



## Independent Auditor's Report

Board of Trustees  
American Indian College Fund

We have audited the accompanying statement of financial position of the American Indian College Fund (the "Fund") as of June 30, 2011, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the Fund's 2010 financial statements and, in our report dated September 21, 2010, we expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 financial statements referred to above present fairly, in all material respects, the financial position of the American Indian College Fund as of June 30, 2011, 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.

*Anton Collins Mitchell LLP*

September 1, 2011  
Denver, Colorado

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# Statement of Financial Position

(With Comparative Totals for 2010)

| June 30,  | 2011                 | 2010                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| Cash and cash equivalents . . . . .                   | \$ 2,267,402         | \$ 2,655,210         |
| Promises to give, net . . . . .                       | 7,053,178            | 1,403,119            |
| Prepaid expenses and other assets . . . . .           | 132,295              | 90,438               |
| Donated assets held for resale . . . . .              | 650,555              | 714,301              |
| Property and equipment, net . . . . .                 | 687,866              | 728,975              |
| Investments:  |                      |                      |
| American Indian College Fund . . . . .                | 57,123,868           | 52,109,910           |
| Held in trust for others . . . . .                    | 569,810              | 530,090              |
| Total investments . . . . .                           | 57,693,678           | 52,640,000           |
| <b>TOTAL ASSETS . . . . .</b>                         | <b>\$ 68,484,974</b> | <b>\$ 58,232,043</b> |
| <b>LIABILITIES</b>                                    |                      |                      |
| Accounts payable and accrued expenses . . . . .       | \$ 246,811           | \$ 143,888           |
| Liabilities under charitable gift annuities . . . . . | 16,099               | 16,801               |
| Held in trust for others . . . . .                    | 569,810              | 530,090              |
| <b>TOTAL LIABILITIES . . . . .</b>                    | <b>832,720</b>       | <b>690,779</b>       |
| Commitments and contingencies                         |                      |                      |
| <b>NET ASSETS</b>                                     |                      |                      |
| Unrestricted:   |                      |                      |
| Undesignated . . . . .                                | 16,358,100           | 12,304,280           |
| Board-designated for endowment . . . . .              | 10,847,581           | 8,219,599            |
| Total unrestricted . . . . .                          | 27,205,681           | 20,523,879           |
| Total temporarily restricted . . . . .                | 18,466,892           | 16,944,404           |
| Total permanently restricted . . . . .                | 21,979,681           | 20,072,981           |
| Total net assets . . . . .                            | 67,652,254           | 57,541,264           |
| <b>TOTAL LIABILITIES AND NET ASSETS . . . . .</b>     | <b>\$ 68,484,974</b> | <b>\$ 58,232,043</b> |

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

# Statement of Activities

(With Comparative Totals for 2010)

| Year Ended June 30,  | 2011          |                        |                        |               | 2010          |
|--|---------------|------------------------|------------------------|---------------|---------------|
|  | Unrestricted  | Temporarily Restricted | Permanently Restricted | Total         | Total         |
| <b>REVENUES</b>  |               |                        |                        |               |               |
| Contributions . . . . .  | \$ 8,085,404  | \$ 9,374,603           | \$ 1,906,700           | \$ 19,366,707 | \$ 11,014,545 |
| Donated public service announcements . . . . .   | 1,278,142     | -                      | -                      | 1,278,142     | 1,927,799     |
| Net special events revenue . . . . .   | 401,028       | 8,300                  | -                      | 409,328       | 346,044       |
| Net investment return . . . . .  | 1,970,431     | 3,114,990              | -                      | 5,085,421     | 3,800,705     |
| Change in value of charitable trusts . . . . .   | 355,424       | -                      | -                      | 355,424       | (55,714)      |
| Other income . . . . .   | 102,111       | (25,214)               | -                      | 76,897        | 48,499        |
| Net assets released from restrictions . . . . .  | 10,303,839    | (10,303,839)           | -                      | -             | -             |
| Total support, revenue and gains . . . . .   | 22,496,379    | 2,168,840              | 1,906,700              | 26,571,919    | 17,081,878    |
| <b>EXPENSES</b>  |               |                        |                        |               |               |
| Program services:  |               |                        |                        |               |               |
| Scholarship and grants program . . . . .   | 10,768,578    | -                      | -                      | 10,768,578    | 9,761,364     |
| Public education program . . . . .   | 1,847,244     | -                      | -                      | 1,847,244     | 2,590,681     |
| Total program services . . . . .   | 12,615,822    | -                      | -                      | 12,615,822    | 12,352,045    |
| Supporting services:   |               |                        |                        |               |               |
| Administrative . . . . .   | 954,566       | -                      | -                      | 954,566       | 849,980       |
| Donor development . . . . .  | 2,890,541     | -                      | -                      | 2,890,541     | 2,081,365     |
| Total supporting services . . . . .  | 3,845,107     | -                      | -                      | 3,845,107     | 2,931,345     |
| Total expenses . . . . .   | 16,460,929    | -                      | -                      | 16,460,929    | 15,283,390    |
| Increase in net assets before<br>reclassification of endowment<br>deficiency recovered . . . . . | 6,035,450     | 2,168,840              | 1,906,700              | 10,110,990    | 1,798,488     |
| Reclassification of endowment<br>deficiency recovered . . . . .                                  | 646,352       | (646,352)              | -                      | -             | -             |
| Increase in net assets . . . . .   | 6,681,802     | 1,522,488              | 1,906,700              | 10,110,990    | 1,798,488     |
| <b>Net assets</b> , beginning of year . . . . .  | 20,523,879    | 16,944,404             | 20,072,981             | 57,541,264    | 55,742,776    |
| <b>Net assets</b> , end of year . . . . .  | \$ 27,205,681 | \$ 18,466,892          | \$ 21,979,681          | \$ 67,652,254 | \$ 57,541,264 |

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

## Statement of Functional Expenses

(With Comparative Totals for 2010)

| Year Ended June 30,   | 2011                    |                  |                  |                   |                   | 2010              |
|---|-------------------------|------------------|------------------|-------------------|-------------------|-------------------|
| Account Description   | Scholarships and Grants | Public Education | Administrative   | Donor Development | Total             | Total             |
| Salaries . . . . .  | \$ 528,320              | \$ 247,991       | \$ 423,246       | \$ 836,136        | \$ 2,035,693      | \$ 1,662,715      |
| Payroll taxes and benefits . . . . .                          | 173,372                 | 77,765           | 134,671          | 268,810           | 654,618           | 481,832           |
| Scholarships and grants . . . . .                             | 9,799,821               | -                | -                | -                 | 9,799,821         | 9,080,896         |
| Advertising/marketing . . . . .                               | 19,197                  | 17,535           | -                | 1,776             | 38,508            | 39,743            |
| Direct response and donor stewardship . . . . .               | -                       | 41,123           | -                | 1,458,391         | 1,499,514         | 1,029,745         |
| Donated public service announcements . . . . .                | -                       | 1,278,142        | -                | -                 | 1,278,142         | 1,927,799         |
| Accounting, audit, legal, and consulting fees . . . . .       | 79,686                  | 23,941           | 261,972          | -                 | 365,599           | 329,015           |
| Rent, utilities, maintenance and equipment rental . . . . .   | 12,074                  | 9,161            | 23,125           | 17,949            | 62,309            | 40,575            |
| Special events and donor tours . . . . .                      | -                       | 70,534           | -                | 49,993            | 120,527           | 43,747            |
| Cost of direct benefits to donors . . . . .                   | -                       | -                | -                | 151,412           | 151,412           | 122,404           |
| Travel and meals . . . . .                                    | 66,460                  | 12,583           | 21,873           | 122,476           | 223,392           | 201,603           |
| Board meetings . . . . .                                      | -                       | -                | 72,829           | -                 | 72,829            | 73,795            |
| Office expenses . . . . .                                     | 19,037                  | 5,911            | 68,791           | 34,029            | 127,768           | 152,874           |
| Depreciation and amortization . . . . .                       | 13,812                  | 6,375            | 11,175           | 21,850            | 53,212            | 55,522            |
| Publications, dues, and subscriptions . . . . .               | 12,055                  | 19,799           | 12,720           | 13,549            | 58,123            | 72,281            |
| Bank charges . . . . .  | -                       | -                | 61,230           | -                 | 61,230            | 46,440            |
| Staff development . . . . .                                   | 5,788                   | 2,028            | 5,156            | 15,350            | 28,322            | 30,232            |
| Insurance . . . . .   | -                       | -                | 33,325           | -                 | 33,325            | 33,952            |
| Bad debt related to allowance for doubtful accounts . . . . . | -                       | -                | -                | -                 | -                 | 6,019             |
| Other expenses . . . . .                                      | 148                     | -                | 29,190           | 14,385            | 43,723            | 48,272            |
| Information technology . . . . .                              | 38,808                  | 34,356           | 18,920           | 43,357            | 135,441           | 96,513            |
| <b>Total expenses . . . . .</b>                               | <b>10,768,578</b>       | <b>1,847,244</b> | <b>1,178,223</b> | <b>3,049,463</b>  | <b>16,843,508</b> | <b>15,575,974</b> |
| Less expenses netted against revenue:                         |                         |                  |                  |                   |                   |                   |
| Investment management fees . . . . .                          | -                       | -                | 168,663          | -                 | 168,663           | 105,218           |
| Expense on rental property . . . . .                          | -                       | -                | 54,994           | -                 | 54,994            | 45,438            |
| Cost of direct benefits to donors . . . . .                   | -                       | -                | -                | 151,412           | 151,412           | 122,404           |
| Cost of goods sold . . . . .                                  | -                       | -                | -                | 7,510             | 7,510             | 19,524            |
|   | \$ 10,768,578           | \$ 1,847,244     | \$ 954,566       | \$ 2,890,541      | \$ 16,460,929     | \$ 15,283,390     |
| Functional expense as a percentage of total expense . . . . . | 65%                     | 11%              | 6%               | 18%               | 100%              |                   |

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

# Statement of Cash Flows

(With Comparative Totals for 2010)

## Increase (Decrease) in Cash and Cash Equivalents

| Year Ended June 30,   | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                     |                     |
| Change in net assets . . . . .  | \$ 10,110,990       | \$ 1,798,488        |
| Adjustments to reconcile change in net assets to net cash used in operating activities: |                     |                     |
| Depreciation . . . . .  | 53,212              | 55,522              |
| Donated assets capitalized as held for sale . . . . .                                   | (12,389)            | (675,166)           |
| Change in value of charitable gift annuity . . . . .                                    | 4,614               | -                   |
| Net realized and unrealized gain on investments . . . . .                               | (4,199,759)         | (2,423,223)         |
| Contributions of securities . . . . .   | (600,000)           | -                   |
| Contributions restricted to endowment. . . . .  | (1,906,700)         | (558,611)           |
| Decrease (increase) in operating assets:  |                     |                     |
| Promises to give, net . . . . .   | (4,350,059)         | (462,677)           |
| Prepaid expenses and other assets . . . . .   | (41,857)            | (18,967)            |
| Increase (decrease) in operating liabilities:   |                     |                     |
| Accounts payable and accrued expenses. . . . .  | 102,923             | (135,344)           |
| Net cash used in operating activities . . . . .   | (839,025)           | (2,419,978)         |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                     |                     |
| Proceeds from sale of donated property . . . . .  | 15,969              | 15,420              |
| Payments for purchases of property and equipment. . . . .                               | (12,103)            | (58,009)            |
| Interest and dividend income reinvested . . . . .                                       | (1,054,325)         | (1,482,700)         |
| Net Proceeds from investment portfolio . . . . .  | 900,292             | 4,322,900           |
| Net cash (used in) provided by investing activities . . . . .                           | (150,167)           | 2,797,611           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                     |                     |
| Collections of contributions restricted to endowment . . . . .                          | 606,700             | 558,611             |
| Payments to charitable gift annuity beneficiaries . . . . .                             | (5,316)             | (7,634)             |
| Net cash provided by financing activities . . . . .                                     | 601,384             | 550,977             |
| Net (decrease) increase in cash and cash equivalents . . . . .                          | (387,808)           | 928,610             |
| <b>Cash and cash equivalents, beginning of year . . . . .</b>                           | <b>2,655,210</b>    | <b>1,726,600</b>    |
| <b>Cash and cash equivalents, end of year . . . . .</b>                                 | <b>\$ 2,267,402</b> | <b>\$ 2,655,210</b> |

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

# Summary of Significant Accounting Policies

## Organization

The American Indian College Fund (the “Fund,” “we,” “us,” or “our”), a Washington, D.C. nonprofit corporation, transforms Indian higher education by funding and creating awareness of the unique, community-based accredited tribal colleges and universities, offering students access to knowledge, skills, and cultural values which enhance their communities and the country as a whole. During our 2011 fiscal year, we disbursed more than 6,000 scholarships for American Indian students seeking to better their lives through higher education. We also provided support for tribal college needs, ranging from capital support to cultural preservation curricula. Tribal colleges serve large proportions of non-traditional students, those with dependent family members, first-generation college students, and many others who previously had little access to post-secondary education in their communities. However, tribal colleges receive little or no local or state tax support. To help alleviate this funding gap, we work with the private sector to raise funds crucial to the colleges and their students.

## Comparative Financial Information

The accompanying financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America (“GAAP”). Accordingly, such information should be read in conjunction with our audited financial statements for the year ended June 30, 2010, from which the summarized information was derived.

## Basis of Accounting

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

## Cash and Cash Equivalents

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

## Investments

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

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

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

## Summary of Significant Accounting Policies

### *Promises to Give*

Unconditional promises to give that are expected to be collected in less than one year are reported at net realizable value. Unconditional promises to give that are expected to be collected in more than one year are initially recorded at their estimated fair values. That fair value is computed using a present value technique applied to anticipated cash flows. Amortization of the resulting discount is recognized as additional contribution revenue. We have not recorded a discount as they are believed to be immaterial. In years subsequent to initial recording, we determine an allowance for uncollectible amounts based on our relationship with the donor, historical experience, an assessment of the current economic environment, and analysis of subsequent events. At June 30, 2011, no allowance was considered necessary. Conditional promises to give are not included as support until the conditions are substantially met.

### *Property and Equipment*

Property and equipment additions over \$1,000 are recorded at cost or, if donated, at the estimated fair value on the date of receipt. Depreciation is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 32½ years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts, and any remaining gain or loss is included in the statement of activities. Repairs and maintenance are charged to expense when incurred.

### *Impairment of Long-Lived Assets*

We review asset carrying amounts whenever events or circumstances indicate that such carrying amounts may not be recoverable. When considered impaired, the carrying amount of the asset is reduced, by a charge to the statement of activities, to its estimated fair value. We have determined there was an impairment of the agricultural land held for sale during the year ended June 30, 2011 as discussed in Note 4.

### *Unrestricted Net Assets*

Unrestricted net assets are available for use in general operations.

### *Temporarily Restricted Net Assets*

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

Donor-restricted contributions, including promises to give, are recorded as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

### *Permanently Restricted Net Assets*

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

### *Revenue Recognition*

Noncontribution revenue is recognized when earned. Contributions are recognized when cash, other assets or an unconditional promise to give is received.

### *Donated Services and Materials*

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

### *Expenses*

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

## Summary of Significant Accounting Policies

### *Functional Allocation of Expenses*

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

### *Use of Estimates*

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

### *Financial Instruments and Credit Risk*

We manage cash deposit concentration risk by placing our temporary cash and money market accounts with financial institutions considered by us to be high quality and credit-worthy. Cash and cash equivalents are maintained at financial institutions and at times, balances may exceed federally insured limits. We have never experienced any losses related to these balances. The funds were fully insured at June 30, 2011 due to a temporary federal program in effect from December 31, 2010 through December 31, 2012. Under the program, there is no limit to the amount of insurance for eligible accounts. Beginning in 2013, insurance coverage will revert to \$250,000 per depositor at each institution, and the funds may again exceed federally insured limits.

We consider credit risk associated with promises to give to be limited because of high historical collection rates and because the amounts outstanding are due from individuals, foundations and corporations supportive of our mission.

Our investments are made by professional investment managers, and are monitored by the Board of Trustees and management. Though the fair values of investments are subject to fluctuation on a year-to-year basis, we believe that our investment policy is prudent for the long-term welfare of the Fund.

### *Fair Value Measurements*

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

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

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

### *Taxes and Tax-Exempt Status*

The Fund is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The Fund qualifies for the charitable contribution deduction under Section 170(b)(1)(A)(vi) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from activities not directly related to the Fund’s tax-exempt purpose is subject to taxation as unrelated business income. We incurred no taxes on unrelated business income during the year ended June 30, 2011.

The Fund believes that it has conducted its operations in accordance with, and has properly maintained, its tax-exempt status, and that it has taken no material uncertain tax positions that qualify for recognition or disclosure in the financial statements. The Fund is no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations by tax authorities for years before fiscal year 2007, based on the related statute of limitations.

# Notes to Financial Statements

## 1. PROMISES TO GIVE

Following is a summary of unconditional promises to give at:

| <b>June 30,</b>                  | <b>2011</b>         |
|----------------------------------|---------------------|
| Receivable in less than one year | \$ 3,880,103        |
| Receivable in one to five years  | 3,173,075           |
|                                  | <b>\$ 7,053,178</b> |

The two largest donors represent 52.5% and 18.4%, respectively, of the promises to give balance.

## 2. FAIR VALUE DISCLOSURES

Fair Value Measurements on a Recurring Basis

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

| <b>June 30,</b>   | <b>2011</b>          |                      |                      |                     |
|---|----------------------|----------------------|----------------------|---------------------|
| Description   | Total                | (Level 1)            | (Level 2)            | (Level 3)           |
| <b>Investments:</b>                                     |                      |                      |                      |                     |
| Cash and money market funds <sup>(1)</sup>              | \$ 205,642           | \$ 205,642           | \$ -                 | \$ -                |
| Certificates of deposit <sup>(2)</sup>                  | 305,085              | -                    | 305,085              | -                   |
| Equity securities <sup>(3)</sup>                        | 51,999               | 51,999               | -                    | -                   |
| <b>Debt securities:</b>                                 |                      |                      |                      |                     |
| Corporate debt securities <sup>(2)</sup>                | 12,957,175           | -                    | 12,957,175           | -                   |
| U.S. treasury and agency debt securities <sup>(2)</sup> | 4,545,777            | -                    | 4,545,777            | -                   |
| Mortgage backed debt securities <sup>(2)</sup>          | 4,662,440            | -                    | 4,662,440            | -                   |
| <b>Mutual funds:</b>                                    |                      |                      |                      |                     |
| Domestic equity <sup>(3)</sup>                          | 5,467,134            | 5,467,134            | -                    | -                   |
| Developed markets <sup>(3)</sup>                        | 6,153,169            | 6,153,169            | -                    | -                   |
| Global equity <sup>(3)</sup>                            | 5,389,756            | 5,389,756            | -                    | -                   |
| Emerging markets <sup>(3)</sup>                         | 1,605,908            | 1,605,908            | -                    | -                   |
| Domestic debt securities <sup>(3)</sup>                 | 1,616,315            | 1,616,315            | -                    | -                   |
| Domestic bond market index <sup>(3)</sup>               | 836,023              | 836,023              | -                    | -                   |
| <b>Investment funds and partnerships:</b>               |                      |                      |                      |                     |
| Energy limited partnerships <sup>(4)</sup>              | 2,060,304            | 2,060,304            | -                    | -                   |
| Diversified debt investment fund <sup>(5)</sup>         | 6,022,881            | -                    | 6,022,881            | -                   |
| Fund of hedge funds <sup>(6)</sup>                      | 5,814,070            | -                    | -                    | 5,814,070           |
|   | <b>\$ 57,693,678</b> | <b>\$ 23,386,250</b> | <b>\$ 28,493,358</b> | <b>\$ 5,814,070</b> |

# Notes to Financial Statements

## 2. FAIR VALUE DISCLOSURES (CONTINUED)

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

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

| <b>June 30,</b>  | <b>2011</b>                 |
|--|-----------------------------|
| <i>Fair Value Measurements Using Significant Unobservable Inputs (Level 3)</i>   |                             |
| Beginning balance  | Investments<br>\$ 2,814,525 |
| Purchases  | 2,750,000                   |
| Sales  | (39,610)                    |
| Net realized and unrealized gain included in the statement of activities   | 289,155                     |
| Ending balance   | \$ 5,814,070                |
| Unrealized gain included in net investment return on the statement of activities attributable to asset still held at June 30, 2011 | \$ 345,412                  |

## Notes to Financial Statements

### 2. FAIR VALUE DISCLOSURES (CONTINUED)

#### *Fair Value Measurement on a Nonrecurring Basis*

During the year ended June 30, 2011, the Fund decided to lease the agricultural land held for sale. The land is still held for sale and the lessee has the option to purchase the land for \$615,000 during the lease term. As no sale has been completed, we believe the carrying amount of the land held for sale may not be recoverable. We believe the amount of the purchase option included in the lease is a good estimate of the agricultural land's fair value. An

impairment loss of \$60,166 is included in net investment return on the statement of activities for the year ended June 30, 2011. This fair value measurement is based on unobservable inputs as described above, and thus represents a Level 3 measurement as defined in the *Fair Value Measurements and Disclosure* topic of the FASB Codification.

The following asset was evaluated at fair value on a nonrecurring basis during the year ended June 30, 2011:

| June 30,<br>Description         | 2011       |         |         |            |                                       |
|---------------------------------|------------|---------|---------|------------|---------------------------------------|
|                                 | Total      | Level 1 | Level 2 | Level 3    | Loss for the year ended June 30, 2011 |
| Agricultural land held for sale | \$ 615,000 | \$ -    | \$ -    | \$ 615,000 | \$ 60,166                             |

### 3. NET INVESTMENT RETURN

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

| June 30,                         | 2011         |
|----------------------------------|--------------|
| Interest and dividend income     | \$ 1,054,325 |
| Net realized and unrealized gain | 4,199,759    |
| Less investment management fees  | (168,663)    |
|                                  | \$ 5,085,421 |

### 4. DONATED ASSETS HELD FOR RESALE

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

| June 30,          | 2011       |
|-------------------|------------|
| Art items         | \$ 35,555  |
| Agricultural land | 615,000    |
|                   | \$ 650,555 |

During the year ended June 30, 2011 the Fund entered into a commercial lease of the agricultural land and the lessee has the option to purchase the land for \$615,000 during the lease term. As such, the Fund determined the land's value may not be recoverable, and accordingly adjusted the carrying amount of the agricultural land to this agreed-upon value.

# Notes to Financial Statements

## 5. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following at:

| <b>June 30,</b>               | <b>2011</b> |
|-------------------------------|-------------|
| Land                          | \$ 100,000  |
| Building and improvements     | 821,014     |
| Furniture and equipment       | 312,916     |
|                               | 1,233,930   |
| Less accumulated depreciation | (546,064)   |
|                               | \$ 687,866  |

## 6. DONATED PUBLIC SERVICE ANNOUNCEMENTS

A variety of media outlets donate print space and air time to publish and/or broadcast our public education program public service announcements (“PSAs”). We recognize

and report in the statement of activities the estimated fair value of the PSAs (\$1,278,142 for the year ended June 30, 2011) as equal and offsetting income and expense items.

## 7. TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets are comprised of the following at:

| <b>June 30,</b>   | <b>2011</b>   |
|---|---------------|
| Restricted to the following purposes:                       |               |
| Scholarships and other support                              | \$ 6,988,924  |
| Tribal colleges and universities support                    | 319,574       |
| PhD and research programs                                   | 1,107,769     |
| Cultural preservation program                               | 1,314,349     |
| Wisdom of the People Intellectual Capacity Building Program | 3,613,754     |
| Kellogg Early Childhood Education Project                   | 4,954,109     |
| Other   | 168,413       |
|   | \$ 18,466,892 |

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

| <b>June 30,</b>   | <b>2011</b>   |
|---|---------------|
| Restricted to the following purposes:                       |               |
| Scholarships and other support                              | \$ 5,195,873  |
| Tribal colleges and universities support                    | 1,000,000     |
| PhD and research programs                                   | 455,316       |
| Cultural preservation program                               | 167,020       |
| Wisdom of the People Intellectual Capacity Building Program | 3,259,426     |
| Kellogg Early Childhood Education Project                   | 45,891        |
| Other   | 180,313       |
|   | \$ 10,303,839 |

# Notes to Financial Statements

## 8. ENDOWMENT

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

### *Composition of Endowment*

Our endowment (“Endowment”) is composed of approximately 80 individual endowment funds established by donors primarily to provide scholarships and support to tribal college students and tribal colleges, respectively. The Endowment includes both donor-restricted funds and funds designated for use by our Board of Trustees to function as an endowment. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The Fund charges a .5% administration fee to help defray the costs of investment administration of the endowment portfolio. The fee was not imposed during the year ended June 30, 2010 due to deficiencies between the fair value of certain endowment assets compared to the original gift.

### *Interpretation of Relevant Law*

Our Board of Trustees has interpreted the Washington D.C. Uniform Prudent Management of Institutional Funds Act (“UPMIFA”) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. At June 30, 2011, there were no contrary donor stipulations. As a result of this interpretation, we classify as permanently restricted net assets (a) the original value of gifts donated to the Endowment, (b) the original value of subsequent gifts donated to the Endowment, and (c) accumulations to the Endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added.

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

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund

- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

### *Return Objectives and Risk Parameters*

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

### *Strategies Employed for Achieving Objectives*

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

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

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

# Notes to Financial Statements

## 8. ENDOWMENT (CONTINUED)

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

|                                | 2011          |                        |                        |               |
|--------------------------------|---------------|------------------------|------------------------|---------------|
|                                | Unrestricted  | Temporarily Restricted | Permanently Restricted | Total         |
| Donor restricted endowment     | \$ -          | \$ 3,415,933           | \$ 21,979,681          | \$ 25,395,614 |
| Board designated for endowment | 10,847,581    | -                      | -                      | 10,847,581    |
|                                | \$ 10,847,581 | \$ 3,415,933           | \$ 21,979,681          | \$ 36,243,195 |

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

|   | 2011          |                        |                        |               |
|---|---------------|------------------------|------------------------|---------------|
|   | Unrestricted  | Temporarily Restricted | Permanently Restricted | Total         |
| Endowment net assets, beginning of year <sup>(1)</sup>  | \$ 7,573,247  | \$ 1,525,778           | \$ 20,072,981          | \$ 29,172,006 |
| Investment return:  |               |                        |                        |               |
| Interest and dividend income  | 90,797        | 174,969                | -                      | 265,766       |
| Net realized and unrealized gain, net of fees   | 1,515,303     | 2,939,329              | -                      | 4,454,632     |
| Total investment return   | 1,606,100     | 3,114,298              | -                      | 4,720,398     |
| Contributions   | 1,032,966     | -                      | 1,906,700              | 2,939,666     |
| Distributions   | (11,084)      | (505,873)              | -                      | (516,957)     |
| Other changes:  |               |                        |                        |               |
| Administrative fee  | -             | (71,918)               | -                      | (71,918)      |
| Recovery of deficiency in original historical gift value of permanently restricted net assets over current fair value | 646,352       | (646,352)              | -                      | -             |
| Endowment net assets, end of year   | \$ 10,847,581 | \$ 3,415,933           | \$ 21,979,681          | \$ 36,243,195 |

(1) The presentation of the beginning of year endowment net assets has been changed from presenting the deficiency, of the assets fair value relative to the original gift from net to gross.

### *Funds with Deficiencies*

From time to time, the fair value of the Endowment may fall below the fair value of the original gifts and other accumulations made to it, the amount required by

UPMIFA to be preserved as a fund of perpetual duration. There was no such deficiency at June 30, 2011.

# Notes to Financial Statements

## 9. CONTRIBUTIONS BY SOURCE

Contributions by source were as follows for the year ended:

| June 30,                               | 2011          |
|--|---------------|
| Individuals                            | \$ 5,216,989  |
| Bequests                               | 5,038,771     |
| Corporations and corporate foundations | 2,841,628     |
| Charitable foundations                 | 6,269,319     |
|  | \$ 19,366,707 |

## 10. TAX DEFERRED ANNUITY PLAN

We maintain a tax deferred annuity plan (the "Plan") qualified under Section 403(b) of the Internal Revenue Code covering substantially all of our full-time employees. Under the provisions of the Plan, participants may contribute an amount not to exceed the annual limits specified by the Internal Revenue Service. In addition, our discretionary contributions are 2% of each qualifying employee's qualifying wages and matching employee's contributions up to 5% of qualifying wages. Employee contributions vest immediately. Employer contributions vest over a four year period. During the fiscal year ended June 30, 2011, we contributed \$97,564 to the plan.

## 11. RELATED PARTIES

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

## 12. COMMITMENTS AND CONTINGENCIES

### *Grant Commitment*

A grant of \$17.5 million was awarded to the fund during the year ended June 30, 2007. The purpose of the grant is restricted for disbursement to tribal colleges and universities for certain purposes over a five year period. The annual disbursements to the recipients are contingent upon the recipients meeting special conditions. The Fund expects to disburse \$2,629,563 during the year ended June 30, 2012, completing fulfillment of the grant agreement.

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

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

## 13. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through September 1, 2011, which is the date the financial statements were available to be issued. There were no material subsequent events that required recognition or additional disclosure in these financial statements.