

First Nations Development Institute

STRENGTHENING NATIVE AMERICAN NONPROFITS

grantmaking, technical assistance, training, coalition-building, policy, Native Foods and Health, advocacy, research, leverage, increase, create, control, utilize, retain, Strengthening Native American Nonprofits, self-sufficiency, build capacity, breed innovation, Asset Development, Native American Business and sustainability and ingenuity, spiritual, economies, foster customs, Native communities, health, culture, language, and Investor Education, Indian Country, Financial Predatory Lending, strategic, sharing, successful models, key findings, best practices, Combating invest, build assets, focus, solutions, promising methods, traditional lifeways, hope, future, preserve, guide, assist, lead, Native Foods and Health, inspire, learn, educate, improve, reinforce, American Indian, Alaska training, Native Foods and Health, coalition-building, policy, advocacy, research, leverage, increase, create, control, utilize, Strengthening Native American Nonprofits, retain, self-sufficiency, build capacity, breed innovation

NATIVE FOODS AND HEALTH • COMBATING PREDATORY LENDING



Annual Report 2012



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OUR GUIDING PRINCIPLE

We believe 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.

OUR MISSION

Our mission is to strengthen American Indian economies to support healthy Native communities. First Nations Development Institute invests in and creates innovative institutions and models that strengthen asset control and support economic development for American Indian people and their communities.

OUR FOCUS AREAS

With the generous financial support of individuals, foundations, corporations and tribal donors, First Nations Development Institute improves economic conditions for Native Americans in five focus areas:

- ⊕ Native Foods and Health
- ⊕ Strengthening Native American Nonprofits
- ⊕ Native American Business and Asset Development
- ⊕ Financial and Investor Education
- ⊕ Combating Predatory Lending

OUR FIVE STRATEGIES

Across these focus areas, we utilize five strategies to achieve results:

- ⊕ Grantmaking
- ⊕ Technical Assistance and Training
- ⊕ Coalition-Building
- ⊕ Policy
- ⊕ Advocacy

SHARING OUR RESEARCH, MODELS AND PUBLICATIONS

We believe in widely sharing best practices, key findings and successful or promising models with practitioners in Indian Country, government entities (federal, state, local and tribal), mainstream philanthropy, and the public at large. As such, First Nations Development Institute's online Knowledge Center hosts a wide variety of research publications, reports and other resources that can be accessed through our website at **www.firstnations.org**.



CHAIRMAN'S LETTER

I have been involved with First Nations Development Institute since before its formal beginning in 1980. Over those 32-plus years – as an advisor, supporter, board member and then chairman for many years – I have had the privilege of sitting in a front-row seat as a new type of creation story was born.

The creation involved a new beginning for all Indian tribes and nations through the formal restoration of sovereignty, and relief from dominance, bondage and servitude. First Nations' birth was directly related to the renaissance of Indian sovereignty, as its institution required an advocate and, importantly, an organization that championed the idea that the best exercise of sovereign power, or "self-determination," is through the control of all assets. It is these founding principles that continue to make First Nations Development Institute relevant and vibrant.

The story of First Nations is about how a spark, a thought, became an idea. The idea became a seed. The seed gingerly sprouted and began to grow, but it was very fragile at first. It had to struggle to survive – often – and overcome many obstacles. But it persisted and weathered the storms. It was self-determined to grow strong and blossom, then cast off new seeds in order to perpetuate its good work.

It was fortunate. Along the journey it was nurtured and protected by able caregivers on its management staff, on its board of directors, and among its visionary financial supporters.

First Nations Development Institute is now, and has been for some time, a solid, maturing and effective organization. It's also prolific. Each and every year, First Nations casts off many more seeds by way of financial grants and other assistance to worthy Native American projects that, in turn, are generating their own sparks and ideas and spawning new seeds. Not all of those seeds take root or survive, of course, but many do. And they are helping to revitalize Native American economies and are supporting healthier Native communities all across the United States.

The theme of this 2012 Annual Report is "Asset-Building: Supporting Self-Sufficiency, Sustainability and Self-Determination." That theme generally describes First Nations' own creation story, but more appropriately it illustrates the very work that First Nations attempts to do for American Indians, Alaska Natives and Native Hawaiians. Our goal is to help these communities take control of their assets, reclaim them where necessary, grow them, and use them to become sustainable and self-sufficient while determining their own futures in culturally appropriate ways.

The projects we support can be small, but we evaluate them on the potential they have to create economic opportunity and other benefits over the long term. After all, seeds start very small, but can grow into mighty things. These projects might be a food system or an agricultural effort here, or bolstering a nonprofit's management capacity there, or helping incubate new businesses, or helping traditions and languages make the transfer to new generations, or teaching the right ways to budget, save, invest and otherwise handle money and other assets.

These projects are the seeds of Native American self-sufficiency, sustainability and self-determination for the future.



We especially give thanks to the thousands of individuals, foundations and corporations who continue to generously support First Nations. Without your help, these seeds would go dormant, and much progress would be lost. Thank you for believing in our mission, supporting it, and watching with us as our “crops” grow healthy and strong in Native communities all across the land.

Finally, it is my pleasure to remark on two specific achievements that First Nations has reached.

First, in early 2013, as we were beginning to prepare this 2012 Annual Report, First Nations was awarded the top four-star rating from Charity Navigator, which is well-regarded as America’s premier charity evaluator. This coveted rating illustrates First Nations’ sound fiscal management, good governance, and its commitment to accountability, transparency and quantifiable results. This high honor is a sign that donors can continue to support First Nations with full confidence.



Second, with board approval, First Nations purchased its own headquarters building in Longmont, Colorado, in early 2013. After years of leasing space – and dealing with seemingly endless rent increases – it became obvious that First Nations needed to seize control of its own physical space. The building is now a key asset of the organization, providing operational space as well as rental income from other tenants.

I believe both of these milestones are signs of the continuing growth and maturity of the organization, and are testament to its growing presence, impact and credibility in Native communities.

B. Thomas Vigil (Jicarilla Apache/Jemez Pueblo)

Chairman, Board of Directors





PRESIDENT'S LETTER



“Oh, who are the people in your neighborhood?”

Many of you will recognize this line from the all-too-familiar *Sesame Street* skit. For me it brings to mind a recent conversation with my brother.

We were sitting around reminiscing about growing up in Ketchikan, Alaska, and the topic of our respective paper routes came up. After we got past the sibling rivalry of whose route was longer, harder or just more difficult, we were both amazed to realize that we could probably recreate our routes and customers from our distant memories.

But the real “Ah Ha!” moment for me was when I realized that my route consisted of mostly Indian customers, and it dawned on me that even in the early 1970s, Ketchikan remained a very segregated community – my paper route was South of Ketchikan Creek, a part of town once known as “Indian Town.”

And given that the theme of this 2012 Annual Report is “Asset-Building: Supporting Self-Sufficiency, Sustainability and Self-Determination,” no conversation about this topic would be complete without a discussion of entrepreneurship and wealth creation, because without addressing the topic of creating new wealth for Indian families and communities, all of our talk of financial education and family economic security would be about as effective as rearranging the deck chairs on the Titanic. That’s because families and communities can only efficiently manage meager incomes so well.

So you may ask: what does this trite *Sesame Street* song have to do with business and entrepreneurship? Let me tell you.

On my paper route and in my neighborhood were Indian homeowners and the emerging Indian middle class. More importantly, as I reflect today, there were a huge number of Indian entrepreneurs who were taking real risks, creating and nurturing businesses, and pushing as hard as they could in the hope of building wealth for their families and their Indian community. Some notable neighbors come to mind – Pete Johnson of Johnson’s Glass, the Dalton family and their expanding apartment and real estate holdings, and even folks like the James family who owned their own fishing boats and employed crew members (mostly family and other folks from the Indian community).

These folks and my daily interactions with them formed my early ideas of what was possible as an Indian person. But there is a part that saddens me a bit in all this.

What saddens me is that we have been remiss to capture these stories of our Indian entrepreneurs. What was their motivation? How did their values and practices differ from others in the community? What valuable lessons or guidance could they offer to today’s Indian entrepreneurs and businesspeople? What might they have done differently if they had it to do again? And so on.

One of the favorite books about entrepreneurship on my bookshelf is Lionel Sosa’s “The Americano Dream: How Latinos Can Achieve Success in Business and in Life.” It’s a no-nonsense book about Latinos who aspire to succeed. More importantly, he talks about ways in which Latino entrepreneurs can gain self-confidence and “transform your cultural heritage into an asset that can become a viable tool for success.”

Where is the “American Indian Dream” (El sueño de los Indios Americanos) book? Because if we really want to encourage folks to continue to take risks and start wealth-creating businesses in Indian and reservation communities, we need to begin sharing their stories and talking about their ambitions, their successes and, yes, even their setbacks and failures. Who are the entrepreneurs in your neighborhood and how do we get their stories about creating businesses and using their heritage and culture as an asset in that business creation?



These are good questions, but we here at First Nations realize that the answers to “Asset-Building: Supporting Self-Sufficiency, Sustainability and Self-Determination” are equally as daunting and complex.

Thirty-two years ago, First Nations was founded on the belief that Indian Country faces a unique challenge. Unlike other impoverished communities in this country, the problem was not that Native communities did not own their assets, but rather who controlled those assets. While great progress has been made by Native communities over the last three decades, the problem remains. To address this, a multi-faceted solution using a wide variety of innovative approaches is needed. First Nations’ approach has always been based upon its unique understanding of complex systems and the careful use of the traditional knowledge still held by Native communities today.

Indian reservations and their stunted economies present not just an economic cost, they present human-capital opportunity costs as well. Part of the issue with the underdevelopment of Indian reservation economies is that the infrastructure – physical, technological and especially the human factor – has been deliberately underinvested in. This underinvestment has, at times, led to the demoralization of the entire population of those communities.

The uniqueness of the “Indian problem,” in turn, calls for unique solutions, and for the past 32 years First Nations has been keeping busy with both. First Nations’ goal continues to be one that builds a strong foundation for and strengthens American Indian-controlled economies. We do this in part by working to unleash entrepreneurship in American Indian communities by nurturing an enabling environment for the growth of institutions that support thriving organizations and enterprises on American Indian reservations. We know that these models, in turn, create new wealth opportunities for, and increase the assets of, Indian reservation and Native community members by:

- ◆ Expanding economic liberty and self-determination;
- ◆ Promoting the economic self-reliance of American Indian individuals and families;
- ◆ Providing capitalization and technical assistance to the established and emerging Native community and reservation-based nonprofit development organizations;
- ◆ Nurturing and developing the emerging for-profit and nonprofit leadership class in Native and reservation communities;
- ◆ Looking at everyday practices like conscious participation in a community food system for opportunities to engage in a larger economic sovereignty conversation; and
- ◆ Strengthening reservation-based financial institutions and tribal and Native community-controlled Indian Country philanthropic foundations.

When we, as Indians, continue to act on these challenges, and we accomplish change through our “Injun American-uity,” we will ultimately prove to be both prosperous and right. And we will do so by demonstrating that our practices and actions are sound because of the fact that they come from our Indian value-based voice of strength, assuredness and accomplishment.

Gunalchéesh (Thank you),

Michael E. Roberts (téix sháach tsín)
(Tlingit)
President





ASSET-BUILDING

SUPPORTING SELF-SUFFICIENCY, SUSTAINABILITY AND SELF-DETERMINATION

As noted in the previous pages, First Nations Development Institute (First Nations) works to build assets and support Native American self-sufficiency, sustainability and self-determination in five focus areas. The following pages break down each of those focus areas individually and provide descriptions of our 2012 activities in each area.



NATIVE AMERICAN FOODS & HEALTH (NATIVE AGRICULTURE & FOOD SYSTEMS INITIATIVE – NAFSI)



First Nations recognizes that accessing healthy food is a challenge for many Native American children and families. Without access to healthy food, a nutritious diet and good health are out of reach. To increase access to healthy food, we support tribes and Native communities as they build sustainable food systems that improve health, strengthen food security and increase the control over Native agriculture and food systems. First Nations provides this assistance in the form of financial and technical support – including training materials – to projects that address the agricultural and food sectors in Native communities.

We also undertake research projects that build the knowledge and understanding of Native agriculture and food-systems issues, and inform Native communities about innovative ideas and best practices. We participate in policy forums that help develop legislative and regulatory initiatives within this sector. First Nations supports a regional and national network of Native food sector and related organizations.

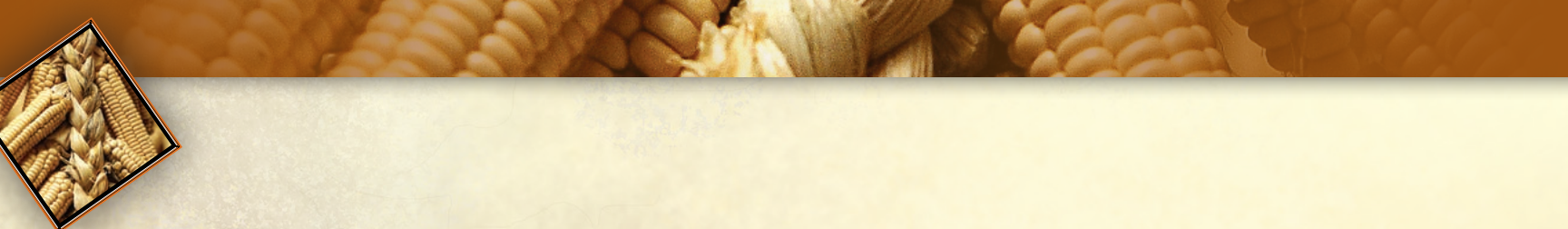
2012 ACTIVITIES

- ◆ **Native American Food Security Initiative**, funded by the Walmart Foundation. Healthy, sustainable food systems are critical to the well-being of Native children, families and communities. The purpose of this project is to increase healthy food security and food access in Native communities.
- ◆ **Native Agriculture and Food Systems Initiative (NAFSI)**, funded by the W.K. Kellogg Foundation (Kellogg). Statistics indicate that one in three Native children are obese or overweight by age five and that obesity leads to diet-related illnesses such as diabetes, heart disease and other problems. To address the issue of childhood obesity, Kellogg and First Nations partnered to support initiatives aimed at enhancing Native control of local food systems – especially in addressing issues such as food insecurity, food deserts, and health and nutrition – while simultaneously bolstering much-needed economic development in those communities.



- ◆ **Colorado Plateau Native Food Systems Capacity-Building Project**, funded by The Christensen Fund and USDA Rural Community Development Initiative (RCDI). The Colorado Plateau Native Food Systems Capacity-Building Project is intended to strengthen the network among three Native Colorado Plateau groups, increase their awareness about opportunities for health/wellness and economic benefit through local food systems, and increase their organizational capacity. The RCDI part of the project is directed toward providing financial assistance to one community-based nonprofit organization and two tribal programs that will consequently be better able to deliver programs supportive of community assets related to natural resource management and agriculture. It builds on efforts initiated under the Christensen Fund project.
- ◆ **Native American Senior Hunger Project**, funded by AARP Foundation. This project seeks to address food insecurity among tribal elders in targeted rural and/or reservation-based Native American communities in Arizona, Louisiana, New Mexico and Oklahoma. Through this project, First Nations assists Native American communities in ensuring that their senior population receives adequate food supplies, with a particular focus on locally-grown, healthy foods, and in developing or expanding locally-controlled and locally-based food systems.
- ◆ **Cooperative Education Training on the Navajo Nation**, funded by the CHS Foundation. Cooperatives provide a pathway to increasing new markets, purchasing power and access to resources. The purpose of this project was to provide training on cooperative development to farm boards and community organizations located on the Navajo Nation with the intent of increasing opportunities for and building the capacity of individual Native American farmers and ranchers.
- ◆ ***The Business of Indian Agriculture***, funded by the CHS Foundation, the USDA Beginning Farmer and Rancher Program, and the W.K. Kellogg Foundation. (*See related story under Native American Business Development*). In 2012, First Nations finished the final year of its project *The Business of Indian Agriculture: A Tribal College Partnership*. The goal of the project, conducted in partnership with First Americans Land-Grant Consortium (FALCON), was to provide an innovative approach to agricultural business education at tribal colleges and universities (TCUs). The project was designed to effectively integrate entrepreneurship training to promote the development and sustainability of agriculture-related businesses on American Indian reservations. The target audience was socially disadvantaged, Native American beginning farmers and ranchers (BFRs) who would benefit from education that assists with business start-up, expansion or improved management of agribusiness operations. The project developed and piloted a model community education agribusiness curriculum for Native American BFRs that was offered through selected TCUs, thus filling a need at TCUs for community agri-entrepreneurship training.
- ◆ **Navajo-Hopi Technical Assistance Project**, funded by the USDA Office of Advocacy and Outreach. This project works to assist Native producers located on the Navajo and Hopi reservations in operating successful farms and ranches, improve participation in the full range of USDA programs, and introduce agriculture-related information.
- ◆ **USDA Community Foods Project** – This program provides training and technical assistance to 30 Native American nonprofit organizations with the overall goal of strengthening their capacity and ability to apply to the USDA Community Foods Project. Through the use of face-to face trainings and webinars, our goal is to increase program and organizational capacity of participating organizations.





HAWAIIAN HOMESTEADERS AND WOW FARM TURN FALLOW LAND INTO OPPORTUNITY

The first time Mike Hodson doubled his farming operation, he did so by building a second greenhouse. Then he did it again, and then a few more times.

In just five years, Hodson, who grows organic tomatoes on the Big Island of Hawaii, has expanded his operation from one to 45 greenhouses, and he's not done yet. By the end of 2013, Hodson expects to operate more than 100 greenhouses. His simple advice: Start small. Celebrate success. Build on your success.

"When you start small, you make mistakes and you keep tweaking those mistakes to make yourself better," explains Hodson, president of Wow Farm. "It's easier to tweak your mistakes on one greenhouse than 45. If you make mistakes then, you have to tweak 45 greenhouses. That's a massive effort."

Wow Farm is a family owned and operated farm in Waimea on the Big Island. It comprises 10 acres, growing a variety of vine-ripened tomatoes. All are naturally grown in the soil, using no chemicals or pesticides. Originally, when starting the farm, they were growing tomatoes for personal consumption and education. Not too long after, they were growing more tomatoes than they could consume, so they entered the local farmers markets in various towns.

Hodson's farm produces 6,000 pounds of tomatoes each week. Now, he is sharing his secrets of success through the Waimea Hawaiian Homesteaders' Association's "Farming for the Working Class" program that teaches Native Hawaiians to farm fallow land through hands-on workshops in farming and greenhouse operation, classroom learning and business training.

With grant money during 2012 from First Nations, he developed the "Farming for the Working Class" program. The 161-acre community project through the homesteaders' association involved building 14 new greenhouses and providing learning. (First Nations has since provided an additional grant to the group for 2013.)

Hawaiian homesteaders are qualified Native Hawaiians with land allotments for agricultural, residential or pastoral use. Only five of 150 agricultural lots in the Waimea homestead were being farmed when the program began. The goal is to empower numerous additional families with the resources they need to begin farming their fallow land and growing fresh produce for themselves and the community. Creating additional farms will allow the Native community to reach the scale needed to access larger local markets.

Although Hodson comes from a long line of farmers, he didn't begin farming until in his 40s. Even then, it was a hobby – to relieve stress caused by his job as a police detective. He says the land – 'aina in Hawaiian – helped filter negative things out of his system. "It kept me stable and balanced," says Hodson. "I didn't know how important farming was at the time."

Tomatoes aren't typically grown in Hawaii since there is no seasonal change in temperature, and bugs and disease present problems. With no one nearby to mentor him, Hodson taught himself to farm. His goal was to grow enough for his family to eat. After the success of his first greenhouse, the family celebrated. With time, he started giving extra tomatoes away to friends and family. Eventually, Hodson began selling his surplus at a farmers market.

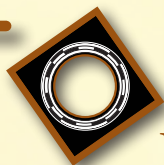
"At the first farmers market, I earned \$5 all day. I celebrated that because it was \$5 I didn't have the day before," says Hodson. "My definition of ambition is the burning desire to succeed. In order to build ambition, you have to have success. If you dream of a huge project and don't reward yourself with small success along the way, you're not building ambition."



What makes Hodson's story unique is that he was still working a full-time job that provided income during the initial stages of farming. Now, he's sharing his approach with Native Hawaiians who are employed full-time, but also share an interest in growing food to eat and sell.

"What I've learned is that you can't do it by yourself. Learned knowledge not shared is lost, so you have to get the whole family involved," says Hodson, who designed the curriculum to teach entire families – rather than individuals – to farm. "You learn faster and are more successful. In the Hawaiian culture, family is very important and I believe it is in all indigenous cultures."

To learn more about Hodson's Wow Farm and how its success is now leading to success for other Native Hawaiians, scan this QR Code or visit www.wowfarms.com.



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.

First Nations and its independent subsidiary, First Nations Oweesta Corporation, work with reservation and rural Indian communities to create and support community development financial institutions, Native businesses and tribal programs with early stage investments and capitalization to stimulate business growth through new financial models, products and services. Through entrepreneurship and business development projects targeted at both the tribal (macro) and individual (micro) levels, First Nations creates and supports sustainable economic development in Native communities.





2012 ACTIVITIES

- ◆ **Tribal College-Community Development Financial Institution Collaboration Project**, funded by the Johnson Scholarship Foundation. This is a long-term attempt to stimulate economic development in Indian Country. There are two partnerships between tribal community colleges and a local community development financial institution (CDFI) with the goal being that the tribal colleges will develop entrepreneurship curricula targeting the local tribal community and teaching these curricula over a two-year period. These curricula will target entrepreneurial persons who would like to open a business on the reservation or persons who already have a business and would like to learn more about a specific area of business. The two communities involved are the Lummi Nation and the Menominee Nation. Northwest Indian College has partnered with Lummi CDFI and Lummi Nation Service Organization/Lummi Ventures. The College of Menominee Nation has partnered with First American Capital Corporation and NiiJii Capital Partners, Inc. First Nations will facilitate the project, as well as perform a formal evaluation in order to capture the model's learning, best practices and potential for replication.
- ◆ **Native Asset-Building Partnership Project 2012-2014**, funded by the Otto Bremer Foundation and The Nathan Cummings Foundation. This is a project aimed at bringing tribes together to support each other's endeavors. This project consists of two partnerships between tribes and/or tribal organizations that aim to strengthen tribes and Native institutions through peer learning and model development. The goal of this project is to improve control and management of assets for the Oneida Tribe of Indians of Wisconsin and for the Mille Lacs Band of Ojibwe. Hopi Education Endowment Fund agreed to share its knowledge of Section 7871 organizations with the Oneida Tribe in order to help the Oneida Tribe form its own Section 7871 organization to support the Oneida youth. The Spokane Tribe agreed to share its knowledge of forestry and its forestry intern programs for youth with the Mille Lacs Band. First Nations facilitates the peer-learning relationships, offers technical assistance and engages in an evaluation process to determine the best practices and possibly develop a model for use in other tribal communities.
- ◆ **First Nations Oweesta Corporation**. First Nations Oweesta Corporation (Oweesta) is an independent subsidiary of First Nations Development Institute. Oweesta supports economic growth in Native American communities through the creation, development and capitalization of community development financial institutions, or CDFIs. These Native CDFIs directly provide Native American communities the tools and capital support required for real and sustainable job creation, small business development, commercial real estate development, affordable housing/home ownership while also offering basic banking services and financial literacy training to "underbanked" Native American communities that have been historically targeted by predatory lending practices. To learn more about Oweesta, visit: www.oweesta.org.



PLANTING NEW BUSINESS “SEEDS” IN MONTANA FIELDS AND FARMS

Although the project is listed under our Native Foods and Health section, *The Business of Indian Agriculture: A Tribal College Partnership* program overlaps considerably with our Native American Business Development focus area. That’s why we are featuring it here. Happily, this same crossover synergy occurs with many of our other efforts.

During 2012, we finished the final year of a two-year project titled *The Business of Indian Agriculture: A Tribal College Partnership*. Our goal was to create an innovative approach to agricultural business education at tribal colleges and universities. We wanted to integrate entrepreneurship training that would promote the creation of agriculture-related businesses on American Indian reservations, which truly need additional economic stimulus. We specifically targeted what are known as socially disadvantaged Native American beginning farmers and ranchers – people we felt would benefit significantly from education that assists with starting a business, expanding one, or learning how to improve the management of their business.

We like to call it “community agri-entrepreneurship training.” Besides the stated two-year goals, we hope the long-term result will be lower rates of poverty, unemployment and outmigration of Native American youth.

The effort was funded by the CHS Foundation, the USDA’s Beginning Farmer and Rancher Program, and the W.K. Kellogg Foundation. We joined with First Americans Land-Grant Consortium (FALCON), a nonprofit professional association that represents administrators and faculty at 1994 Land-Grant Institutions (tribal colleges and universities). FALCON assisted with coordination and communications, development of the curriculum and its products, and project evaluation.

Then we further partnered with four schools in Montana: Blackfeet Community College, Fort Belknap College, Fort Peck Community College and Chief Dull Knife College. (Chief Dull Knife College had to withdraw at the beginning of the second year for unforeseen reasons, but we were then able to enlist Aaniiih Nakoda College.) Montana was chosen as the geographic focus because it has seven tribal colleges and universities, more than any other state, and because the instructors at these schools helped lay the groundwork. Additionally, the participating schools are in tribal communities with economies largely reliant on agriculture.

The resulting curriculum consists of five modules, 20 lessons and 66 topics such as accounting, finance, credit, insurance, marketing, strategic planning, and land use and rights. Lessons were adapted and piloted in the college communities and were widely distributed through various methods. The entire curriculum is designed to be adaptable to local considerations, customs and practices. And while the curriculum is best suited for delivery in sequence, it was designed so that any component could be chosen and delivered alone or in combination with other components. In a sense, the curriculum provides a buffet of topics that can be arranged to best meet local needs.

And, we are happy to report, the project succeeded in meeting its objectives. We feel that as the curriculum is further shared, adapted and taught, the expected long-term positive impacts will begin to be felt.





FINANCIAL AND INVESTOR EDUCATION

First Nations and its independent subsidiary, First Nations Oweesta Corporation, 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. Our 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.

Learning how to manage finances ensures that Native people will be more likely to save and to challenge financial service providers to develop products that respond to their needs. Our programs result in increased investment levels and economic growth in Native communities.

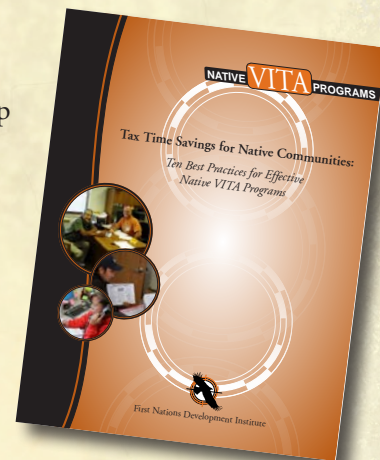
2012 ACTIVITIES

- ◆ **New Distribution Channels for Financial Education**, funded by the FINRA Investor Education Foundation. This three-part project seeks to identify new dissemination channels to promote financial education. The first component is to partner with the Office of the Special Trustee for American Indians (OST) to, a) ensure that OST officers are trained in financial literacy topics so they can circulate various curricula in their Native communities and, b) work collaboratively to provide additional community trainings. To date, our partnership with OST has resulted in conducting more than 447 adult financial literacy classes reaching over 3,682 individuals, and 432 youth classes reaching over 2,651 youth. The second part of this project is the creation and promotion of a financial education curriculum specifically designed for Native high school students – the InvestNative.org site. The tailored curriculum has been completed by 162 Native students, thanks to partnerships with a number of schools in New Mexico. Third, the project taps into a variety of media outlets to further respond to the demand for financial education in Native communities. In 2012, First Nations created three media products: 1) the *My Green* social marketing campaign and website that contains a number of fun and interactive tools for youth receiving minor's trust payments; 2) the *Ask Dr. Per Cap* financial education columns that have been featured in several Native newspaper and magazine outlets, and 3) the *Talking Dollars* public service announcements that have aired on a variety of Native radio stations.
- ◆ **VITA Plus: Building Native American Family Economic Security and Linking Asset-Building Programs in Indian Country**, funded by the Paul G. Allen Family Foundation and the Bill and Melinda Gates Foundation. First Nations recognizes that Volunteer Income Tax Assistance (VITA) sites are an essential service in the promotion of asset-building among individuals and families in Native communities. We also recognize that individuals who utilize VITA services may also need to be linked with other asset-building services or to public benefits for assistance to improve their economic situations. Thus, the goal of this project is to support Native organizations currently offering VITA, or organizations interested in launching a new site, in their efforts to provide expanded asset-building information, services and/or referrals to clients that use their VITA services. Through generous funding from the Paul G. Allen Family Foundation and the Bill and Melinda Gates Foundation, First Nations was able to offer funding to two existing sites, Northwest Native Development Fund in Washington State and Chief Dull Knife



College in Montana, for two years, and one new site, Chehalis Tribal Loan Fund in Washington State, for one year. In the first year of the grant, the VITA grantees helped prepare 523 tax returns and returned more than \$1.1 million to Native communities (including more than \$466,000 in Earned Income Tax Credits), and linked many clients to a variety of asset-building services and public benefit programs, including financial education classes, Indianpreneurship classes, Individual Development Accounts (IDAs), free alternatives to costly products for unbanked payers to receive their refunds, and TANF benefits (Temporary Assistance for Needy Families). First Nations is collecting data from the grantees to report on lessons learned and best practices. These reports will be released after the conclusion of the grant term.

- ◆ **Innovative Financial Education Models**, with funding from the W.K. Kellogg Foundation. First Nations designed several innovative financial education models in 2012 to help youth learn how to manage their money. In response to the demand from several tribal leaders, First Nations designed the *Spending Frenzy* financial reality fair to help Native youth manage large trust fund payments. In October 2012, First Nations staff and consultants worked in partnership with the Office of the Special Trustee for American Indians to pilot the *Spending Frenzy* in partnership with Western Shoshone Tribes who were going to receive a historic land claim settlement. The reality fair utilized fake money close to the amount that would be available to youth through their trust settlement to give students experience handling a substantial sum of money and learn how to spend it wisely. The *Spending Frenzy* served more than 130 students from six different Western Shoshone tribes and the evaluation of this event revealed that 95% of participating students stated that they would use the information they learned during the *Spending Frenzy* to assist them with managing their money. In 2012 First Nations staff also designed the *Crazy Cash City* program with additional support from the National Credit Union Foundation. First Nations conducted the money-spending simulation in Gallup, New Mexico, for nearly 200 local high school students. The program – which was modeled after the National Credit Union's *Mad City Money* simulation – was designed as an experiential learning opportunity for students currently taking a financial literacy class.
- ◆ **Tax Time Savings for Native Communities**, funded by the W.K. Kellogg Foundation, the Bill and Melinda Gates Foundation, and the Paul G. Allen Family Foundation. In 2012, First Nations worked with five model Volunteer Income Tax Assistance (VITA) programs to document best practices and produce a report and “how-to” manual titled *Tax Time Savings for Native Communities*. The purpose of the report is to identify and document best practices that will help tribes, tribally-based organizations and others serving Native communities launch a successful VITA site or improve the services of an existing site. Most rural Native VITA sites, unlike urban VITA sites, face a unique set of challenges including geographic isolation, low volunteer retention rates, and economically distressed communities. In this report, First Nations proposes best practices designed to address these unique challenges by developing culturally-relevant strategies, structures and activities for launching and expanding successful VITA sites in Native communities. First Nations derived these best practices from surveys and in-depth interviews conducted with five successful Native VITA sites in 2011 and 2012: Akwesasne Housing Authority, College of Menominee Nation, Lakota Funds Inc., Native Community Finance, and White Earth Investment Initiative. The report is available for free on the First Nations website.
- ◆ **Promoting Native American Family Economic Security: School-Based Financial Education in McKinley County, New Mexico**, with funding from the W.K. Kellogg Foundation, the AMB Foundation and the Daniels Fund. First Nations continued to carry out an innovative school-based financial education program in 2012. The program's major objectives are to develop and offer a culturally appropriate school-based financial literacy class with expanded asset-building components in high schools in McKinley County New Mexico, a county with a large number of Native American students. The program model provides financial education training and experiential learning components that allow high school youth to gain new knowledge and then to act on what they have learned. A total of 11 high schools now





participate in the program, including nine public high schools, one Bureau of Indian Education school, and one private school. Student enrollments associated with the Life on Your Terms financial education classes totaled 630 in 2012, and enrollments increased 73% from spring 2012 to fall 2012 terms. Furthermore, the program's goal to support teachers and improve financial knowledge and behavior in students was also met. An evaluation of the program found that teachers were supported through technical assistance and training, and were able to teach financial education more effectively, and students gained financial knowledge and were able to improve their financial behaviors. First Nations staff worked with teachers to assist them in offering several different experiential learning programs including the *Crazy Cash City* reality fair, a Youth Savings Account program, and a financial literacy art contest.



- ◆ **Building Economic Security Over a Lifetime**, with funding from the Ford Foundation. In 2012, First Nations continued to work with key partners in Oklahoma to build and nurture two coalitions dedicated to inclusive asset-building. First Nations coordinated the Oklahoma Asset-Building Policy and Practice (OABPP) initiative with the goal of promoting an asset-building agenda at the state and local levels that will provide inclusive income and program strategies to ensure family economic security. Working closely with partners on the ground, First Nations helped the Oklahoma Native Assets Coalition reach out to tribes in the state and share ideas, information and innovative models with policy makers and practitioners. First Nations worked closely with the Oklahoma Policy Institute to support the Oklahoma Assets Network to reach out to underserved communities in Oklahoma, identify key policy and program issues, and educate community members and policy leaders about innovative asset-building programs.



PUBLICATIONS

Crazy Cash City Evaluation Report (2012) – This report covers an innovative experiential learning approach to Native youth financial education. In October 2012, First Nations piloted a financial simulation fair for Native high school students based on the Credit Union National Association's Mad City Money model that lets youth get a taste of the real world. The students were given an opportunity to make a series of spending and saving choices based on their fictitious family profile that identified occupation, debt and family member information.

Learning by Doing: Financial Education for Native American Youth Receiving Large Lump-Sum Payouts (2012) – In October 2012, First Nations held a reality fair specifically tailored to Native youth receiving a large per capita or minor's trust payment for Western Shoshone tribal members. The Spending Frenzy provided youth with fake money in the amount of their trust fund payment to give them experience managing a large amount of money and learn about a range of spending and investing options. This report assesses the strengths of the experiential learning technique and how it can be utilized in Native communities to prepare tribal members for large lump-sum payments.

Tax Time Savings for Native Communities: Ten Best Practices for Effective Native VITA Programs (2013) – (*See related story*) Most rural Native VITA sites, unlike urban VITA sites, face a unique set of challenges. These can limit the success of traditional VITA site models. In this report, we propose some best practices designed to address these unique challenges by developing culturally-relevant strategies, structures and activities for launching and expanding successful VITA sites in Native communities.



VITA IS VITAL TO NATIVE AMERICAN COMMUNITIES

Part of First Nations' mission is to provide financial education for Native American communities so that people can save, invest, prosper and regain control of their assets. The goal is to help community members learn to avoid financial pitfalls while managing their money in wise ways. As part of this effort, we created a "how to" manual in 2012 that provides instruction on how Native and rural community leaders can start a VITA site, or a "Voluntary Income Tax Assistance" program.

The publication is *Tax Time Savings for Native Communities: Ten Best Practices for Effective Native VITA Programs*, and was produced with support from the W.K. Kellogg Foundation, the Bill and Melinda Gates Foundation, and the Paul G. Allen Family Foundation. In compiling the report, we interviewed five model programs, and then captured lessons learned and best practices.

Native VITA sites provide free income tax preparation services to tribal members living on reservations and in rural communities. These sites reduce the cost of tax preparation for low-income families and help them avoid expensive products such as high-cost loans that are made against tax refunds. VITA programs also help tax filers access the Earned Income Tax Credit (EITC) and other credits. The EITC is a refundable tax credit for low- and moderate-income individuals and families. Unfortunately, millions of EITC dollars go unclaimed each year, especially in Native communities. First Nations has estimated that in some Native communities as many as 70 percent of qualified tax filers failed to claim valuable EITC refunds.

Most low- to moderate-income individuals have few options available to them as they try to fulfill their legal obligation to file their federal tax returns each year. Many turn to high-cost tax-preparation services that may encourage filers to take out expensive loans against tax refunds. Tax filers who qualify for the EITC use these high-cost tax-preparation services and loans at a higher rate than those who do not qualify, which means that they are more likely to lose a portion of their refund to unscrupulous or overpriced tax preparers. In an attempt to overcome these challenges, we created the report to encourage tribes, tribally-based organizations and other Native leaders to implement VITA sites in their communities and persuade Native tax filers to take advantage of the EITC.

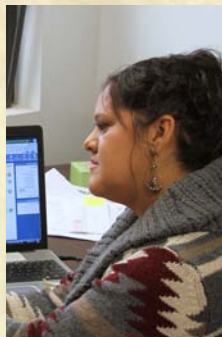
Most rural or reservation-based Native VITA sites, unlike urban VITA sites, face a unique set of challenges. The geographic isolation, low volunteer retention rates, economically distressed communities, and overall distrust of the federal government among many Native Americans can limit the success of traditional VITA site models (models developed by the IRS). In this report, we proposed some best practices designed to address these unique challenges by developing culturally-relevant strategies, structures, and activities for launching and expanding successful VITA sites in Native communities.

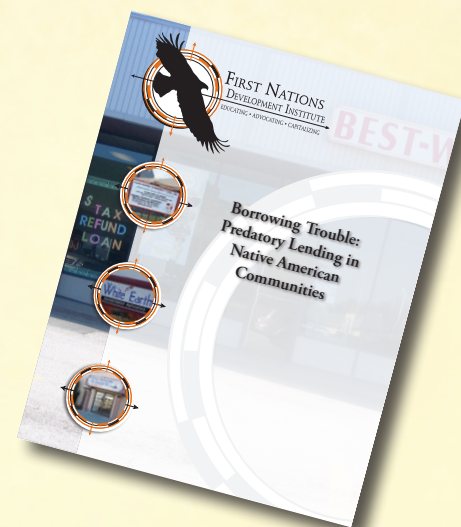
First Nations derived these best practices from surveys and in-depth interviews conducted with five successful Native VITA sites last year, including Akwesasne Housing Authority, the College of Menominee Nation, Lakota Funds, Inc., Native Community Finance and the White Earth Investment Initiative. The lessons and methods learned from these model programs will be valuable resources for tribes, tribally-based organizations and others serving Native constituents who are dedicated to improving the economic condition of their communities.

Related to this effort, we also have awarded grants for innovative VITA programs. Most recently we gave grants in Hawaii, Alaska, New Mexico and Wisconsin.

We believe that sharing information and models is an effective yet underutilized tool in Indian Country. We hope the report, and the information shared by these five organizations, will help other tribal leaders learn more about how VITA sites can help empower their communities.

To see our publication *Tax Time Savings for Native Communities: Ten Best Practices for Effective Native VITA Programs*, scan the QR Code, or visit our website, then click on Knowledge Center, then Financial & Investor Education, and look for the publication.





COMBATING 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 underbanked. Our studies on predatory lending in Indian Country include best practices to combat abusive lending and prevent the bleeding of assets from Native communities.

What is predatory lending? Such lending strips assets from reservation and rural American Indian families and their communities. It intentionally places consumers in loans with higher costs than loans offered to similarly qualified consumers. The primary purpose of these high-cost loans is to enrich the lender with little or no regard for the costs to the consumer. These unscrupulous actions by a lender entice, induce and/or assist a borrower in taking a loan that carries high fees, a high interest rate, strips the borrower of equity, or places the borrower in a lower credit-rated loan to the benefit of the lender.

2012 ACTIVITIES

- ◆ **Tax Time Troubles: Documenting Predatory Financial Services by Tax Preparation Companies**, funded by the Annie E. Casey Foundation and the W.K. Kellogg Foundation. (See related article) This project aims to protect individuals and families by documenting the practices of tax preparation businesses in Native reservation and border town communities, and to encourage tribal governments to adopt consumer protection codes. In 2011 and 2012, First Nations conducted two "mystery shopper" studies of a variety of for-profit tax preparation businesses that serve a predominantly Native clientele and documented predatory lending practices in two comprehensive reports: *Tax Time Troubles* (2011) and *More Tax Time Troubles* (2012). Both of these reports have been disseminated widely through conference presentations, press releases and in-person meetings. First Nations staff met with several policy makers about the findings in the report, including New Mexico State Sens. Tim Keller and Benny Shendo, Jr., which led to the introduction of consumer protection legislation in the state legislature in 2012. First Nations staff has also presented findings to the New Mexico Indian Affairs Committee, the New Mexico Revenue Stabilization and Tax Policy Committee, and the national Consumer Financial Protection Bureau. In a related effort, First Nations staff and consultants worked with tribal leadership and





distributed a model tribal consumer protection code to several community leaders. The model tribal code was presented at several conferences in 2012 and is available on our website. We also continue to disseminate our white paper titled *Building Trust* (2011) that presents research on the need for consumer protection in Native communities.

PUBLICATIONS

Tax Time Troubles (2011) – First Nations conducted a “mystery shopper” survey of tax preparation services in reservation border towns in New Mexico in 2011. Our research uncovered several problems with paid tax preparers, including poor quality tax preparation and hidden fees. This report provides an overview of the “mystery shopper” research.

More Tax Time Troubles (2012) – In late 2011 and early 2012, First Nations conducted a follow-up “mystery shopper” survey of tax preparation services in reservation border towns in New Mexico. Our research uncovered several problems with paid tax preparers, including aggressive marketing of expensive loans against tax refunds (Refund Anticipation Loans, or RALs) and other costly products such as Refund Anticipation Checks (RACs). This report provides an overview of the additional “mystery shopper” research.

Building Trust: Consumer Protection in Native Communities (2011) – This report examines legislation that tribes can enact to protect their citizens from exploitative lending and consumer finance practices. This report is the first attempt to explore the complex legal dynamics related to tribal consumer protection legislation and to discuss what tribal nations are doing to combat predatory lending through the use of tribal legislation.

Model Tribal Consumer Protection Codes (2011) – First Nations produced a model tribal consumer protection code that can be adopted to regulate a variety of activities on reservations. The code provides a legal framework for tribes to regulate economic transactions on their reservations, including a range of credit products such as payday loans.





TAX PREPARATION FOR SOME NATIVE AMERICANS CAN BE QUITE THE “HUSTLE”

Most of us find that tax time is quite taxing on us each year, but what if we were to get hustled on top of it? Some Native Americans find that to be the case, and it isn't right.

That's why First Nations conducted undercover research in 2011 and again in 2012 to see if Native American tax filers were being overcharged for tax-preparation services or otherwise being taken advantage of.

With support from the Annie E. Casey Foundation and the W.K. Kellogg Foundation, we carried out the “mystery shopping” excursions to assess the quality of tax-preparation services and to discover if tax-preparation companies were charging hidden fees or steering people toward expensive products such as refund-anticipation loans or refund-anticipation checks.

The most troublesome finding was that tax preparers often manipulate clients into signing up for those costly “anticipation” products. Three of the 10 participants in our 2012 study were automatically signed up for the refund-anticipation loan option in order to receive their refunds, through questionable methods used by the preparers. Furthermore, seven of the 10 were offered a refund-anticipation loan and all 10 shoppers had some type of exposure to this expensive option through aggressive marketing. We also found that some companies used a strategy of only accepting cash upfront for preparation fees, resulting in automatic enrollment of the client in a loan product if he or she did not have cash on hand. Finally, some preparers had our shoppers sign loan-consent forms even though they were not applying for a loan.

One of our mystery shopper's experiences exemplified many of the concerning findings from our research. When she applied for a loan against her tax refund, a Social Security card and birth certificate were held as collateral for the loan until she returned to file her taxes with the company. When she later had her taxes prepared by the company, she attempted to pay her tax-preparation fees up front, which would have saved her almost \$50. The company informed her that these fees were automatically rolled into her loan product and could not be removed and paid separately. The most significant issue, however, was that our participant was told that her refund came in almost two weeks after the IRS website said it was available. During this time period, our shopper, who had recently become unemployed, decided to take out another loan and the loan company enabled her to apply for another costly loan. This client later filed a complaint against the tax-preparation firm and received a payment from the firm for the fees associated with the additional loan.

“We acknowledge that tax preparation firms can provide a valuable service,” says Sarah Dewees, senior director of First Nations' Research, Policy and Asset-Building Programs, “but we expect them to act ethically and in the best interest of their customers. Our research suggests this is not always the case, and instead tax preparers are taking advantage of some Native American tax filers.”

To read the reports based on our research, *Tax Time Troubles* and *More Tax Time Troubles*, scan this QR Code or visit our website and click on Knowledge Center, then Combating Predatory Lending.





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.

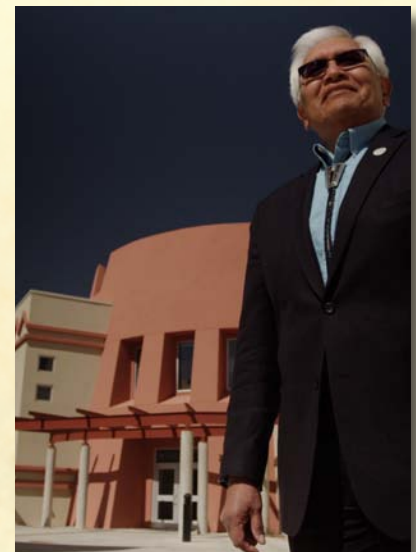
One component of this focus area is our Native Youth and Culture Fund, which makes grants annually to support Native youth and culture programs in Native American communities across the U.S. The fund is supported by the Kalliopeia Foundation, along with contributions from other foundation, tribal, corporate and individual supporters. Further, an essential part of this nonprofit capacity-building strategy is our Leadership, Entrepreneurial and Apprenticeship Development (L.E.A.D.) program that helps train the next generation of Native nonprofit leaders along with current leaders.

2012 ACTIVITIES

- ◆ **Native Youth and Culture Fund (NYCF)**, underwritten by the Kalliopeia Foundation and The Susan A. and Donald P. Babson Charitable Foundation. This program supports tribes, Native nonprofit organizations and Native community groups working in rural and reservation-based communities seeking ways to preserve, strengthen and/or renew Native culture, language and tradition among Native youth. First Nations believes that Native youth represent the future of Native communities, and that their health and well-being determines the future health and well-being of the community.
- ◆ **Office on Violence Against Women Coalition Capacity-Building.** In cooperation with the U.S. Department of Justice's Office on Violence Against Women, First Nations is providing training and technical assistance to individuals and groups from Utah and Maine that desire to create and develop a nonprofit tribal domestic violence and/or sexual assault coalition. Specifically, First Nations is conducting needs assessment with individuals and groups to determine their current level of capacity and capacity-building needs. Travel scholarships, training, technical assistance, site visits and webinars are being developed for the emerging coalitions to assist them in gaining an understanding about nonprofit scope and development to prepare and build a solid foundation of leadership and organizational capacity that eventually leads to nonprofit incorporation.
- ◆ **Office on Violence Against Women Native American Coalition Development.** With this funding, First Nations is building the organizational capacity and programmatic capabilities of emerging and established Native American nonprofit domestic violence and sexual assault coalitions through specialized group trainings and individualized technical assistance. Other funded services include site visits, travel scholarships, institutes, webinars and technical assistance.
- ◆ **Office on Violence Against Women Tailored Capacity-Building for Targeted Tribal Domestic Violence/Sexual Assault Coalitions.** Funding from this cooperative agreement allows First Nations to provide ongoing technical assistance to support grantees under the Tribal Domestic Violence and Sexual Assault Coalition Program on financial development, board development, program management, technology use and curriculum development. Other activities include site visits to targeted tribal coalitions that face challenges in establishing and implementing their projects.



- ◆ **Department of Housing and Urban Development OneCPD Technical Assistance and Capacity-Building.** Activities related to this federally-funded program involve services and outreach to national HUD grantees that are needs-based, comprehensive and focused on measurable outcomes. Activities include assessments, technical assistance, development of tools and products, curricula for skills-based training, and support in the development of a resource exchange website where grantees and their stakeholders can access program-specific information.
- ◆ **Native Ways Federation.** In 2006, seven of the country's leading American Indian nonprofit organizations, including First Nations Development Institute, came together to form the Native Ways Federation in recognition that we are more effective together than apart. This effort continued in 2012. Native Ways is based on the idea that the challenges facing American Indians demand that we hold ourselves accountable to the highest standards. Native Ways is unique in that it is the only federation in the U.S. to directly serve Native nonprofits that assist Native peoples and communities in Indian Country. Native Ways incorporated as a nonprofit organization in the Navajo Nation in March 2008 and was granted 501(c)(3) public charity status by the IRS. Upon receipt of a generous grant from the W. K. Kellogg Foundation in April 2008, Native Ways began building critical organizational capacity, including the implementation of its workplace giving program. The mission of the federation is to strengthen the Circle of Giving by uniting Native organizations to raise awareness and needed funds for the communities we serve; to better serve Native communities by becoming more effective Native nonprofit organizations; and to ensure that nonprofit organizations working on behalf of Native communities observe the highest levels of ethical standards and fiscal responsibility. To learn more about the Native Ways Federation, please visit www.nativewaysfederation.org.





“COOPERATION” IS A KEY TO EXPANDED AGRICULTURAL OPPORTUNITY ON THE NAVAJO NATION

The land on the Navajo Nation is quite fractionated into small plots, and because of that many Native farmers and ranchers can only grow or raise limited amounts of crops and livestock, perhaps covering no more than five acres. While that may be enough for family subsistence, it makes it difficult for Navajos who want to expand and grow their agricultural enterprises.

Enter First Nations and the CHS Foundation. With funding from CHS, First Nations has been working with Navajo farm boards, community groups and individual farmers and ranchers to promote co-ops – both production and marketing co-ops. Such organizations can provide a pathway for farmers to reach new markets and leverage their purchasing power and access to resources.

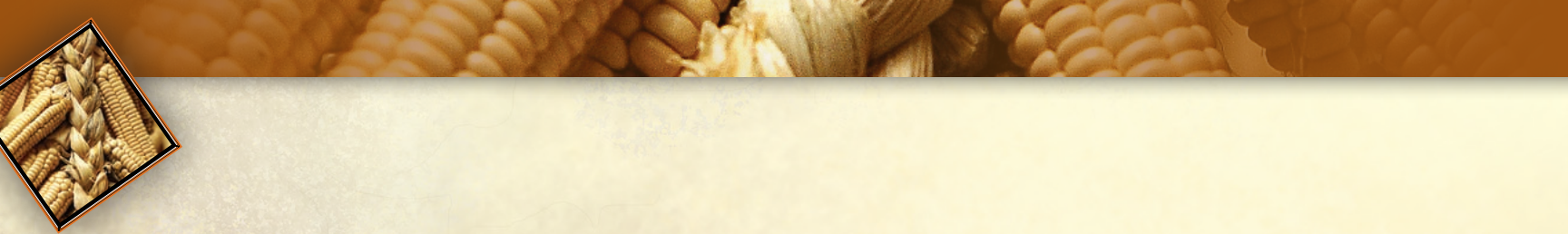
This is one of the ways First Nations helps build Native nonprofit and business capacity. By providing training on cooperative development to farm boards and community organizations on the Navajo Nation, we are increasing opportunities for and building the abilities of individual Native American farmers and ranchers.

Under this effort, we held two separate day-long training sessions involving individual farmers and ranchers, relevant organizations, and farm boards and committees, and conducted these sessions in both English and Diné (Navajo). These meetings explored the potential for developing cooperatives, identified obstacles that would need to be overcome, and related how cooperatives fit neatly with traditional Diné values. They also provided a great networking opportunity and a chance for interested people to meet and learn from each other. Beyond the trainings, we also sent two individuals who will be instrumental in continuing to advance the co-op effort to our annual L.E.A.D. conference in 2012 (Leadership and Entrepreneurial Apprenticeship Development program).

Some of the existing obstacles identified were complex issues such as water resources, a lack of relevant policies, trust lands, a need for infrastructure (such as dams), and land-use considerations.

We feel that this effort has great potential, but we also realize we have only begun to scratch the surface. Nonetheless, we have planted a real “seed” that can grow and, with our continued nourishment, achieve the intended outcomes of permanently increased opportunities for Navajo farmers and ranchers.





GRANTS, GRANTMAKING AND PHILANTHROPIC SERVICES

In 1993, First Nations Development Institute launched its first grant program, the Eagle Staff Fund, to bring critically needed funding to projects and organizations in Indian Country. Since then, First Nations has managed multiple grant programs with numerous foundations, corporate partners and individual donors. Through the end of 2012, we have successfully managed grants to 855 projects and organizations in 37 states, totaling \$19.4 million.

In addition to providing financial support, First Nations also offers specialized training and technical assistance workshops, convenings and conferences to Native nonprofit and tribal entities.

First Nations works closely with each partner to ensure that we connect the appropriate strategies, issues and resources in order to develop and expand effective programming. For more information, see the “Philanthropic Services” tab of our website at www.firstnations.org.

Together with investor partners, First Nations’ resources support asset-based development efforts that fit within the culture and are sustainable. First Nations offers grant support through the Eagle Staff Fund, including special initiatives within it, as well as through other donor-advised and donor-designated funds.

FIRST NATIONS IS CURRENTLY MANAGING THE FOLLOWING GRANT FUNDS:

- ◆ Eagle Staff Fund
- ◆ Native Youth and Culture Fund
- ◆ Little Eagle Staff Fund
- ◆ Native Agriculture and Food Systems Initiative
- ◆ Native American Asset Watch Initiative
- ◆ Raymond James Native American Development Fund



Grant opportunities are listed through the “Grant Seekers” section of our website at www.firstnations.org. To receive updates, sign up for email notifications through links on the website.

Organization Name	City	State	Grant Amount	Project Description
Eyak Preservation Council	Cordova	AK	\$22,355	Utilize funding to plan, develop and eventually establish the Cordova Community Cold Storage facility. The state-of-the-art storage facility will be used to harvest and preserve traditional Alaska Native foods.
Ilisagvik College	Barrow	AK	\$16,648	Create a program for high school and college students (age 15-25) that focuses on community wellness and public health in Alaska.
Inupiat Community of Arctic Slope (ICAS)	Barrow	AK	\$40,660	Increase healthy food access in Barrow, Alaska, by establishing tower gardens to grow fruits and vegetables in the Arctic.
Native Village of Koyuk	Koyuk	AK	\$20,000	Create a summer camp for tribal youth that will instruct 75 students how to interview their elders and produce a video that will document traditional hunting and gathering skills in the villages of Koyuk, Unalit and Malimiut.
Tlingit Haida Regional Housing Authority	Juneau	AK	\$15,000	Create a Native Tax VITA site that will provide free tax assistance to the members of the Tlingit and Haida Indian Tribes of Alaska.



Dennehotso Community Land Use Planning Committee	Dennehotso	AZ	\$10,000	Increase access to USDA resources so that members of the Navajo Nation can revive their farms and rangelands.
Dine College	Tsaile	AZ	\$44,959	Increase healthy food access on the Navajo reservation by establishing a food policy and farmers market that connects producers to tribal youth, elders and families.
Mesa Media, Inc.	Polacca	AZ	\$20,000	Retain the Hopi language and culture by pairing tribal youth with tribal elders. The goal of this program is to teach tribal youth how to speak the Hopi language and how to cultivate traditional Hopi foods.
Nahata Dziil Commision Governance	Sanders	AZ	\$10,000	Create calf program that will educate and train ranchers on how to produce healthy calves and increase profit.
Painted Desert Demonstration Project DBA The Star School	Flagstaff	AZ	\$44,334.	Leverage the STAR School campus to plant two acres of food to feed 200 students one meal per day throughout the entire school year. The purpose of this project is to restore traditional Navajo and Hopi practices.
Sipaulovi Development	Second Mesa	AZ	\$25,000	Create a locally-controlled food system based on traditional knowledge, contemporary practices and coming together for the common good.
Tsaile - Wheatfields Water Users	Tsaile	AZ	\$10,000	Increase capacity and develop programs, workshops, training and seminars for farmers and ranchers.
California Indian Manpower Consortium, Inc.	Sacramento	CA	\$20,000	Create a short series of videos that will encourage at-risk tribal youth to stay in school. The videos will be directed by tribal youth and feature tribal elders.
Dry Creek Rancheria Band of Pomo Indians	Geyserville	CA	\$19,995	Create a two-day tribal youth summer language and culture camp that will focus on language revitalization, traditional food preparation, and social interaction between tribal youth and elders.
Boulder Valley School District	Boulder	CO	\$250	Increase the participation of American Indian youth leaders by sponsoring a youth leader's conference.
Denver Indian Family Resource Center	Lakewood	CO	\$1,000	Increase the availability of culturally-appropriate services and intensive case management.
Rocky Mountain Indian Chamber of Commerce	Denver	CO	\$850	Increase the number of Native Americans attending college in Colorado by hosting an annual gala that will help to raise funding for scholarships.
Hawaii First Community Ventures	Kamuela	HI	\$15,000	Create a Native Tax VITA site that will provide free tax assistance for Native Hawaiian Kamuela residents.
Hawaiian Community Assets, Inc.	Honolulu	HI	\$19,940	Utilize culturally relevant financial education to strengthen future generations.
Hui Malama O Ke Kai Foundation	Waimanalo	HI	\$20,000	Create a Native Hawaiian youth program that will teach 9th through 12th graders the art of constructing a Hawaiian outrigger canoe under the guidance of expert canoe-builders. This program will revitalize this tradition before it is lost.
Waimea Hawaiian Homesteaders' Association, Inc.	Kamuela	HI	\$45,000	Increase control of and access to healthy local foods by establishing a program that helps Hawaiian homesteaders grow and potentially sell their own food.
Waimea Hawaiian Homesteaders' Association, Inc.	Kamuela	HI	\$6,000	The Waimea Homestead farmers will utilize hydroponics in order to explore development of new crops that are normally not grown in the Waimea climate, and advanced production techniques for increased yield.
Sac and Fox Tribe of the Mississippi in Iowa	Tama	IA	\$20,000	Create a summer day camp and summer employment program that will raise cultural awareness among the Meskwaki youth.
Mashpee Wampanoag Indian Tribal Council	Mashpee	MA	\$19,765	Retain traditional knowledge by pairing tribal youth with tribal elders to document the history of the Mashpee tribe. Record and distribute this information as DVDs, CDs and books.
Wopanaak Language & Cultural Weetyoo, Inc.	Mashpee	MA	\$5, 010	Retain the Wampanoag culture and language through a three-week summer camp that will teach tribal youth the Wampanoag alphabet, pronunciation, grammar, sentence structure and syntax.
Bay Mills Community College	Brimley	MI	\$32,129	Control poultry production and distribution in the Bay Mills Indian Community by expanding Waishkey Bay Farms. Additionally, components of this project will help increase nutrition education and create financial assets for the tribe.
Dakota Wicohan	Morton	MN	\$19,113	Leverage existing youth leadership programs to strengthen existing models to cultivate responsibility and leadership among 40 tribal youth of the Dakota Nation.
White Earth Land Recovery Project	Callaway	MN	\$32,200	Increase the capacity of the White Earth Land Recovery Project by implementing a three-year program that will expand current projects, including the Farm-to-School Pilot Project and Native Harvest. These expansion projects will attempt to recover and restore Native foods on the White Earth Indian Reservation.

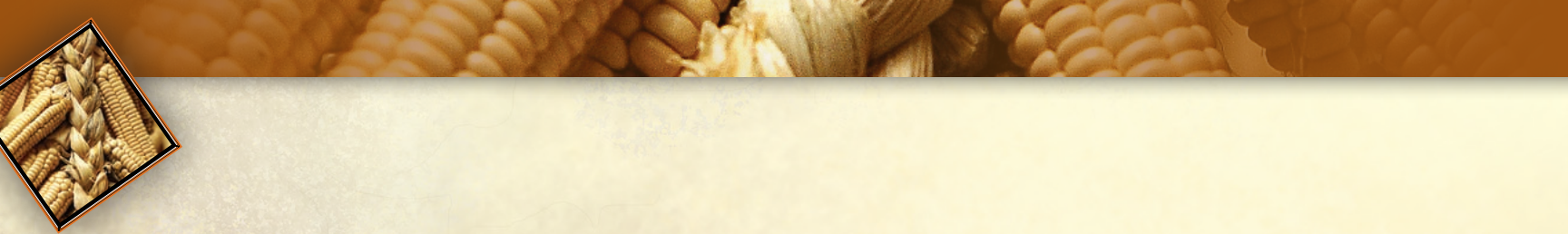


Appendix A

First Americans Land-grant Consortium (FALCON)	Columbia	MO	\$5,000	Utilize outreach and evaluation results to finalize and publish The Business of Indian Agriculture curriculum.
Chief Dull Knife College	Lame Deer	MT	\$30,000	Increase the capacity of existing VITA sites in the Northern Cheyenne community and leverage these sites to link individuals to benefits and services in order to help them take control of assets.
Fort Peck Tribes Assiniboine & Sioux	Poplar	MT	\$2,726	Control food production and distribution by establishing classes that will teach members of the Fort Peck Tribes how to store and preserve perishable foods such as meat, dairy, produce and breads.
Hays Community Development Corp.	Hays	MT	\$27,917	Create a food cooperative on the Fort Belknap Indian reservation that will enable tribal members to purchase and eat healthy food.
Cochiti Youth Experience	Cochiti Pueblo	NM	\$29,979	Increase and retain traditional Cochiti Pueblo farming methods by developing a program that will pair tribal youth with tribal elders. The food cultivated and harvested for this program will be distributed throughout the Cochiti community, including to tribal elder programs and the local school district.
Cochiti Youth Experience	Cochiti Pueblo	NM	\$6,000	Leverage funding to purchase computer, printers and internet services to manage and promote tribal youth-elder mentoring program.
Hasbidito (Rio Puerco Alliance)	Cuba	NM	\$27,200	Increase the capacity of the certified community kitchen at the Ojo Encino's chapter house on the Navajo Nation.
Mescalero Apache Tribe System of Care	Mescalero	NM	\$20,000	Create a program for Apache youth that will teach them leadership skills through equine-assisted therapy.
Native Community Finance	Laguna	NM	\$7,500	Create a Native Tax VITA site that will provide free tax assistance to the Pueblo of Laguna and Acoma Pueblo.
Navajo Technical College	Crown-point	NM	\$20,000	Create a new curriculum that focuses upon the Navajo culture and language. Teach students how to weave, prepare traditional foods, and speak the Navajo language.
Pueblo of Nambe	Nambe Pueblo	NM	\$25,000	Utilize local resources to revitalize traditional agricultural knowledge and end food insecurity. Specifically, develop a sustainable food model that includes constructing a new hoop house and creating a senior distribution center to improve the health and well-being of tribal elders. Also create a database to track the collection and distribution of crops.
Pueblo of Nambe	Nambe Pueblo	NM	\$6,000	Create land-lease program that will put the community farm on the path to economic sustainability and allow community members to move forward with other ideas to spread the many levels of prosperity from farming throughout Nambe Pueblo.
Pueblo of Pojoaque	Santa Fe	NM	\$13,545	Leverage the Pueblo of Pojoaque's Early Childhood Center to teach tribal youth ages 1-5 the Tewa language through the Tewa storytelling project. Once a week tribal elders will read traditional stories to children in both English and Tewa and also record stories that children can listen to at home with their families.
Santa Fe Indian School	Santa Fe	NM	\$17,900	Increase the Brave Girls program at Santa Fe Indian School. The program pairs high school girls with professional mentors who teach them leadership skills. This grant will help the program serve twice as many tribal youth in the future.
Santo Domingo Pueblo	Santo Domingo Pueblo	NM	\$25,000	Develop a community greenhouse that will be managed by tribal elders and youth. Tribal elders will teach tribal youth traditional farming and harvesting methods. Their harvested crops will be sold at local farmers markets and convenience stores.
Santo Domingo Pueblo	Santo Domingo Pueblo	NM	\$6,000	The greenhouse project will be introduced to increase intergenerational and individual activity levels for seniors. This creates an enhanced quality of life for the seniors as well as tribal youth.
Taos Coounty Econmic Development Corporation	Taos	NM	\$45,000	Develop a strategic alliance that promotes information sharing across tribes and increases nutrition, business and leadership education amongst NAFSI grantees.
The Notah Begay III Foundation, Inc.	Bernalillo	NM	\$20,000	Create a culturally-based health education program to control obesity and diabetes within the San Felipe Pueblo community. This program will specifically target tribal youth and teach them the basics about Native health.
The Zuni Youth Enrichment Project	Zuni	NM	\$19,800	Create a program for tribal youth based on the Carrera Adolescent Pregnancy Prevention model to reverse the trend of teenage pregnancy, which is twice as high on the Zuni Reservation than the national average.
Citizen Potawatomi Community Development Corporation	Shawnee	OK	\$20,000	Create a youth leadership program that teaches tribal youth from the Potawatomi Nation – as well as other tribes – about tribal administration.
Oklahoma Assets Foundation	Shawnee	OK	\$45,029	Increase capacity at the Oklahoma Assets Foundation to develop a statewide, inclusive asset-building coalition that will help support building economic security for low- to moderate-income families and individuals.
Oklahoma Native Assets Coalition	Shawnee	OK	\$97,683	Create a program that supports the development of asset-building coalitions in the state of Oklahoma.



Oklahoma Policy Institute	Tulsa	OK	\$153,000	Create and leverage a statewide asset-building coalition in Oklahoma. The organization will work with key partners in the state to promote asset-building programs, research and policy activities.
Ponca Tribe of Oklahoma	Ponca City	OK	\$25,000	Develop a sustainable pork program that will help provide tribal elders with a healthy protein source and educate tribal youth about agriculture.
Ponca Tribe of Oklahoma	Ponca City	OK	\$6,000.	Increase the sustainable pork program to supplement elder dietary requirements.
Wind Hollow Foundation, Inc	Anadarko	OK	\$25,328	Control food production by building a greenhouse, farmers market and commercial kitchen to provide traditional foods as well as fresh meat, fruit and vegetables to tribal members. In addition to improving the overall health of the tribe, the Wind Hollow Foundation seeks to improve economic growth in the community.
Columbia River Inter-tribal Fish Commission	Portland	OR	\$50,403	Increase food safety and exercise greater control over fish processing and packaging.
Native American Youth and Family Center	Portland	OR	\$2,000.	Leverage sponsorship to support Native American Youth and Family Center's fundraiser.
Native American Youth and Family Center	Portland	OR	\$2,000	Leverage funding to support multiple programs at the Native American Youth and Family Center, including housing, nutrition, financial and occupational programs.
Hunkpati Investments, Inc.	Fort Thompson	SD	\$45,000	Create a community garden that will produce fruits and vegetables that can be sold to members of the Crow Creek Sioux Tribe at a farmers market.
Hunkpati Investments, Inc.	Fort Thompson	SD	\$6,000	Develop irrigation system to improve capacity of the community orchard.
Oglala Sioux Parks and Recreation Authority	Kyle	SD	\$45,000	Create a program that allows the Oglala Lakota to retain and revitalize their traditional buffalo diet. Buffalo meat has always been the main staple of the Lakota diet. The decline of the buffalo led to a decline in the health of Native American people. The goal of this program is to increase access to buffalo meat and restore Native health.
Thunder Valley Community Development Corporation	Porcupine	SD	\$19,000	Create a tribal youth program that will teach Oglala Lakota youth how to build sweat lodges and sundance grounds, set up tipis, and reintroduce coming-of-age ceremonies that have been lost or weakened over many years.
Tusweca Tiospaye	Pine Ridge	SD	\$500	Retain the Lakota, Dakota and Nakota languages, as well as assist other indigenous peoples from the U.S. and Canada.
Chehalis Tribal Loan Fund	Oakville	WA	\$45,000	Create a Native VITA program that can be linked to other programs and services, including the IDA-savings program, financial education courses, credit counseling and more.
Nooksack Indian Tribe	Deming	WA	\$20,000	Retain the traditional knowledge and build leadership skill by teaching Nooksack Indian youth (ages 14-19) how to construct traditional Native war canoes and salmon netting.
Northwest Indian College	Bellingham	WA	\$43,703	Increase food sovereignty by planting a community garden that will feed 30 households and provide food for three community events, as well as lunches for tribal elders.
Northwest Native American Basketweaver's Association	Covington	WA	\$15,000	Create the opportunity for Pacific Northwest youth to learn basket weaving from master weavers of the Muckleshoot, Nisqually, Puyallup, Lummi, Chehalis and Yakama tribes.
Northwest Native Development Fund	Nespelem	WA	\$20,000	Increase the capacity of existing VITA sites and leverage these sites to link individuals to benefits and services in order to help them take control of assets on the Colville and Spokane reservations.
Lac Courte Oreilles Ojibwa Community College	Hayward	WI	\$31,200	Increase capacity and infrastructure at the Lac Courte Oreilles Ojibwa Community College Farm by preparing 65 acres on campus for pasture, food production, demonstration plots, and/or research plots.
The Oneida Tribe of Indians	Oneida	WI	\$30,700	Utilize traditional harvesting methods to improve the food preservation process at Tsyunhehkwa, an agricultural, community and culturally based program of the Oneida Tribe of Wisconsin.
The Oneida Tribe of Indians	Oneida	WI	\$5,000	Create a two-day tribal youth summer language and culture camp that will focus on language revitalization, traditional food preparation, and social interaction between tribal youth and elders.
The Oneida Tribe of Indians	Oneida	WI	\$13,284	Increase environmental education among Oneida youth by designing a program that focuses on Oneida vocabulary, traditional stories, and the tribe's connection to the land.
The Oneida Tribe of Indians	Oneida	WI	\$34,861	Create a nutrition education program that shares knowledge about the Three Sisters (corn, beans and squash) and encourages members of the Oneida tribe to incorporate these foods and lessons back into their lives.
Wigamig Owners Loan Fund, Inc.	Lac du Flambeau	WI	\$7,500	Create a Native Tax VITA site that will provide free tax assistance to the residents of the Lac du Flambeau Indian Reservation.



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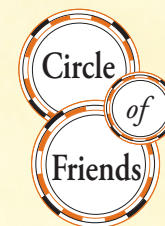
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Annual Report
2012



Celebrating the Future with an Eye to the Past!



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**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	Permanently Restricted	Unrestricted	Temporarily Restricted	Permanently Restricted
Revenue, Gains and Support:						
Public support:						
Grants	\$ 1,632,168	6,768,695	-	8,400,863	410,513	4,380,049
Contributions	59,148	575	-	59,723	41,954	-
In-kind contributions	79,917	-	-	79,917	-	-
Total public support	1,771,233	6,769,270	-	8,540,503	452,467	4,380,049
Other revenue:						
Program service fees	186,091	-	-	186,091	1,284,377	-
Interest and dividend income	189,421	56,179	-	245,600	137,118	83,129
Unrealized (loss) gain on investments	(23,441)	-	-	(23,441)	95,931	54,864
Other	4,528	1,125	-	5,653	1,335	-
Total other revenue	356,599	57,304	-	413,903	1,518,761	137,993
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	6,758,530	2,345,876	(150,000)	8,954,406	5,736,006	753,264
Expenses:						
Program services:						
Combating Predatory Lending	41,712	-	-	41,712	181,970	-
Financial and Investor Education	965,552	-	-	965,552	296,230	-
Native American Foods and Health	1,358,330	-	-	1,358,330	383,249	-
Native American Business Development	20,199	-	-	20,199	94,429	-
Strengthening Native American Nonprofits	1,040,649	-	-	1,040,649	1,568,121	-
Public Education	212,270	-	-	212,270	147,862	-
First Nations Oweesta Corporation	1,260,909	-	-	1,260,909	1,534,729	-
Total program services	4,899,621	-	-	4,899,621	4,206,590	-
Supporting services:						
Administration	601,136	-	-	601,136	811,274	-
Development	452,513	-	-	452,513	491,834	-
Total supporting services	1,053,649	-	-	1,053,649	1,303,108	-
Total expenses	5,953,270	-	-	5,953,270	5,509,698	-
Change in net assets	805,260	2,345,876	(150,000)	3,001,136	226,308	753,264
Net assets at beginning of year	1,578,494	1,944,586	3,277,700	6,800,780	1,352,186	3,277,700
Net assets at end of year	\$ 2,383,754	4,290,462	3,127,700	9,801,916	1,578,494	3,277,700

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.

Combating 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	<u>\$ 2,052,045</u>	<u>-</u>	<u>2,052,045</u>
One to five years	<u>\$ 1,000,000</u>	<u>-</u>	<u>1,000,000</u>
	<u>\$ 3,052,045</u>	<u>-</u>	<u>3,052,045</u>
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:

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

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	\$ <u>4,075,000</u>	<u>155,000</u>	<u>4,230,000</u>

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	-
	<u>\$ 4,200,238</u>	<u>4,206,497</u>

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	<u>3,127,700</u>	<u>3,277,700</u>
	<u>\$ 4,200,238</u>	<u>4,206,497</u>

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	<u>500,000</u>
	<u>\$ 4,790,000</u>

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
	<u>\$ 4,127,962</u>	<u>162,500</u>	<u>4,290,462</u>

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
	<u>\$ 1,944,586</u>	<u>-</u>	<u>1,944,586</u>

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:

	First Nations	First Nations Oweesta	Consolidated
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 - Regrants

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. Regrants and related stipends consisted of:

	First Nations	First Nations Oweesta	Consolidated
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	-	88,097
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:

	Temporarily Restricted	Permanently Restricted	Total
Endowment assets, at June 30, 2010	\$ 59,107	3,277,700	3,336,807
Investment gain	137,994	-	137,994
Appropriated for expenditure	(109,004)	-	(109,004)
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)	-	(150,000)	(150,000)
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			First Nations Oweesta			Consolidated		
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Eliminations	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, Gains and Support:									
Public support:									
Grants	\$ 23,956	5,916,186	-	5,940,142		1,625,000	852,509	-	8,400,863
Contributions	58,148	575	-	58,723		1,000	59,148	-	59,723
In-kind contributions	79,917	-	-	79,917		-	79,917	-	79,917
Total public support	162,021	5,916,761	-	6,078,782		1,626,000	852,509	-	8,340,503
Other revenue:									
Program service fees	71,215	-	-	71,215		137,046	-	-	186,091
Interest and dividend income	34,454	56,179	-	90,633		154,967	-	-	245,601
Unrealized loss on investments	(21,953)	-	-	(21,953)		(1,488)	-	-	(23,441)
Other	97,658	-	-	97,658		3,748	1,125	-	5,653
Total other revenue	181,374	56,179	-	237,553		294,273	1,125	-	413,903
Net assets released from restrictions	3,789,564	(3,789,564)	-	-		841,134	(841,134)	-	-
Reclassification of net assets	-	-	-	-		150,000	150,000	-	-
Total revenue, gains and support	4,132,959	2,183,376	-	6,316,335		2,761,407	162,500	(150,000)	8,954,406
Expenses:									
Program services:									
Combating Predatory Lending	41,712	-	-	41,712		-	-	-	41,712
Financial and Investor Education	982,340	-	-	982,340		-	-	-	965,552
Native American Foods and Health	1,358,330	-	-	1,358,330		-	-	-	1,358,330
Native American Business Development	20,199	-	-	20,199		-	-	-	20,199
Strengthening Native American Nonprofits	1,040,649	-	-	1,040,649		-	-	-	1,040,649
Public Education	212,270	-	-	212,270		-	-	-	212,270
First Nations Oweesta Corporation	67,498	-	-	67,498		1,300,931	1,260,909	-	2,600,909
Total program services	3,722,998	-	-	3,722,998		1,300,931	4,899,621	-	8,999,621
Supporting services:									
Administration	344,301	-	-	344,301		263,907	601,136	-	601,136
Development	388,831	-	-	388,831		68,138	452,513	-	452,513
Total supporting services	733,132	-	-	733,132		332,045	1,053,649	-	1,053,649
Total expenses	4,456,130	-	-	4,456,130		1,632,976	5,953,270	-	5,953,270
Change in net assets	(323,171)	2,183,376	-	1,860,205		1,128,431	162,500	(150,000)	3,001,136
Net assets at beginning of year	(282,728)	1,944,586	3,127,700	4,789,558		1,861,222	1,944,586	3,277,700	6,800,780
Net assets at end of year	(605,899)	4,127,962	3,127,700	6,649,763		2,989,653	2,347,086	3,127,700	9,801,919

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

	Program Services							Supporting Services		
	Combatting Predatory Lending	Financial & Investor Education	Native Foods & Health	Native American Business Development	Strengthening Native American Nonprofits	Public Education	First Nations Oweesta	Administration	Development	Total
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	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	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
Consolidated Schedule of Functional Expenses
Year Ended June 30, 2011

	Program Services						Supporting Services		
	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
Professional and consulting fees	57,817	126,421	51,032	13,344	242,577	24,258	242,456	107,755	120,920
Grants and stipends	-	-	25,125	21,350	745,755	-	-	-	-
Travel	13,673	40,714	43,590	15,824	161,795	19,512	169,187	74,072	29,037
Rent and occupancy	6,382	5,414	15,212	2,648	24,407	8,498	58,041	42,636	18,299
Conferences and meetings	3,312	9,614	28,561	331	10,968	3,339	33,638	15,935	5,861
Printing and publications	10,166	12,363	4,083	97	2,391	2,192	12,694	15,226	45,711
Interest expense	-	-	-	-	-	-	93,870	-	-
Telephone	2,772	2,148	4,445	910	10,936	3,195	40,091	15,970	5,953
Postage and delivery	157	3,036	483	167	1,077	1,304	6,715	2,456	59,192
Expense for loan loss reserve	-	-	-	-	-	-	58,350	-	-
Equipment/software rental/maintenance	54	42	964	7	5,505	97	30,238	14,905	5,292
Other expenses	-	1,580	511	21	110	2,487	8,712	33,727	1,200
Supplies and small equipment	2,418	1,264	4,149	2,056	4,068	1,098	10,940	12,502	2,061
Outside computer services	387	1,721	848	345	968	1,616	16,918	12,389	1,987
Insurance	54	37	100	15	207	67	36	5,043	86
Subtotals	181,889	296,168	383,110	93,365	1,541,611	172,149	1,515,641	799,786	489,724
Depreciation and amortization	81	62	139	1,064	2,106	117	19,088	11,488	2,110
Total functional expenses	\$ 181,970	296,230	383,249	94,429	1,543,717	172,266	1,534,729	811,274	491,834

See accompanying independent auditor's report.