response to many factors, such as the activities and financial condition of individual companies, general business, industry, and market conditions, as well as the perceived state and direction of the economy. The values of bond investments and other fixed income securities fluctuate in response to changing interest rates, credit worthiness of issuers and overall economic policies that impact market conditions.

Certain of our investment managers are permitted to use investment strategies and techniques designed to achieve higher investment returns with lower volatility and low correlations to major market indices and other asset classes. Strategies and techniques, such as the use of hedge funds, could increase the impact of favorable or adverse security price movements on our investment portfolio.

### *Promises to Give*

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at their estimated fair values. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue in years subsequent to initial recognition. We have not recorded a discount as it is believed to be immaterial. In years subsequent to initial recording, we determine an allowance for uncollectible amounts based on our relationship with the donor, historical experience, an assessment of the current economic environment, and analysis of subsequent events. At June 30, 2013, no allowance was considered necessary. Conditional promises to give are not included as support until the conditions are substantially met.

# American Indian College Fund

## Summary of Significant Accounting Policies

### *Assets Held for Sale*

Individual long-lived assets to be disposed of by sale are classified as assets held for sale if the following criteria are met:

- The carrying amount will be recovered principally through a sale transaction rather than through continuing use;
- The disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for such sales; and
- The sale is highly probable.

Assets held for sale are carried at the lower of their carrying amount or fair value less costs to sell and are presented separately on the face of the statement of financial position. Upon classification as held for sale, the assets are no longer depreciated.

### *Property and Equipment*

Property and equipment additions over \$1,000 are recorded at cost or, if donated, at the estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 31½ years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Repairs and maintenance are charged to expense when incurred.

### *Impairment of Long-Lived Assets*

We review asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. Recoverability of the asset is measured by comparison of its carrying amount to undiscounted future cash flows the asset is expected to generate. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its estimated fair value. We were not aware of any indications of impairment and therefore no impairment losses were incurred during the year ended June 30, 2013.

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

# American Indian College Fund

## Summary of Significant Accounting Policies

### *Temporarily Restricted Net Assets*

Temporarily restricted net assets consist of amounts that are subject to donor restrictions that may or will be met by expenditures or actions, and/or the passage of time, and certain income earned on permanently restricted net assets.

Donor-restricted contributions, including promises to give, are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. 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 statement of activities as net assets released from restrictions.

### *Permanently Restricted Net Assets*

Permanently restricted net assets consist of assets whose use is limited by donor-imposed restrictions that neither expire by the passage of time nor can be fulfilled or otherwise removed by actions taken by us. These restrictions stipulate that resources must be maintained permanently, but permit us to expend the income generated in accordance with the provisions of the gift agreements.

### *Revenue Recognition*

Non-contribution revenue is recognized when earned and determined to be realizable. Contributions are recognized when cash, other assets or an unconditional promise to give is received.

### *Donated Services and Materials*

Donated professional services are recorded at the respective fair values of the services received. Donated materials are recorded at fair value at the date of donation. Volunteers contribute significant amounts of time to our program services, administrative, and fundraising activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by the FASB Codification.

### *Expenses*

Expenses are recognized when incurred. Expenses paid in advance but not yet incurred are deferred to the applicable period.

# American Indian College Fund

## Summary of Significant Accounting Policies

### *Functional Allocation of Expenses*

The costs of providing the various program and supporting activities have been summarized on a functional basis in the statement of activities. The details of functional expenses by natural classification are presented in the statement of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of support, revenue, expenses, and distributions during the reporting period. Actual results could differ from those estimates and such differences could be material.

### *Concentrations and Credit Risks*

We manage cash deposit concentration risk by placing our temporary cash and money market accounts with financial institutions considered by us to be high quality and credit-worthy. Cash and cash equivalents are maintained at financial institutions and at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. Cash equivalents of \$3,177,616 were uninsured as of June 30, 2013.

We consider credit risk associated with promises to give to be limited because of high historical collection rates and because the amounts outstanding are due from individuals, foundations and corporations supportive of our mission. The two largest promises to give were 34% and 23% of the total balance at June 30, 2013.

### *Fair Value Measurements*

We follow the methods of fair value measurement described in the *Fair Value Measurements and Disclosures* topic of the FASB Codification to determine the fair values of all financial instruments required to be measured at fair value. Fair value is based on the price that would be received to sell an asset or paid to transfer a liability, i.e. the “exit price,” in an orderly transaction between market participants at the measurement date. A hierarchy prioritizes the observable and unobservable inputs used to measure fair value into three broad levels, as described below:

- *Level 1* – Observable inputs such as quoted prices in active markets for identical assets or liabilities.

# American Indian College Fund

## Summary of Significant Accounting Policies

- *Level 2* – Observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- *Level 3* – Unobservable inputs are used when little or no market data is available.

In determining fair value, the Fund utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

### *Taxes and Tax-Exempt Status*

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Fund's tax-exempt purpose is subject to taxation as unrelated business income. We have not recognized significant unrelated business income during the year ended June 30, 2013.

The Fund believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Fund is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal year 2010, based on the related statute of limitations.

# American Indian College Fund

## Notes to Financial Statements

### 1. PROMISES TO GIVE

Following is a summary of unconditional promises to give at:

<i>June 30,</i>	2013
Receivable in less than one year	\$ 3,500,320
Receivable in one to five years	362,888
	<u>\$ 3,863,208</u>

### 2. FAIR VALUE DISCLOSURES

Assets measured at fair value on a recurring basis have been categorized based upon a fair value hierarchy as of:

<i>June 30,</i>	2013			
Description	Total	Level 1	Level 2	Level 3
Investments:				
Cash and money market funds <sup>(1)</sup>	\$ 3,086,008	\$ 3,086,008	\$ -	\$ -
Certificates of deposit <sup>(1)</sup>	306,589	-	306,589	-
Equity securities directly held <sup>(3)</sup>	72,724	72,724	-	-
Debt securities:				
Corporate debt securities <sup>(2)</sup>	11,634,259	-	11,634,259	-
U.S. treasury and agency debt securities <sup>(2)</sup>	2,512,887	-	2,512,887	-
Asset backed mortgage securities <sup>(2)</sup>	3,478,669	-	3,478,669	-
Mutual funds:				
Domestic equity <sup>(3)</sup>	7,106,468	7,106,468	-	-
Global equity <sup>(3)</sup>	4,923,661	4,923,661	-	-
Emerging market <sup>(3)</sup>	2,426,061	2,426,061	-	-
Global fixed income <sup>(3)</sup>	1,825,091	1,825,091	-	-
Domestic bond market index <sup>(3)</sup>	6,636,612	6,636,612	-	-
Dividend growth fund <sup>(3)</sup>	5,416,390	5,416,390	-	-
Asia excluding Japan <sup>(3)</sup>	858,535	858,535	-	-
Diversified debt securities <sup>(2)</sup>	1,800,605	-	1,800,605	-
Investment funds and partnerships:				
Energy master limited partnership <sup>(3)</sup>	3,080,565	3,080,565	-	-
Fund of hedge funds <sup>(5)</sup>	4,733,493	-	-	4,733,493
Bank loan fund <sup>(4)</sup>	2,531,601	-	-	2,531,601
	<u>\$ 62,430,218</u>	<u>\$ 35,432,115</u>	<u>\$ 19,733,009</u>	<u>\$ 7,265,094</u>

# American Indian College Fund

## Notes to Financial Statements

### 2. FAIR VALUE DISCLOSURES (CONTINUED)

- (1) Fair values are equal to the sums of the account balances.
- (2) Fair values are based on quoted prices for similar assets or liabilities in active markets, quoted prices for identical assets or liabilities in inactive markets, or model-derived valuations in which all significant inputs are observable or can be derived principally from, or corroborated by, observable market data.
- (3) Fair values are based upon quoted market prices for identical securities in active markets or published redemption values.
- (4) Fair value of investment in investment portfolio represents the Fund's pro-rata interest in the net assets of the portfolio. The portfolios' investment strategies are to invest in a variety of debt securities.
- (5) The fund of hedge funds invests in a variety of hedge funds, including funds of hedge funds, to create a portfolio of funds having widely diversified investment strategies. The funds have varying degrees of transparency into their underlying holdings, and the investment consulting firm reports fair value information accumulated from the various fund managers. Performance results are monitored by the investment consulting firm and compared to benchmarks selected to help evaluate an individual strategy or the skill of an individual manager compared to similar managers. Management and the Board of Trustees review the composition and performance results of the fund of hedge funds.

Below is a reconciliation of the beginning and ending balance of assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the year ended:

<i>June 30,</i>	2013
Beginning balance	\$ 9,549,510
Net realized and unrealized gain included in the statement of activities	567,887
Sales	(2,852,303)
Ending balance	\$ 7,265,094
Unrealized gain included in net investment return on the statement of activities attributable to investments still held at June 30, 2013	\$ 486,440



# American Indian College Fund

## Notes to Financial Statements

### 3. NET INVESTMENT RETURN

Net investment return was composed of the following for the year ended:

<i>June 30,</i>	2013
Interest and dividend income	\$ 1,066,896
Net realized and unrealized gain	2,790,384
Less investment management fees	(162,707)
	<u>\$ 3,694,573</u>

### 4. DONATED ASSETS HELD FOR RESALE

Donated assets held for resale were comprised of the following at:

<i>June 30,</i>	2013
Art items	\$ 43,928
North Carolina property	1,300,000
	<u>\$ 1,343,928</u>

During the year ended June 30, 2012, the Fund received title to property in North Carolina in satisfaction of a pledge receivable. The property is held for sale and is carried on the books at \$1.3 million, which is an estimate of the property's fair value less estimated selling costs.

### 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

<i>June 30,</i>	2013
Land	\$ 100,000
Building and improvements	885,701
Furniture and equipment	280,418
	<u>1,266,119</u>
Less accumulated depreciation	(595,184)
	<u>\$ 670,935</u>

# American Indian College Fund

## Notes to Financial Statements

### 6. DONATED PUBLIC SERVICE ANNOUNCEMENTS

A variety of media outlets donate print space and air time to publish and/or broadcast our public education program public service announcements (“PSAs”). We recognize and report in the statement of activities the estimated fair value of the PSAs (\$3,507,848 for the year ended June 30, 2013) as equal and offsetting income and expense items.

### 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following at:

<i>June 30,</i>	2013
Restricted to the following purposes:	
Scholarships and other support	\$ 11,076,518
Tribal colleges and universities support	336,334
PhD, Masters and research programs	856,531
Cultural preservation program	1,191,913
Tribal College Leaders Program	964,276
Kellogg Early Childhood Education Project	2,357,056
Achieving the Dream Project	570,658
Other	304,451
	<hr/>
	\$ 17,657,737

Temporarily restricted net assets were released from restrictions as follows during the year ended:

<i>June 30,</i>	2013
Releases for the following purposes:	
Scholarships and other support	\$ 5,521,105
PhD, Masters and research programs	536,826
Cultural preservation program	187,920
Kellogg Early Childhood Education Project	1,564,662
Achieving the Dream Project	179,342
Other	119,257
	<hr/>
	\$ 8,109,112

# American Indian College Fund

## Notes to Financial Statements

### 8. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets are comprised of the following at:

<i>June 30,</i>	2013
Permanent endowments	\$ 23,224,112
Interest in charitable trust	2,606,721
	<u>\$ 25,830,833</u>

We are the trustee and sole income beneficiary of a charitable trust established through a bequest. The bequest named a third-party as trustee, and that trustee transferred responsibility to us. The bequest calls for the gift to be maintained as to produce regular income for the Fund. The change in value is reported as unrestricted in the statement of activities due to the absence of donor restrictions. Distributions of \$65,153 were received from the trust during the year ended June 30, 2013.

### 9. ENDOWMENT

Our endowment is comprised of donor-restricted contributions and the amount of unrestricted net assets designated for endowment by the American Indian College Fund Board of Trustees from time to time. Earnings arising from permanently restricted funds are temporarily restricted until appropriated for expenditure. Earnings arising from board-designated funds are unrestricted.

#### *Composition of Endowment*

Our endowment (“Endowment”) is composed of over 100 individual endowment funds established by donors primarily to provide scholarships and support to tribal college students and tribal colleges, respectively. The Endowment includes both donor-restricted funds and funds designated for use by our Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Fund charges a 0.5% administration fee to help defray the costs of investment administration of the endowment portfolio. During the year ended June 30, 2013, the fee was imposed only on those net accumulated earnings as to not create a deficiency as compared to the original gift.

# American Indian College Fund

## Notes to Financial Statements

### 9. ENDOWMENT (CONTINUED)

#### *Interpretation of Relevant Law*

Our Board of Trustees has interpreted the Washington D.C. 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. At June 30, 2013, there were no contrary donor stipulations. As a result of this interpretation, the Fund classifies as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

The remaining portion of the Endowment that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA. The Board of Trustees considers the following factors in making a determination to appropriate or accumulate donor-restricted Endowment funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

#### *Return Objectives and Risk Parameters*

We have adopted investment and spending policies for Endowment assets that attempt to provide a predictable stream of funding to programs supported by the Endowment while seeking to preserve the original fair values of the Endowment assets. Under these policies, as approved by our Board of Trustees, Endowment assets are invested in a manner intended to produce results, measured over full market cycles, that equal or exceed the price and yield results of a blended portfolio composed of traditional and alternative investment securities, while assuming a low-to-moderate level of investment risk. We expect our Endowment funds, over time, to provide an average annual rate of return sufficient to preserve the original fair values of the Endowment assets while providing an opportunity for real growth. Actual returns in any given year may vary from this amount.

# American Indian College Fund

## Notes to Financial Statements

### 9. ENDOWMENT (CONTINUED)

#### *Strategies Employed for Achieving Objectives*

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

#### *Spending Policy and Relation to Investment Objectives*

Our Board of Trustees follows a policy of appropriating for distribution each year from the Endowment. In establishing this policy, the Board of Trustees considers the long-term expected return on the Endowment. Accordingly, over the long term, the Board of Trustees expects the current spending policy to preserve the net assets of the Endowment. This is consistent with the Board of Trustees' objective to preserve the original fair values of the Endowment assets as well as provide an opportunity for real growth through new gifts and undistributed investment return.

#### *Funds with Deficiencies*

From time to time, the fair value of the Endowment may fall below the fair value of the original gifts and other accumulations made to it, the amount required by UPMIFA to be preserved as a fund of perpetual duration. There was no such deficiency at June 30, 2013.

The endowment was allocated among the following net asset classifications at:

<i>June 30,</i>	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Donor restricted endowment	\$ -	\$ 3,830,050	\$ 23,224,112	\$ 27,054,162
Board designated for endowment	12,213,092	-	-	12,213,092
	\$ 12,213,092	\$ 3,830,050	\$ 23,224,112	\$ 39,267,254

# American Indian College Fund

## Notes to Financial Statements

### 9. ENDOWMENT (CONTINUED)

Changes in endowment net assets were as follows for the year ended:

<i>June 30,</i>	2013			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 10,646,398	\$ 2,353,699	\$ 21,750,950	\$ 34,751,047
Investment return:				
Interest and dividend income	174,427	437,629	-	612,056
Net realized and unrealized gain	1,084,948	2,030,937	-	3,115,885
Total investment return	1,259,375	2,468,566	-	3,727,941
Designations and contributions	774,000	-	1,194,773	1,968,773
Distributions	(399,033)	(889,670)	-	(1,288,703)
Other changes:				
Administrative fees	(52,714)	(117,479)	-	(170,193)
Transfers	(14,934)	14,934	278,389	278,389
Endowment net assets, end of year	\$ 12,213,092	\$ 3,830,050	\$ 23,224,112	\$ 39,267,254

### 10. CONTRIBUTIONS BY SOURCE

Contributions by source were as follows for the year ended:

<i>June 30,</i>	2013
Individuals	\$ 4,841,584
Bequests	4,030,436
Corporations and corporate foundations	2,360,503
Charitable foundations	3,610,940
	\$ 14,843,463

# American Indian College Fund

## Notes to Financial Statements

### 11. TAX DEFERRED ANNUITY PLAN

We maintain a tax deferred annuity plan (the “Plan”) qualified under Section 403(b) of the Internal Revenue Code covering substantially all of our full-time employees. Under the provisions of the Plan, participants may contribute an amount not to exceed the annual limits specified by the Internal Revenue Service. In addition, our discretionary contributions are 2% of each qualifying employee’s qualifying wages and matching employee’s contributions up to 5% of qualifying wages. Employee contributions vest immediately. Employer contributions vest over a four year period. During the fiscal year ended June 30, 2013, we contributed \$99,229 to the plan.

### 12. RELATED PARTIES

Certain members of the Board of Trustees are tribal college presidents whose colleges are eligible to receive scholarship and other direct funding awards from the Fund in the normal course of operations. Most scholarship and other direct funding awards are distributed on an objective and/or equivalent basis among all the tribal colleges. Trustees abstain from acting as representatives of individual tribal colleges, and exercise their powers in good faith and in the interests of the Fund and tribal colleges as a whole.

### 13. COMMITMENTS AND CONTINGENCIES

#### *Liquidity of Investment in Fund of Hedge Funds*

The redemption terms of the investment in the fund of hedge funds require 95 day notice, and may be paid out in 25% increments within 60 days after the effective date of redemption (the last day of the fund of hedge funds fiscal quarter).

### 14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through September 13, 2013, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.