



Financial Statements
June 30, 2017

American Indian College Fund

(With Comparative Totals for 2016)

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Independent Auditor's Report

The Board of Trustees
American Indian College Fund
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of American Indian College Fund, which comprise the statement of financial position as of June 30, 2017, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the 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, 2017, 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.

Report on Summarized Comparative Information

We have previously audited American Indian College Fund's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 15, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Eide Bailly LLP

Denver, Colorado
November 4, 2017

American Indian College Fund
Statement of Financial Position
June 30, 2017
(with comparative totals for 2016)

| | 2017 | 2016 |
|---|----------------------|----------------------|
| Assets | | |
| Cash and cash equivalents | \$ 2,200,224 | \$ 2,306,446 |
| Operating investments | 10,907,883 | 13,570,841 |
| Prepaid expenses and other assets | 201,743 | 165,267 |
| Promises to give, net | 5,225,576 | 6,002,046 |
| Donated assets held for resale | 44,484 | 42,492 |
| Property and equipment, net | 2,022,400 | 2,165,029 |
| Investments held for others | 638,031 | 600,292 |
| Endowment | | |
| Cash and cash equivalents | 12,377 | 118,821 |
| Promises to give, net | 1,558,629 | 416,200 |
| Investments | 54,528,131 | 49,332,624 |
| Total assets | \$ 77,339,478 | \$ 74,720,058 |
| Liabilities and Net Assets | | |
| Accounts payable and accrued expenses | \$ 662,712 | \$ 525,772 |
| Investments held for others | 638,031 | 600,292 |
| Total liabilities | 1,300,743 | 1,126,064 |
| Net Assets | | |
| Unrestricted | | |
| Undesignated | 6,277,164 | 7,842,965 |
| Board-designated endowment | 18,118,748 | 16,448,395 |
| | 24,395,912 | 24,291,360 |
| Temporarily restricted | 22,234,393 | 21,124,209 |
| Permanently restricted | 29,408,430 | 28,178,425 |
| Total net assets | 76,038,735 | 73,593,994 |
| Total liabilities and net assets | \$ 77,339,478 | \$ 74,720,058 |

American Indian College Fund
Statement of Activities
Year Ended June 30, 2017
(with comparative totals for 2016)

| | 2017 | | | Total | 2016 |
|--|----------------------|---------------------------|---------------------------|----------------------|----------------------|
| | Unrestricted | Temporarily Restricted | Permanently Restricted | | |
| Support, Revenue and Gains | | | | | |
| Contributions | \$ 10,404,860 | \$ 9,283,311 | \$ 1,230,005 | \$ 20,918,176 | \$ 23,661,765 |
| Contributed public service announcements | 3,538,316 | - | - | 3,538,316 | 6,005,757 |
| Net investment return | 1,918,310 | 3,504,146 | - | 5,422,456 | 726,328 |
| Other revenue | 15,467 | - | - | 15,467 | 8,617 |
| Gross special events revenue | 410,948 | - | - | 410,948 | 395,333 |
| Less cost of direct benefits to donors | (257,429) | - | - | (257,429) | (273,879) |
| Net special events revenue | 153,519 | - | - | 153,519 | 121,454 |
| Net assets released from restrictions | 11,650,395 | (11,650,395) | - | - | - |
| Total support, revenue and gains | <u>27,680,867</u> | <u>1,137,062</u> | <u>1,230,005</u> | <u>30,047,934</u> | <u>30,523,921</u> |
| Expenses and Losses | | | | | |
| Program services expense | | | | | |
| Scholarships and grants | 16,751,338 | - | - | 16,751,338 | 15,220,994 |
| Public education | 4,440,651 | - | - | 4,440,651 | 1,382,839 |
| Total program expenses | <u>21,191,989</u> | <u>-</u> | <u>-</u> | <u>21,191,989</u> | <u>16,603,833</u> |
| Supporting services expense | | | | | |
| Administrative | 1,173,552 | - | - | 1,173,552 | 1,221,181 |
| Donor development | 5,210,774 | - | - | 5,210,774 | 10,666,307 |
| Total supporting services expenses | <u>6,384,326</u> | <u>-</u> | <u>-</u> | <u>6,384,326</u> | <u>11,887,488</u> |
| Loss on disposal of assets | - | - | - | - | 57,602 |
| Loss on uncollectable promises to give | - | 26,878 | - | 26,878 | - |
| Total expenses and losses | <u>27,576,315</u> | <u>26,878</u> | <u>-</u> | <u>27,603,193</u> | <u>28,548,923</u> |
| Change in Net Assets | 104,552 | 1,110,184 | 1,230,005 | 2,444,741 | 1,974,998 |
| Net Assets, Beginning of Year | 24,291,360 | 21,124,209 | 28,178,425 | 73,593,994 | 71,618,996 |
| Net Assets, End of Year | <u>\$ 24,395,912</u> | <u>\$ 22,234,393</u> | <u>\$ 29,408,430</u> | <u>\$ 76,038,735</u> | <u>\$ 73,593,994</u> |

American Indian College Fund
Statement of Functional Expenses
Year Ended June 30, 2017
(with comparative totals for 2016)

| | 2017 | | | | | | |
|---|----------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| | Program Services | | | | Donor | | |
| | Scholarships and Grants | Public Education | Total | Administrative | Development | Total | 2016 |
| Salaries | \$ 1,598,383 | \$ 512,407 | \$ 2,110,790 | \$ 510,045 | \$ 779,981 | \$ 3,400,816 | \$ 3,228,675 |
| Payroll taxes and benefits | 521,588 | 163,498 | 685,086 | 163,154 | 253,395 | 1,101,635 | 935,961 |
| Scholarships and grants | 13,451,963 | - | 13,451,963 | - | 10,121 | 13,462,084 | 12,914,399 |
| Advertising and marketing | 40,523 | 221,941 | 262,464 | - | 3,197,002 | 3,459,466 | 2,949,241 |
| Professional fees | 344,107 | 12,582 | 356,689 | 451,735 | 371,824 | 1,180,248 | 1,188,674 |
| Building and equipment | 60,375 | 9,808 | 70,183 | 12,177 | 15,401 | 97,761 | 125,001 |
| Cost of direct benefits to donors | - | - | - | - | 257,429 | 257,429 | 273,879 |
| Travel and meals | 330,938 | 8,705 | 339,643 | 60,291 | 176,871 | 576,805 | 435,757 |
| Board meetings | - | - | - | 117,268 | - | 117,268 | 113,600 |
| Office expenses | 37,837 | 6,173 | 44,010 | 14,290 | 51,521 | 109,821 | 118,900 |
| Publications, dues and subscriptions | 64,832 | 29,987 | 94,819 | 12,158 | 31,867 | 138,844 | 82,831 |
| Bank charges | - | - | - | 83,721 | - | 83,721 | 67,647 |
| Programatic conferences | 73,314 | 595 | 73,909 | 3,165 | 3,633 | 80,707 | 106,676 |
| Staff development | 15,924 | 1,713 | 17,637 | 30,736 | 25,205 | 73,578 | 75,465 |
| Insurance | 18,497 | 6,130 | 24,627 | 5,959 | 9,137 | 39,723 | 44,035 |
| Other expenses | 29,466 | 889 | 30,355 | 24,711 | 10,497 | 65,563 | 113,248 |
| Information technology | 70,790 | 54,200 | 124,990 | 19,490 | 73,044 | 217,524 | 174,303 |
| Noncash expenses | | | | | | | |
| Donated public service announcements | - | 3,382,406 | 3,382,406 | - | 155,910 | 3,538,316 | 6,005,757 |
| Depreciation | 92,801 | 29,617 | 122,418 | 29,668 | 45,365 | 197,451 | 152,114 |
| Total expenses by function | 16,751,338 | 4,440,651 | 21,191,989 | 1,538,568 | 5,468,203 | 28,198,760 | 29,106,163 |
| Less expenses included with revenues on the statement of activities | | | | | | | |
| Cost of direct benefits to donors | - | - | - | - | (257,429) | (257,429) | (273,879) |
| Investment management fees | - | - | - | (365,016) | - | (365,016) | (340,963) |
| Total expenses included in the expense section on the statement of activities | <u>\$ 16,751,338</u> | <u>\$ 4,440,651</u> | <u>\$ 21,191,989</u> | <u>\$ 1,173,552</u> | <u>\$ 5,210,774</u> | <u>\$ 27,576,315</u> | <u>\$ 28,491,321</u> |

See Notes to Financial Statements

American Indian College Fund
Statement of Cash Flows
Year Ended June 30, 2017
(with comparative totals for 2016)

| | 2017 | 2016 |
|---|--------------|--------------|
| Cash Flows from Operating Activities | | |
| Change in net assets | \$ 2,444,741 | \$ 1,974,998 |
| Adjustments to reconcile change in net assets to net cash used for operating activities | | |
| Depreciation | 197,451 | 152,114 |
| Realized and unrealized gain on operating investments | (357,370) | (207,121) |
| Donation of art held for resale | (1,992) | - |
| Loss on disposal of assets | - | 57,602 |
| Loss on uncollectable promises to give | 26,878 | |
| Contributions restricted to endowment | (2,230,005) | (998,154) |
| Endowment net investment return | (4,977,972) | (331,346) |
| Changes in operating assets and liabilities | | |
| Prepaid expenses and other assets | (36,476) | (35,351) |
| Promises to give, net | 749,592 | (1,683,818) |
| Accounts payable and accrued expenses | 136,940 | (120,902) |
| Net Cash used for Operating Activities | (4,048,213) | (1,191,978) |
| Cash Flows from (used for) Investing Activities | | |
| Purchases of operating investments | 20,328 | (139,175) |
| Proceeds from sales of operating investments | 3,000,000 | 4,500,000 |
| Purchases of property and equipment | (54,822) | (1,419,072) |
| Proceeds from sales of property and equipment | - | 350 |
| (Additions to) withdrawal from endowment | (57,077) | (2,992,765) |
| Net Cash from (used for) Investing Activities | 2,908,429 | (50,662) |
| Cash Flows from Financing Activities | | |
| Collections of contributions restricted to endowment | 1,033,562 | 1,712,136 |
| Net Cash from Financing Activities | 1,033,562 | 1,712,136 |
| Net Change in Cash and Cash Equivalents | (106,222) | 469,496 |
| Cash and Cash Equivalents, Beginning of Year | 2,306,446 | 1,836,950 |
| Cash and Cash Equivalents, End of Year | \$ 2,200,224 | \$ 2,306,446 |

Note 1 - Principal Activity and Significant Accounting Policies

Organization

The American Indian College Fund (the College Fund, we, us, our) invests in Native students and tribal college education to transform lives and communities. During our 2017 fiscal year, we provided scholarships to over 4,100 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. The College Fund serves large proportions of non-traditional students, those with dependent family members, first-generation college students, and many others who previously had little to no support for post-secondary education. The College Fund receives no local, state tax, or federal support. We work with the private sector to raise funds crucial to the success of American Indian students in achieving their academic and career-readiness goals.

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, 2016, from which the summarized information was derived.

Cash and Cash Equivalents

We consider all cash and highly liquid financial instruments with original maturities of three months or less, and which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to endowment or other long-term purposes are excluded from this definition.

Investments

We record investment purchases at cost, or if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair values in the statement of financial position. Net investment return is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less investment management and custodial fees.

Promises to Give

We record unconditional promises to give expected to be collected within one year at net realizable value. Unconditional promises to give expected to be collected in future years are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statement of activities. We determine the allowance for uncollectable promises to give based on historical experience, an assessment of economic conditions, and a review of subsequent collections. Promises to give are written off when deemed uncollectable. At June 30, 2017 the allowance was \$15,878.

Property and Equipment

We record property and equipment additions over \$1,000 at cost, or if donated, at fair value on the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from three to thirty-one-and-one-half years. When assets are sold or otherwise disposed of, the cost and related depreciation are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

We review the carrying values of property and equipment for impairment whenever events or circumstances indicate that the carrying value of an asset may not be recoverable from the estimated future cash flows expected to result from its use and eventual disposition. When considered impaired, an impairment loss is recognized to the extent carrying value exceeds the fair value of the asset. There were no indicators of asset impairment during the year ended June 30, 2017.

Investments Held For Others

We manage investments on behalf of the tribal colleges and universities (TCUs). Assets received, investment return, and distributions are recorded as an increase or decrease in the asset and the related liability.

Perpetual Trust

We are the sole irrevocable beneficiary and trustee of a perpetual trust. The trust provides for the distribution of the net income of the trust to us; however, the assets of the trust are to be maintained in perpetuity. Trust assets are included in the Endowment.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets available for use in general operations. Unrestricted board-designated net assets consist of net assets designated by the Board of Trustees for endowment.

Temporarily Restricted Net Assets – Net assets subject to donor restrictions that may or will be met by expenditures or our actions and/or the passage of time, and certain income earned on permanently restricted net assets that have not yet been appropriated for expenditure by our Board of Trustees.

We report contributions as temporarily 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 statement of activities as net assets released from restrictions.

Permanently Restricted Net Assets – Net 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 our actions. The restrictions stipulate that resources be maintained permanently but permit us to expend the income generated in accordance with the provisions of the agreements.

Revenue and Revenue Recognition

Revenue is recognized when earned. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Donated Services and In-Kind Contributions

Volunteers contribute significant amounts of time to our program services, administration, and fundraising and development activities; however, the financial statements do not reflect the value of these contributed services because they do not meet recognition criteria prescribed by generally accepted accounting principles. Contributed goods are recorded at fair value at the date of donation. We record donated professional services at the respective fair values of the services received. During the year ended June 30, 2017, we received donated television and radio air time and magazine and newspaper print space, with a total estimated value of \$3,538,316 to broadcast and publish our public service announcements.

Advertising Costs

Advertising costs, which include donated public service announcements, are expensed as incurred, and totaled \$6,997,782 during the year ended June 30, 2017.

Functional Allocation of Expenses

The costs of program and supporting services activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes

The College Fund is organized as a Washington, D.C. nonprofit corporation and has been recognized by the Internal Revenue Service (IRS) as exempt from federal income taxes under Section 501(a) of the Internal Revenue Code as an organization described in Section 501(c)(3), qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi), and has been determined not to be a private foundation under Section 509(a)(1). We are annually required to file a Return of Organization Exempt from Income Tax (Form 990) with the IRS. In addition, we are subject to income tax on net income that is derived from business activities that are unrelated to our exempt purpose. We have filed an Exempt Organization Business Income Tax Return (Form 990-T) with the IRS. We did not incur significant income tax expense during the year ended June 30, 2017.

We believe that we have appropriate support for any tax positions taken affecting our annual filing requirements, and as such, do not have any uncertain tax positions that are material to the financial statements. We would recognize future accrued interest and penalties related to unrecognized tax benefits and liabilities in income tax expense if such interest and penalties are incurred. The College Fund's Forms 990-T and other income tax filings required by state, local, or non-U.S. tax authorities are no longer subject to tax examination for years before 2013.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates and those differences could be material.

Financial Instruments and Credit Risk

We manage deposit concentration risk by placing cash, money market accounts, and certificates of deposit with financial institutions believed by us to be creditworthy. At times, amounts on deposit may exceed insured limits or include uninsured investments in money market mutual funds. To date, we have not experienced losses in any of these accounts. Credit risk associated with promises to give is considered to be limited due to high historical collection rates and because substantial portions of the outstanding amounts are due from Board members, corporate partners, and foundations supportive of our mission. Investments are made by diversified investment managers whose performance is monitored by us and the Investment Committee of the Board of Trustees. Although the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that the investment policies and guidelines are prudent for the long-term welfare of the organization.

Subsequent Events

We have evaluated subsequent events through November 4, 2017, the date the financial statements were available to be issued.

Note 2 - Fair Value Measurements and Disclosures

We report certain assets at fair value in the financial statements. Fair value is the price that would be received to sell an asset in an orderly transaction in the principal, or most advantageous, market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. Inputs used to determine fair value refer broadly to the assumptions that market participants would use in pricing the asset, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset based on the best information available. A three-tier hierarchy categorizes the inputs as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets that we can access at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly. These include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset, and market-corroborated inputs.

Level 3 – Unobservable inputs for the asset. In these situations, we develop inputs using the best information available in the circumstances.

In some cases, the inputs used to measure the fair value of an asset might be categorized within different levels of the fair value hierarchy. In those cases, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. Assessing the significance of a particular input to entire measurement requires judgment, taking into account factors specific to the asset. The categorization of an asset within the hierarchy is based upon the pricing transparency of the asset and does not necessarily correspond to our assessment of the quality, risk or liquidity profile of the asset.

A significant portion of our investment assets are classified within Level 1 because they are comprised of open-end mutual funds, domestic equities, and exchange-traded energy master limited partnerships with readily determinable fair values based on daily redemption values and closing market prices. Domestic corporate bonds, U.S. Government obligations, and domestic asset-backed mortgage securities are valued by the custodians of the securities using pricing models based on credit quality, time to maturity, stated interest rates and market-rate assumptions, and are classified within Level 2.

We use Net Asset Value (NAV) per share, or its equivalent, such as member units or an ownership interest in partners' capital, to estimate the fair values of a domestic fixed-income fund, a domestic growth fund, pooled hedge funds, and a pooled floating-rate fund which do not have readily determinable fair values. Investments valued at NAV are classified within Level 2 because we have the ability to redeem the investments at NAV at the measurement date or within the near term.

The following table presents assets measured at fair value on a recurring basis, except those measured at cost as identified below, at June 30, 2017:

| | Total | Fair Value Measurements at Report Date Using | | |
|--|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Operating investments | | | | |
| Cash and money market funds (at cost) | \$ 1,461,519 | \$ - | \$ - | \$ - |
| Debt securities | | | | |
| Domestic corporate bonds | 6,575,785 | - | 6,575,785 | - |
| U.S. Government obligations | 1,557,422 | - | 1,557,422 | - |
| Domestic asset-backed mortgage securities | 1,190,297 | - | 1,190,297 | - |
| Domestic equities | 122,860 | 122,860 | - | - |
| | <u>\$ 10,907,883</u> | <u>\$ 122,860</u> | <u>\$ 9,323,504</u> | <u>\$ -</u> |

American Indian College Fund
Notes to Financial Statements
June 30, 2017

| | Total | Fair Value Measurements at Report Date Using | | |
|---|----------------------|---|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| Endowment investments | | | | |
| Cash and money market funds (at cost) | \$ 420,599 | \$ - | \$ - | \$ - |
| Debt securities | | | | |
| Domestic corporate bonds | 1,720,829 | - | 1,720,829 | - |
| Domestic equities | 130,239 | 130,239 | | |
| Domestic equity index mutual funds | 35,284,890 | 35,284,890 | - | - |
| Investments in funds and partnerships | | | | |
| Exchange-traded energy master limited partnerships | 2,170,474 | 2,170,474 | - | - |
| Domestic fixed-income fund | 4,341,185 | - | 4,341,185 | - |
| Domestic growth fund | 1,486,957 | - | 1,486,957 | - |
| Pooled hedge funds | 3,450,594 | - | 3,450,594 | - |
| Pooled floating-rate funds | 5,522,364 | - | 5,522,364 | - |
| | <u>\$ 54,528,131</u> | <u>\$ 37,585,603</u> | <u>\$ 16,521,929</u> | <u>\$ -</u> |
| Investments held for others | | | | |
| Cash and money market funds (at cost) | \$ 4,921 | \$ - | \$ - | \$ - |
| Debt securities | | | | |
| Domestic corporate bonds | 20,135 | - | 20,135 | - |
| Domestic equities | 1,524 | 1,524 | - | - |
| Domestic equity index mutual funds | 412,867 | 412,867 | - | - |
| Investments in funds and partnerships | | | | |
| Exchange-traded energy master limited partnerships | 25,397 | 25,397 | - | - |
| Domestic fixed-income fund | 50,796 | - | 50,796 | - |
| Domestic growth fund | 17,399 | - | 17,399 | - |
| Pooled hedge funds | 40,375 | - | 40,375 | - |
| Pooled floating-rate funds | 64,617 | - | 64,617 | - |
| | <u>\$ 638,031</u> | <u>\$ 439,788</u> | <u>\$ 193,322</u> | <u>\$ -</u> |

Investments in certain entities that calculate NAV per share are as follows at June 30, 2017:

| | Number of Investments | Fair value | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|----------------------------|--------------------------|----------------------|-------------------------|-------------------------|-----------------------------|
| Domestic fixed-income fund | 1 | \$ 4,391,981 | \$ - | Daily | None |
| Domestic growth fund | 1 | 1,504,356 | - | 25% Quarterly | 90 Days |
| Pooled hedge funds | 2 | 3,490,969 | - | Monthly | 30 Days |
| Pooled floating-rate fund | 2 | 5,586,981 | - | Quarterly | 30 Days |
| | | <u>\$ 14,974,287</u> | <u>\$ -</u> | | |

Domestic Fixed-Income Fund – Fund focused on fixed income investments primarily in the United States.

Domestic Growth Fund – Fund that utilizes a multi-manager structure to pursue a variety of long-term growth strategies. The fund is a comingled investment that seeks, over time, to achieve long-term return while attempting to limit volatility.

Pooled Hedge Funds – Funds that can invest in multiple strategies, including long and short positions in liquid global equity, exchange traded funds, futures, forwards, swaps, currency and futures options contracts. Fund managers may invest in value, growth, or event-driven equity opportunities and typically are not restricted by market capitalization, industry sector, or geography. Leverage may be utilized, which can magnify changes in the values of the underlying securities.

Pooled Floating-Rate Funds – Funds seek to maximize total returns by investing primarily in senior secured, floating rate loans of non-investment grade companies, and can invest in a variety of strategies. The funds also invest in floating rate bonds, notes or other debentures.

Note 3 - Net Investment Return

Net investment return consists of the following for the year ended June 30, 2017:

| | |
|---|---------------------|
| Operating investments | |
| Interest and dividends | \$ 221,928 |
| Net realized and unrealized gain | 357,370 |
| Less investment management and custodial fees | (134,814) |
| | <u>444,484</u> |
| Endowment investments | |
| Interest and dividends | 754,031 |
| Net realized and unrealized gain | 4,454,143 |
| Less investment management and custodial fees | (230,202) |
| | <u>4,977,972</u> |
| | <u>\$ 5,422,456</u> |

Note 4 - Promises to Give

Unconditional promises to give are estimated to be collected as follows at June 30, 2017:

| | |
|---|--------------|
| Within one year | \$ 4,705,454 |
| In one to five years | 2,094,629 |
| | 6,800,083 |
| Less allowance for uncollectable promises to give | (15,878) |
| | \$ 6,784,205 |

Promises to give appear as follows in the statement of financial position:

| | |
|---------------------------------|--------------|
| Promises to give, net | \$ 5,225,576 |
| Endowment promises to give, net | 1,558,629 |
| | \$ 6,784,205 |

Promises to give due in more than one year are not discounted to present value because the amount of the discount is immaterial.

Note 5 - Property and Equipment

Property and equipment consists of the following at June 30, 2017:

| | |
|-------------------------------|--------------|
| Land | \$ 100,000 |
| Building and improvements | 2,297,784 |
| Furniture and equipment | 493,741 |
| | 2,891,525 |
| Less accumulated depreciation | (869,125) |
| | \$ 2,022,400 |

Note 6 - Endowments

Our endowment (the Endowment) consists of approximately 120 individual funds and 1 purpose-restricted term-endowment fund (Term-Endowment) established by donors to provide annual funding for scholarships and support to tribal college students and tribal colleges. The term-endowment fund is purpose restricted to be invested and spent over a period of ten years. The Endowment also includes certain unrestricted net assets designated for endowment by the Board of Trustees. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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, unless there are explicit donor stipulations to the contrary. At June 30, 2017, there were no such donor stipulations. As a result of this interpretation, we classify 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 (including promises to give net of discount and allowance for doubtful accounts), 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 donor-restricted endowment is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by us in a manner consistent with the standard of prudence prescribed by UPMIFA. We consider 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

As of June 30, 2017, we had the following endowment net asset composition by type of fund:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|-----------------------------------|---------------|---------------------------|---------------------------|---------------|
| Board-designated endowment | \$ 18,118,748 | \$ - | \$ - | \$ 18,118,748 |
| Purpose-restricted term-endowment | - | 1,000,000 | - | 1,000,000 |
| Leibowitz perpetual trust | - | - | 2,606,722 | 2,606,722 |
| Donor-restricted endowment | - | 7,571,959 | 26,801,708 | 34,373,667 |
| | \$ 18,118,748 | \$ 8,571,959 | \$ 29,408,430 | \$ 56,099,137 |

Investment and Spending Policies

We have adopted investment and spending policies for the Endowment that attempt to provide a predictable stream of funding for operations. Over time, long-term rates of return should be equal to an amount sufficient to maintain the purchasing power of the Endowment assets, to provide the necessary capital to fund the spending policy, and to cover the costs of managing the Endowment investments. Actual returns in any given year may vary from this amount. To satisfy this long-term rate-of-return objective, the investment portfolio is structured on a total-return approach through which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends).

Our Board of Trustees appropriates amounts for distribution each year as necessary to fund scholarship and grant expenses as determined by the Board of Trustees. In establishing this policy, the Board of Trustees considered the long-term expected return on the endowment and current needs. Accordingly, over the long term, we expect the current spending policy to preserve the permanently restricted net assets of the endowment. This is consistent with our objective to preserve the original fair values of the original gifts made to the Endowment as well as to provide an opportunity for real growth through new gifts and undistributed investment return.

Changes in Endowment net assets for the year ended June 30, 2017 are as follows:

| | Unrestricted | Temporarily Restricted | Permanently Restricted | Total |
|---|----------------------|---------------------------|---------------------------|----------------------|
| Endowment net assets, beginning of year | \$ 16,448,395 | \$ 5,240,825 | \$ 28,178,425 | \$ 49,867,645 |
| Investment return | | | | |
| Investment income, net of fees | 160,940 | 362,889 | - | 523,829 |
| Net realized and unrealized gain | 1,312,886 | 3,141,257 | - | 4,454,143 |
| | <u>1,473,826</u> | <u>3,504,146</u> | <u>-</u> | <u>4,977,972</u> |
| Contributions | - | 1,000,000 | 1,230,005 | 2,230,005 |
| Distributions | (493,925) | (1,173,012) | - | (1,666,937) |
| Addition to board-designated endowment funds | <u>690,452</u> | <u>-</u> | <u>-</u> | <u>690,452</u> |
| Endowment net assets, end of year | <u>\$ 18,118,748</u> | <u>\$ 8,571,959</u> | <u>\$ 29,408,430</u> | <u>\$ 56,099,137</u> |

Note 7 - Restricted Net Assets

Temporarily restricted net assets at June 30, 2017, consist of:

| | |
|--|----------------------|
| Promises to give that are not restricted by donors, but which are unavailable for expenditure until due | \$ 863,391 |
| Restricted by donors for | |
| Scholarships and other support | 6,148,725 |
| PhD and masters fellowships | 497,456 |
| Cultural preservation program | 926,805 |
| Early Childhood Education project | 215,631 |
| TCUs Building Sustainability Pathways project | 1,743 |
| Research initiative | 86,807 |
| Arts and Energy Infrastructure project | 1,281,170 |
| Native Pathways to College program | 1,565,903 |
| Other grants and programs | 2,074,803 |
| Purpose-restricted term-endowment for scholarships | 1,000,000 |
| Unspent appreciation of Endowment funds which must be appropriated for expenditure before use | |
| Restricted by donors for | |
| Scholarships | 5,625,720 |
| Cultural preservation | 1,470,455 |
| TCU support, staff development and other | 475,784 |
| | <u>7,571,959</u> |
| | <u>\$ 22,234,393</u> |

Net assets were released from restrictions as follows during the year ended June 30, 2017:

| | |
|---|----------------------|
| Expiration of time restrictions | \$ 473,295 |
| Satisfaction of purpose restrictions | |
| Scholarships and other support | 4,562,058 |
| PhD and masters fellowships | 287,395 |
| Cultural preservation program | 320,966 |
| Early Childhood Education project | 791,915 |
| Achieving the Dream project | 58,920 |
| TCUs Building Sustainability Pathways project | 753,223 |
| Research initiative | 599,418 |
| Arts and Energy Infrastructure project | 1,390,167 |
| Native Pathways to College program | 793,342 |
| Tribal College Workforce Opportunities | 72,711 |
| TCU High School Partnerships | 245,147 |
| Other grants and programs | 128,826 |
| | <u>10,004,088</u> |
| Restricted-purpose appropriations | |
| Scholarships | 918,032 |
| Cultural preservation program | 165,784 |
| TCU support, staff development and other | 89,196 |
| | <u>1,173,012</u> |
| | <u>\$ 11,650,395</u> |

Permanently restricted net assets consist of a perpetual trust and endowment funds restricted by donors for investment in perpetuity. Distributions from the perpetual trust and earnings on endowment funds are available for the purposes specified by the donors, or in certain cases, for our unrestricted use. The permanently restricted net assets balances, classified by restriction on the use of earnings, are as follows at June 30, 2017:

| | |
|---|----------------------|
| Leibowitz perpetual trust - distributions available for general use | \$ 2,606,722 |
| Endowment | |
| Scholarships | 21,878,958 |
| Cultural preservation program | 3,020,000 |
| TCU support, staff development and other | 1,902,750 |
| | <u>26,801,708</u> |
| | <u>\$ 29,408,430</u> |

Note 8 - Employee Benefits

We sponsor a tax-deferred plan (the Plan) qualified under Section 403(b) of the Internal Revenue Code covering substantially all full-time employees. The plan provides that employees who have attained the age of 21 may voluntarily contribute a percentage of their earnings to the Plan, up to the maximum contribution allowed by the IRS. Employer contributions are discretionary and are determined and authorized by the Board of Trustees annually. During the year ended June 30, 2017, we contributed 2% of each qualifying employee's wages and matched employee voluntary contributions up to 5%, resulting in contributions to the plan of approximately \$163,000.

Note 9 - Related Party Transactions

Certain members of our Board of Trustees also serve as tribal college presidents. Those colleges are eligible, along with all other tribal colleges, to receive scholarship and other direct funding awards from the College Fund. Typically awards are distributed on an objective or equal basis among all the tribal colleges. During 2017, approximately \$3 million was distributed to tribal colleges whose presidents also serve as Trustees for the College Fund.

During the year ending June 30, 2017, we purchased services totaling approximately \$65,000 from family members of key employees. Additionally, a member of our Board of Trustees is an executive of a company from which we purchased approximately \$400,000 of advertising, social media, and consulting services.

Note 10 - Contributions by Source

During the year ended June 30, 2017, contributions were received from the following sources:

| | |
|--|----------------------|
| Individuals | \$ 7,973,956 |
| Bequests | 3,397,512 |
| Corporations and corporate foundations | 3,630,574 |
| Charitable foundations | 5,916,134 |
| | <u>\$ 20,918,176</u> |