NORTHWEST COLLEGE

FINANCIAL REPORT

JUNE 30, 2014

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Northwest College
Powell, Wyoming

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Northwest College (the "College") as of and for the years ended June 30, 2014 and 2013, and the discretely presented component unit as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the College's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The audit of the discretely presented component unit was not conducted in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the discretely presented component unit of the College as of June 30, 2014 and 2013, and December 31, 2013 and 2012, respectively, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and on pages 3 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the College's basic financial statements. The combining schedules and schedule of expenditures of Federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedules and schedule of expenditures of Federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining schedules and schedule of expenditures of Federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2014 on our consideration of the College's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control over financial reporting and compliance.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 20, 2014

NORTHWEST COLLEGE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis is designed to assist readers in understanding the accompanying financial statements and provide an overview of Northwest College's financial position and activities for the fiscal year ended June 30, 2014, with selected comparative information for the year ended June 30, 2013. It has been prepared by management to be read in conjunction with the financial statements and the notes thereto, which follow this section.

This financial report focuses on Northwest College as the primary entity but also includes the Northwest College Foundation financial information as a component unit. Analysis in this section will focus on the College financials without drawing any conclusion about the Foundation financials. It is important to note that the College operates on a July to June fiscal year while the Foundation uses the calendar year as its fiscal year.

Accountability is the primary objective of institutional financial reporting. It is the College's duty to be accountable to the public and to provide information that responds to the three primary groups of users of our financial reports:

- The citizenry
- The governing board, Wyoming Community College Commission, and oversight bodies
- Investors and creditors

Financial reports and accompanying notes provide information useful for assessing financial condition and results of operations, assisting in determining compliance with finance related laws, rules, and regulations, and evaluating the uses of monetary resources.

FINANCIAL STATEMENTS

The College's annual report consists of three components in accordance with required reporting standards: 1) This section – Management's Discussion and Analysis (MD&A); 2) financial statements; and 3) notes to the financial statements. The College's financial report includes three financial statements: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows. Certain inter-fund eliminations, adjustments for capital items and depreciation, and the recognition of scholarship discounts against tuition and fee revenues are necessary in the preparation of these entity-wide financial statements.

Statement of Net Position

The Statement of Net Position reflects the College's financial and capital resources. This statement presents the financial position of the College at the end of the fiscal year, includes all assets and liabilities of the College, and segregates the assets and liabilities into current and noncurrent components. The difference between assets and liabilities – net position – is displayed in three components: net investment in capital assets; restricted; and unrestricted.

- **Net investment in capital assets** represents the College's total investment at historical cost in capital assets; property, plant, equipment, and infrastructure, net of accumulated depreciation and outstanding debt obligations related to those capital assets. The College capitalizes assets that have a value in excess of $5,000 for equipment, $25,000 for land and site improvements, and $50,000 for buildings and building improvements.

- **Restricted net position (nonexpendable)** consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may be either expended or added to principal.

- **Restricted net position (expendable)** includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external parties and/or donors.

- **Unrestricted net position** represents all other funds available to the institution, which may be used for the operation of the College at the discretion of the Board.

Net position is one indicator of the current financial condition of the College, while the change in net position is an indicator of whether the overall financial condition has improved or deteriorated during the year.

The Statement of Net Position includes all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account, regardless of when cash is actually received or paid. Assets and liabilities are generally measured using current values; one exception is capital assets, which are stated at historical cost less an allowance for depreciation.

A condensed Statement of Net Position at June 30, 2014, 2013 and 2012 is presented below.

	2014	2013	2012
Assets			
Current assets	$ 18,967,247	$ 20,800,752	$ 18,980,411
Noncurrent assets	46,220,999	33,733,761	32,120,501
Total assets	65,188,246	54,534,513	51,100,912
Liabilities			
Current liabilities	2,959,227	3,199,730	2,836,723
Noncurrent liabilities	5,026,349	5,227,855	5,396,919
Total liabilities	7,985,576	8,427,585	8,233,642
Deferred Inflows of Resources			
Property taxes	4,358,473	4,363,868	4,494,671
Net Assets			
Invested in capital assets	28,625,197	18,786,223	17,935,430
Restricted nonexpendable	8,460,103	8,130,044	7,750,099
Restricted expendable	3,370,486	1,750,390	1,227,405
Restricted for capital asset purchases	5,535,152	3,902,436	4,273,470
Unrestricted net position	6,853,259	9,173,967	7,185,995
Total net position	$ 52,844,197	$ 41,743,060	$ 38,372,399

Total net position increased $11,195,990 in fiscal year 2014 to a total of $52,844,197. In fiscal year 2013, total net position increased $3,275,808 to a total of $41,648,207. This will be discussed in more detail in the next sections of this analysis. The unrestricted net position, $6,853,259 in 2014 and $9,079,114 in 2013, were available for future operating and capital needs of the College.

Current assets include cash, cash equivalents, investments, accounts receivable and inventories. During 2013, unrestricted cash increased from 2012 levels. In 2014, the unrestricted cash of the College decreased by $2.2 million of which $2 million was used to pay part of the College's portion of the new Yellowstone Building which was completed in August 2014. Park County property and mineral values increased slightly in 2014, increasing the property tax receivable from $4,385,486 in 2013 to $4,500,634 in 2014.

Noncurrent assets, $46,220,999 are made up of land, buildings, improvements, construction in progress, equipment, library books, endowment challenge, and cash restricted for capital purchases. These values are stated based on original amounts less depreciation. In 2011, the College started several major maintenance projects funded by $2.1 million in Federal State Fiscal Stabilization Funds (SFSF). Projects included energy conservation, bathroom renovations, new roofs, fire alarm upgrades, and an emergency notification system. The projects were completed in 2012. Other major additions in 2012 include the purchase of the rodeo arena, the firearm simulator, and updating our vehicle fleet with three new cars and two new passenger vans. In 2013, the College added a motor coach and sold three vehicles overall reducing the size of our fleet. The College completed the handicap ramp on the Frisby building, replaced the Dewitt Student Center heat plant, finished installation of an emergency generator for the Moyer building, and continued to update our computer network and infrastructure. The College and the State of Wyoming started construction of the Yellowstone Building which is slated to be completed in August of 2014. In 2013, the state contributed $7.7 million for the construction of the Yellowstone Building with an additional $1.6 million in 2014. The College also paid $2.6 million towards the completion of the building. In 2014 the College used a variety of sources to fund approximately $2.1 in improvements to College properties. Projects included the updating of the Facility Master Plan, restroom upgrades in two residence halls, upgrading of buildings computer networks and switches, and HVAC controls upgrades in several buildings.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

The Statement of Revenues, Expenses, and Changes in Net Position present the College's results of operations and support the total change in net position for the year. When revenues and other support exceed expenses, the result is an increase in net position. When the reverse occurs, there is a decrease in net position. The relationship between revenues and expenses may be thought of as the College's operating results.

The College receives revenue from several sources; operating revenues are directly related to the operation of the College and include: tuition and fees, Federal grants, State and Local grants and contracts and auxiliary enterprises. Non-operating revenues are not directly related to or derived from a College operation and include: State and Local appropriations and endowments from the State.

Reported tuition and fee revenues are reduced by the scholarship allowance because they are from our own funds and are offset by the tuition charged to the students. Scholarship allowance was $1,722,583 in 2013 and $1,767,234 in 2014.

State appropriations make up the bulk of our total revenues and represent approximately 43% in 2014 and 45% in 2013 of the respective budgets. During 2013, total State appropriations increased by $1,984,437 compared to 2012. Included in 2013 appropriations were $864,000 of enrollment growth funds which were one-time moneys and $1,184,000 of biennial major maintenance funds. State appropriations for the

College's operating fund increased $58,730. Local appropriations decreased $3,813 from 2013 and represent approximately 15% in 2014 and 14% in 2013 of their respective budgets.

Auxiliary Enterprise revenues are reported less scholarship allowances. Currently, the auxiliary allowance is calculated at 35% of the institutional, Foundation and Hathaway scholarships. In July of 2013, the College leased its bookstore operation to Follett Higher Education Group, so when comparing auxiliary revenue and expenses it is important to remove the bookstore revenue and expenses from the 2013 figures. In 2014, total auxiliary revenues were down $636,500 from 2013, of which $689,000 was the loss of bookstore revenues. The net difference is an increase in revenues in 2014 of $52,500, most of which relates to more students in the residence halls and on meal plans. Total auxiliary expenses were down $855,400 from 2013, of which $917,000 was saved from the College not operating the bookstore. The net difference is an overall increase in auxiliary enterprise expenses of $61,500.

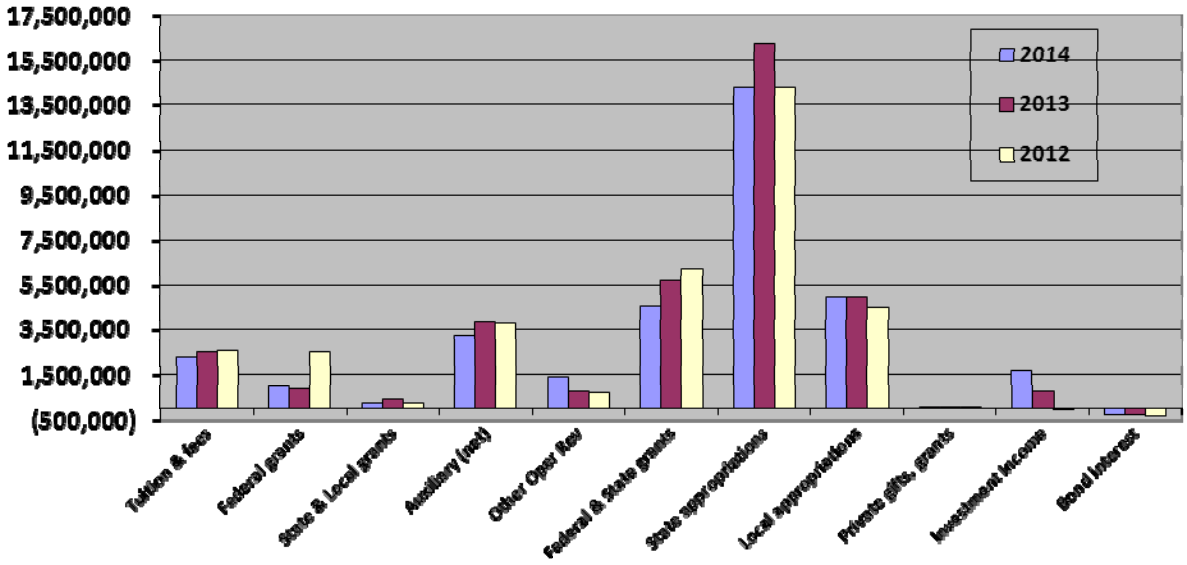
In 2014, the Wyoming Challenge Match Endowment investments had an increase of $1,904,884 compared to an $847,688 increase in 2013. The change includes $569,484 of donations and State matching funds in 2014. The net effect of revenues and increase in market values resulted in a gain on investments of $1,676,246. In 2013, the net effect was a gain on investments of $769,711. The College portion of the Wyoming Challenge Match Endowment held by the Foundation had a value of $11,024,944 on June 30, 2014.

The following shows the change in net position from revenues and expenses.

	2014	2013	2012
Operating Revenues			
Tuition and fees (net allowances)	$ 2,328,282	$ 2,527,052	$ 2,586,592
Federal grants and contracts	976,304	868,703	2,532,084
State and local grants and contracts	263,561	424,208	268,597
Auxiliary enterprises (net allowances)	3,189,581	3,826,079	3,800,814
Other	1,409,504	755,287	706,604
Total operating revenues	8,167,232	8,401,329	9,894,691
Operating Expenses			
Instruction	9,712,726	10,043,636	10,351,967
Public service	171,548	234,319	236,990
Academic support	2,470,729	2,580,033	2,399,196
Student services	3,335,651	3,141,695	3,186,240
Institutional support	4,171,785	4,553,105	4,649,488
Operation and maintenance of plant	2,792,422	2,797,716	2,744,537
Scholarships	2,976,167	4,117,080	4,736,857
Auxiliary enterprises	3,529,900	4,385,316	4,234,342
Depreciation expense	1,922,686	1,847,314	1,700,432
Total operating expense	31,083,614	33,700,214	34,240,049
Operating loss	(22,916,382)	(25,298,885)	(24,345,358)
Non-Operating Revenues	25,306,878	27,565,124	24,895,389
State Endowment Appropriation	532,178	379,945	497,592
Capital Appropriations	8,273,316	629,624	-
Increase in net position	$ 11,195,990	$ 3,275,808	$ 1,047,623

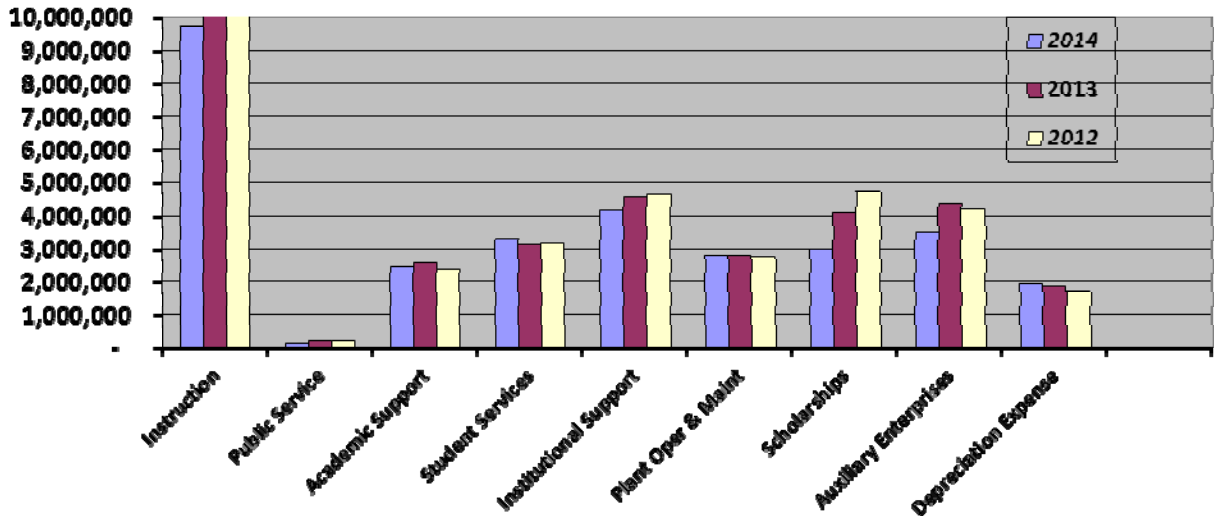
The chart below reflects operating and non-operating revenues for fiscal years 2014, 2013 and 2012.

SOURCES OF REVENUE



The chart below reflects operating expenses by their functions for fiscal years 2014, 2013 and 2012.

EXPENSES BY FUNCTION



STATEMENT OF CASH FLOWS

Information from the Statement of Cash Flows reflects our operating cash flow. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the institution during the fiscal year. Below is a summary of the cash flow statement found on page 15.

	2014	2013	2012
Cash provided by (used in):			
Operating activities	$ (21,124,230)	$ (22,978,818)	$ (23,342,717)
Non-capital financing activities	23,799,458	27,164,110	25,764,654
Capital and related financing activities	(4,778,233)	(2,351,078)	(3,667,091)
Investing activities	300,861	299,141	196,640
Net increase (decrease) in cash	(1,802,144)	2,133,355	(1,048,514)
Cash, beginning of year	14,878,573	12,745,218	13,793,732
Cash, end of year	$ 13,076,429	$ 14,878,573	$ 12,745,218

In summary, the cash provided by non-capital financing activities was less than the cash used in operating, capital and investing activities by $1,802,144. In 2013, the cash provided by non-capital financing activities was more than the cash used in operating, capital and investing activities by $2,133,355.

OTHER CONSIDERATIONS

Fiscal year 2013 was the beginning of the new biennium and on-going State appropriations remained at levels close to 2012. The College had been told by the State to plan for a 6% cut in State appropriations for fiscal year 2014. The College did receive approximately $860,000 in enrollment growth funding, which are one-time funds. The College chose to carry over $400,000 of the enrollment growth funding to 2014 to offset some of the expected decrease in State appropriations.

In 2012, the College used part of its reserves to purchase the Heart Mountain Equine Center for use by the rodeo team. The College had been leasing the Equine Center for several years. The purchase of the rodeo arena will provide stability to the rodeo program. The College invested approximately $115,000 in upgrades and maintenance to bring the facility up to the standards of other College-owned facilities.

During the spring 2013 semester, the College conducted a presidential search to replace President Prestwich who was resigning June 30, 2013. The Board selected Dr. Stefani Hicswa to serve as the new President and she has completed her first year at the College.

During the spring of 2013, the College and the State completed the design for the new Yellowstone Building which will serve as a classroom building and house the nursing, criminal justice, communication, and social science programs. The building will also include a large meeting center which will be used by the College and community to host large groups and conventions. The State is providing $9.3 million of the construction costs for the new building. Originally, the College was funding the remainder of construction cost by using $2 million from reserves, $750,000 from a capital campaign held by the Foundation, and a $1.5 million commercial loan. The contracted cost of the building was less than the engineers estimate so the College may not need the $1.5 million loan and may the remaining amount from other College reserve accounts. The construction of the building began in June 2013 and is scheduled to be completed in August 2014 and all classes moved to the building in September.

During 2013, the College evaluated its auxiliary services offered by the College. The College determined it was in the College's best interest to outsource the services performed by the Bookstore. Effective July 1, 2013, the College's Bookstore is now operated by a third party.

In April 2013, a follow-up visit was scheduled by the Higher Learning Commission. As a result of the accreditation visit, a recommendation was made that the College tie budgeting processes to the College's strategic plan. Processes were implemented during FY 14 to do so, especially in the area of enhancing student completion rates and performance at transfer institutions which is a component of the Strategic Planning Imperative #1.

The contract with the current food service provider expired June 30, 2014. During the spring of 2014, the College released a request for proposals for food service providers. The contract was awarded to Chartwells, which is part of the Compass Group. As part of the agreement Chartwells will invest $850,000 in our facility and equipment to improve the food service area to provide better meals and service to our students and staff.

NORTHWEST COLLEGE

STATEMENTS OF NET POSITION
June 30, 2014 and 2013

ASSETS	**2014**	2013
Current Assets		
Cash and cash equivalents (Note 2)	**$ 6,842,376**	$ 9,091,354
Cash and cash equivalents, restricted (Note 2)	**6,226,534**	5,779,631
Accounts receivable, net allowance of $200,000 for 2014 and 2013	**1,187,606**	1,066,532
Property taxes receivable	**4,500,634**	4,385,486
Prepaids	**210,097**	197,753
Inventories	**-**	279,996
Total current assets	**18,967,247**	20,800,752
Noncurrent Assets		
Restricted cash (Notes 2 and 7)	**7,519**	7,588
Restricted investments (Notes 2 and 7)	**523,342**	520,663
Advance construction payments	**1,006,995**	-
Capital assets, net of accumulated depreciation (Note 3)	**33,658,199**	23,990,597
Investments held by others (Note 2)	**11,024,944**	9,120,060
Total noncurrent assets	**46,220,999**	33,638,908
Total assets	**65,188,246**	54,439,660
LIABILITIES		
Current Liabilities		
Accounts payable	**783,455**	967,486
Payroll and related liabilities	**855,618**	889,519
Liability for voluntary termination (Note 4)	**86,196**	103,081
Accrued compensated absences (Note 4)	**361,040**	338,118
Accrued interest payable	**22,043**	22,671
Advance payments	**252,378**	237,187
Custodial deposits (Note 9)	**427,025**	470,296
Current maturities of bonds payable (Note 4)	**171,472**	171,372
Total current liabilities	**2,959,227**	3,199,730
Noncurrent Liabilities (Note 4)		
Liability for voluntary termination	**44,473**	82,147
Accrued compensated absences	**120,346**	112,706
Long-term bonds payable	**4,861,530**	5,033,002
Total noncurrent liabilities	**5,026,349**	5,227,855
Total liabilities	**7,985,576**	8,427,585
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	**4,358,473**	4,363,868
NET POSITION		
Net Investment in Capital Assets	**28,625,197**	18,786,223
Restricted for:		
Nonexpendable	**8,460,103**	8,130,044
Expendable:		
Scholarships	**3,370,486**	1,750,390
Capital projects	**5,535,152**	3,902,436
Unrestricted	**6,853,259**	9,079,114
Total net position	**$ 52,844,197**	$ 41,648,207

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

ASSETS	**2013**	2012
Cash and cash equivalents, including $26,687 and $26,244, respectively, held for Boys and Girls Club (Note 2)	**$ 340,072**	$ 320,460
Investments (Note 2)	**1,879,603**	1,666,453
Contributions receivable	**345,193**	580,430
Accounts receivable	**-**	11,000
Cash and cash equivalents restricted by donors for long-term purposes (Note 2)	**1,224,436**	835,705
Investments for long-term purposes, including $1,114,140 and $999,002, respectively, held for Boys and Girls Club (Note 2)	**26,788,052**	22,625,929
Beneficial interest in perpetual trust	**958,943**	892,046
Other assets	**711,782**	714,463
Total assets	**$ 32,248,081**	$ 27,646,486
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	**$ 47,146**	$ 18,993
Investments held for others	**10,655,175**	8,928,846
Assets held in trust	**1,128,371**	1,007,287
Liabilities associated with charitable gift annuities	**238,986**	235,955
Total liabilities	**12,069,678**	10,191,081
Net Assets		
Unrestricted	**2,000,636**	2,045,723
Temporarily restricted	**3,985,913**	1,828,325
Permanently restricted	**14,191,854**	13,581,357
Total net assets	**20,178,403**	17,455,405
Total liabilities and net assets	**$ 32,248,081**	$ 27,646,486

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Years Ended June 30, 2014 and 2013

	2014	2013
Operating Revenues		
Tuition and fees, net of scholarship allowance of 2014 $1,767,234; 2013 $1,722,583	**$ 2,328,282**	$ 2,527,052
Federal grants and contacts	**976,304**	868,703
State and local grants and contracts	**263,561**	424,208
Auxiliary enterprise charges, net of scholarship allowance of 2014 $951,587; 2013 $927,545	**3,189,581**	3,826,079
Other operating revenues	**1,409,504**	755,287
Total operating revenues	**8,167,232**	8,401,329
Operating Expenses (Note 10)		
Instruction	**9,712,726**	10,043,636
Public service	**171,548**	234,319
Academic support	**2,470,729**	2,580,033
Student services	**3,335,651**	3,141,695
Institutional support	**4,171,785**	4,553,105
Operation and maintenance of plant	**2,792,422**	2,789,984
Scholarships	**2,976,167**	4,117,080
Auxiliary enterprises	**3,529,900**	4,385,316
Depreciation	**1,922,686**	1,847,314
Total operating expenses	**31,083,614**	33,692,482
Operating (loss)	**(22,916,382)**	(25,291,153)
Nonoperating Revenues (Expenses)		
Non-exchange Federal and state grants	**4,581,557**	5,717,317
State appropriations	**14,293,203**	16,282,473
Local appropriations	**4,963,155**	4,966,968
Private gifts, grants and contracts	**67,867**	102,949
Net investment gain (loss)	**1,676,246**	769,711
Interest expense	**(275,150)**	(282,026)
Total nonoperating revenues	**25,306,878**	27,557,392
Income before other revenue, expenses, gains or losses	**2,390,496**	2,266,239
Other Revenue, Expenses, Gains or Losses		
State endowment appropriation	**532,178**	379,945
Capital appropriations	**8,273,316**	629,624
Total other revenue, expenses, gains or losses	**8,805,494**	1,009,569
Increase in net position	**11,195,990**	3,275,808
Net Position, beginning, as previously reported	**41,648,207**	38,474,984
Adjustment to prior years (Note 13)	**-**	(102,585)
Net Position, beginning, as restated	**41,648,207**	38,372,399
Net Position, ending	**$ 52,844,197**	$ 41,648,207

See Notes to Financial Statements.

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES
Years Ended December 31, 2013 and 2012

	2013	2012
Unrestricted Net Assets		
Revenue, gains and other support:		
Contributions	**$ 4,947**	$ 3,512
Investment income (loss), net	**28,372**	27,971
In-kind contributions	**146,932**	178,559
Administrative fees	**239,081**	219,572
Miscellaneous	**51,236**	47,979
Net assets released from restrictions	**1,074,427**	1,379,353
Total unrestricted revenue, gains and other support	**1,544,995**	1,856,946
Expenses and losses:		
Program services:		
Scholarships for students	**765,992**	677,147
Program support for College	**329,686**	307,845
Capital improvement support for College	**-**	2,311
Total program expenses	**1,095,678**	987,303
Management and fundraising:		
Salaries and benefits	**342,939**	354,616
Development activities	**12,960**	20,180
Office expense	**76,861**	28,847
Legal and accounting	**16,538**	15,643
Real property expense	**6,835**	10,703
Miscellaneous	**18,068**	23,324
Printing	**14,868**	7,959
Training expense	**855**	4,564
Depletion	**2,680**	2,675
Travel expense	**1,800**	31
Total management and fundraising expenses	**494,404**	468,542
Total expenses	**1,590,082**	1,455,845
Increase (decrease) in unrestricted net assets	**(45,087)**	401,101

NORTHWEST COLLEGE

COMPONENT UNIT - NORTHWEST COLLEGE FOUNDATION

STATEMENTS OF ACTIVITIES (Continued)
Years Ended December 31, 2013 and 2012

	2013	2012
Temporarily Restricted Net Assets		
Contributions	**$ 386,033**	$ 671,448
Investment income, net	**2,781,579**	1,200,617
Change in liabilities associated with charitable gift annuities	**(3,031)**	12,118
Change in present value of beneficial interest in perpetual trusts	**66,897**	36,680
Miscellaneous income	**537**	496
Net assets released from restrictions	**(1,074,427)**	(1,379,353)
Increase in temporarily restricted net assets	**2,157,588**	542,006
Permanently Restricted Net Assets		
Contributions	**591,856**	423,402
Royalty	**18,641**	18,346
Increase in permanently restricted net assets	**610,497**	441,748
Increase in net assets	**2,722,998**	1,384,855
Net Assets, beginning of year	**17,455,405**	16,070,550
Net Assets, end of year	**$ 20,178,403**	$ 17,455,405

See Notes to Financial Statements.

NORTHWEST COLLEGE

STATEMENTS OF CASH FLOWS
Years Ended June 30, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Received from students and customers	**$ 8,047,130**	$ 8,581,322
Payments to employees and benefits	**(18,011,695)**	(17,058,129)
Payments to vendors and suppliers	**(8,140,227)**	(10,480,482)
Payments for scholarships	**(2,976,167)**	(4,117,080)
Other receipts (payments)	**(43,271)**	95,551
Net cash (used in) operating activities	**(21,124,230)**	(22,978,818)
Cash Flows from Noncapital Financing Activities		
Non-exchange Federal and state grants	**4,581,557**	5,717,317
State appropriations	**14,307,422**	16,395,606
Local appropriations	**4,842,612**	4,948,238
Gifts, endowments and grants for other than capital purchase	**67,867**	102,949
Net cash provided by noncapital financing activities	**23,799,458**	27,164,110
Cash Flows from Capital Financing Activities		
Capital appropriations	**8,273,316**	629,624
Purchases of capital assets	**(11,597,683)**	(2,530,330)
Advance construction payments	**(1,006,995)**	-
Proceeds from sale of capital assets	**275**	3,503
Interest paid on bonds	**(272,146)**	(278,875)
Payment of bond principal	**(175,000)**	(175,000)
Net cash (used in) capital financing activities	**(4,778,233)**	(2,351,078)
Cash Flows from Investing Activities		
State endowment appropriation	**532,178**	314,141
Purchase of investment	**(1,904,884)**	(15,000)
Proceeds from sale and maturities of investments	**1,673,567**	-
Net cash provided by investing activities	**300,861**	299,141
Net increase (decrease) in cash and cash equivalents	**(1,802,144)**	2,133,355
Cash and Cash Equivalents		
Beginning of year	**14,878,573**	12,745,218
End of year	**$ 13,076,429**	$ 14,878,573
Reconciliation of Operating (Loss) to Net Cash (Used in) Operating Activities		
Operating (loss)	**$ (22,916,382)**	$ (25,291,153)
Adjustments to reconcile operating (loss) to net cash (used in) operating activities:		
Depreciation	**1,922,686**	1,847,314
Loss on disposal of capital assets	**7,118**	-
Changes in assets and liabilities:		
Receivables, net	**(135,293)**	86,845
Inventories	**279,996**	(16,121)
Prepaids	**(12,344)**	28,703
Accounts payable and related liabilities	**(315,762)**	266,700
Advance payments	**15,189**	93,148
Accrued compensated absences	**30,562**	5,746
Total adjustments	**1,792,152**	2,312,335
Net cash (used in) operating activities	**$ (21,124,230)**	$ (22,978,818)

See Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Nature of activities: Northwest College (the "College") is a public institution of higher education created in 1946. The College's main campus is located in Powell, Wyoming with outreach centers in Cody and Worland, Wyoming. It is governed by a Board of Trustees (the "Board") comprised of seven elected trustees and is subject to the laws of the State of Wyoming. The College is a municipal corporation formed under and subject to the requirements of the Wyoming State Statutes.

The Northwest College Foundation (the "Foundation") is a legally separate, tax-exempt component unit of the College. The Foundation acts primarily as a fund-raising organization and supplements the resources that are available to the College. The Board of the Foundation is self-perpetuating. Although the College does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the College by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the College, the Foundation is considered a component unit of the College. The Foundation's year end is December 31. The Foundation is reported in separate financial statements because of the difference in its reporting model, as further described below.

Financial statements for the Foundation can be obtained by calling the Foundation at (307) 754-6110.

The Northwest College Building Authority (the "Authority") was created July 2, 2008 as a public benefit corporation for the purpose of financing construction, ownership and operation of real and personal property to be used by the College. The Authority is a separate legal entity from the College but is treated as a component unit of the College due to its financial dependence on the College and is reported in its financial statements.

Northwest College:

Basis of accounting: For financial reporting purposes, the College is considered a special-purpose government engaged only in business-type activities. Accordingly, the College's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. All significant intra-agency transactions have been eliminated.

Nonexchange transactions, in which the College receives value without directly giving equal value in return, include property taxes; most private gifts and grants; state appropriations, and other contributions. On an accrual basis, revenue from property taxes is recognized in the period for which the levy is intended to finance. Revenue from grants, state appropriations, and other contributions is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the College must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the College on a reimbursement basis.

NOTES TO FINANCIAL STATEMENTS

Cash and cash equivalents: For purposes of the statement of cash flows, the College considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

Investments: The College accounts for its investments at fair value, as determined by quoted market prices, in accordance with GASB Statement 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under GASB 31, unrealized gains and losses on investments are included in the statement of revenues, expenses and changes in net position.

Accounts receivable: Accounts receivable consists of tuition and fee charges to students and auxiliary enterprise services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to contracts and grants. Accounts receivable are recorded net of estimated uncollectible amounts.

Inventories: Inventory consists of bookstore (auxiliary enterprises) books and soft goods held for sale to students, which are valued at the lower of cost (first-in, first-out) or market.

Capital assets: The College capitalizes assets that have a donated value or cost in excess of $5,000 for equipment, $50,000 for building improvements, $25,000 for land and site improvements, and $50,000 for buildings at the date of acquisition and an expected useful life of more than one year. Library books are generally not considered to have a useful life of more than one year, unless they are part of a collection and are expensed in the year of acquisition.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred.

The College does not capitalize works of art or historical treasures that are held for exhibition, education, research and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally three to 14 years for equipment, 15-20 years for building improvements, 20 years for land improvements, and 40 years for buildings.

Impairments: The College evaluates prominent events or changes in circumstances that affect capital assets to determine whether impairment of a capital asset has occurred. Such events or changes in circumstances that may be indicative of impairment include evidence of physical damage, enactment or approval of laws or regulations or other changes in environmental factors, technological changes or evidence of obsolescence, changes in the manner or duration of use of a capital asset, and construction stoppage. The College will consider an asset impaired if both the decline in service utility of the capital asset is large in magnitude and the event or change in circumstance is outside the normal life cycle of the capital asset. The College will recognize an impairment loss when the College considers a capital asset impaired, and will recognize the capital asset at the lower of carrying value or fair value.

NOTES TO FINANCIAL STATEMENTS

Compensated absences: It is the College's policy to allow non-academic full-time and eligible part-time employees sick leave, personal leave, and vacation. Faculty are allowed sick leave and personal leave. Accrued sick leave is paid upon termination to benefited non-faculty employees. All employees are entitled to accrued vacation leave upon termination. All leave pay is accrued when incurred and a liability for these amounts is reported in compliance with GASB Statement No. 16, *Accounting for Compensated Absences*. The College considers approximately 75% of this liability current and due within one year.

Bond issuance costs: Bond issuance costs are expensed when incurred.

Deferred property taxes: Deferred property taxes consist of property taxes assessed for the year which will be levied and recognized as revenue in the subsequent year.

Noncurrent liabilities: Noncurrent liabilities include estimated amounts for accrued compensated absences, voluntary terminations, and bonds payable that will not be paid within the next fiscal year.

Net position: The College's net position is classified as follows:

Invested in capital assets, net of related debt – This represents the College's total investment in capital assets, net of accumulated depreciation and debt related to the purchase or construction of those assets.

Restricted net position – nonexpendable – This includes amounts for the endowment challenge, of which the corpus is not to be spent, but earnings are used for scholarships. Accounts are held by the Foundation.

Restricted net position – expendable – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties. When both restricted and unrestricted resources are available for use, it is the College's policy to use restricted resources first, then unrestricted resources when they are needed.

Restricted for capital asset purchases – This includes resources that the College is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties for the purchase of capital assets.

Unrestricted net position – This includes resources derived from student tuition and fees, state and local appropriations, and sales and services of educational departments and auxiliary enterprises. These resources are used for transactions relating to the educational and general operations of the College, and may be used at the discretion of the governing board to meet current expenses for any purpose.

NOTES TO FINANCIAL STATEMENTS

Classification of revenues: The College classified its revenue as either operating or nonoperating revenues according to the following criteria:

Operating revenues - Operating revenues include activities that have the characteristics of exchange transactions, such as: (1) student tuition and fees, net of scholarship discounts and allowances, (2) sale and services of auxiliary enterprises, and (3) Federal, state and local grants and contracts considered to be exchange activities.

Nonoperating revenues - Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Fund Accounting*, and GASB Statement No. 34, such as state and local appropriations, certain Federal and state programs, and investment income.

Property taxes: Property taxes attach as an enforceable lien on property as of January 1 of the preceding levy year. Taxes are levied on or about September 1 and payable in two installments on November 1 and May 1 or the tax may be paid in full by December 31. The County bills and collects its own property taxes and also taxes for all municipalities and political subdivisions within the County, including Northwest College. The College's property tax revenues are recognized when levied. Property taxes receivable include property taxes assessed for the year that will be levied and billed in the subsequent year and delinquent property taxes.

Scholarship discounts and allowances: Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the statement of revenues, expenses, and changes in net position. Scholarship discounts and allowances are the difference between the stated charge for the goods and services provided by the College, and the amount that is paid by students and/or third parties making payment on the students' behalf. Certain governmental grants, such as Pell grants, and other Federal, state or nongovernmental programs are recorded as either operating or nonoperating revenues in the College's financial statements. To the extent that revenues from such programs are used to satisfy tuition and fees and other student charges, the College has recorded a scholarship discount and allowance.

Accounting estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts could differ from those estimates.

Student loan revenue recognition: Under the Federal Direct Loan Program, the College recognizes equal amounts of revenue and expenses. For the years ended June 30, 2014 and 2013, the College recognized revenue and expenses in the amount of $1,980,050 and $2,515,622, respectively.

NOTES TO FINANCIAL STATEMENTS

Recent pronouncements: In June 2012, the Governmental Accounting Standards Board issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which replaces GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, for most government pensions. Statement No. 68 requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

GASB Statement No. 68 is effective for years beginning after June 15, 2014 with the effects of changes made to comply with this statement reported as adjustments to prior periods. The effect that the adoption of GASB Statement No. 68 will have on the College's financial statements has not been determined.

In March 2012, the GASB issued GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement was issued to establish accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. Accounting changes adopted to conform to the provisions of this statement were applied beginning in the year ended June 30, 2014 retroactively by restating financial statements for all periods presented. See discussion of prior period restatement in Note 13.

Component Unit – Northwest College Foundation:

Nature of activities: The Foundation is a nonprofit corporation promoting, assisting, and extending financial support to the College located in Powell, Wyoming and its various educational programs and other services, and providing students with scholarships and other financial aid. The Foundation complies with the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as required under Wyoming law effective July 1, 2009.

A summary of the Foundation's significant accounting policies follows:

Basis of accounting: The Foundation conforms to accounting principles generally accepted in the United States of America as applicable to not-for-profit entities. Financial statement presentation follows the recommendation of the Financial Accounting Standards Board (FASB) Codification Topic 958, *Not-for-Profit Organizations.* Revenue is recognized when earned and expenses are recorded when incurred. The financial statements reflect unrestricted, temporarily restricted and permanently restricted net assets and activities. Net assets of the two restricted classes are created only by donor-imposed restrictions on their use. All other net assets, including board designated or appropriated amounts, are reported as part of the unrestricted class.

Cash and cash equivalents: For purposes of reporting cash flows, the Foundation considers all demand deposits, money market funds and highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS

Investments: The Foundation carries investments in marketable securities and investments in debt securities at their fair values in the statement of financial position. Unrealized gains and losses are included in the change of net assets in the accompanying statement of activities. Investment income and gains restricted by donors are reported as increases in unrestricted net assets if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) in the reporting period in which the income and gains are recognized.

The Fair Value Measurements and Disclosures Topic of the FASB Accounting Standards Codification establishes a framework for fair value measurement and disclosure. It requires that assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

The Foundation has valued its investments utilizing the Level 1 approach.

Investment pool: The Foundation maintains master investment accounts for its donor-restricted endowments. Realized and unrealized gains and losses from securities in the master investment accounts are allocated to the individual endowments based on the relationship of the value of each endowment to the total value of the master investment accounts, as adjusted for additions to or deductions from those accounts. These gains and losses are accounted for in temporarily restricted net asset category that correspond to each endowment unless the temporary restricted net asset category corresponding to endowments is reduced to zero at which time any remaining losses are allocated to unrestricted net assets.

Contributions receivable: The Foundation receives pledges of support to the endowment fund and for other non-endowment purposes from various individuals and organizations. These pledges are recorded as revenue when the pledge is received. The Foundation has not experienced losses from uncollectible pledges and does not expect future losses.

Property and equipment: Acquisitions of property and equipment in excess of $5,000 are capitalized. Property and equipment is recorded at estimated fair market value at the date of donation or at cost if purchased. Depreciation is computed on the straight-line method and is based on expected useful lives of five years.

Contributions: The Foundation reports gifts of cash and other assets as restricted contributions if they are received with donor stipulations that limit the use of the donated assets. When the intent of the donor is that the assets are to remain in perpetuity and the Foundation does not have the right to invade the original principal, the assets are reported as permanently restricted. When a donor restriction expires (such as when a stipulated time restriction ends), temporarily restricted net assets are released to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Net assets are released from donor restrictions primarily as time restrictions are satisfied.

Gifts of land, buildings, and equipment are presented as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Foundation reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service (as the assets are used in the Foundation's activities).

Donated services and materials: To the extent that contributions of materials made to the Foundation are objectively measurable and represent program or support expenditures, they are reflected in the financial statements at their fair market value. No amounts have been reflected in the statements for donated services since the services do not require specialized skills.

Donated assets: Donated marketable securities and other noncash donations are recorded as contributions at their estimated fair values at the date of donation.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Board designated net assets: The Board of Directors for the Foundation has designated $1,000,000 to be maintained in investments and treated as unavailable for Foundation operations.

Pass-through contributions: Donor-restricted funds designated for immediate use of the College are receipted by the Foundation and remitted to the College shortly after receipt. Such contributions are reported as increases in temporarily restricted net assets. When the assets are remitted to the College, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Split-interest agreements: The Foundation is the beneficiary of trusts and annuities. The Foundation's interest in these split-interest agreements is reported as a contribution in the year received at its net present value based upon market values.

Real estate: The Foundation invests in real estate that is adjacent to the campus to provide for possible future expansion. Donated real estate that is not located in this manner is promptly sold when favorable market conditions occur.

Income tax matters: The Foundation is an exempt organization for income tax purposes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Foundation qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation under Section 509(a)(2).

Management evaluated the Foundation's tax positions and concluded that the Foundation had taken no uncertain tax positions that require adjustments to the financial statements. With few exceptions, the Foundation is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities except for the last three years' filings.

NOTES TO FINANCIAL STATEMENTS

Note 2. Deposits with Financial Institutions and Investments

Northwest College:

The statutes of the State of Wyoming authorize agencies of the State to deposit public funds in financial institutions authorized to do business in the State of Wyoming. These deposits must be fully insured by the Federal Deposit Insurance Corporation (FDIC) or secured by a pledge of assets including any bonds, debentures and other securities in which the State Treasurer may by law invest or a depository may pledge conventional real estate mortgages and notes connected with mortgages at a ratio of one and one-half to one of the value of public funds secured by the securities. The College has restricted deposits for the agency funds, Federal funds received to be expended, and funds restricted for the purchase of capital assets, totaling $6,226,534 as of June 30, 2014.

Custodial credit risk: Custodial credit risk for deposits of the College is the risk that in the event of a bank failure, the College's deposits may not be returned to them. At June 30, 2014, the carrying amount of the College's deposits was $13,004,555 and the bank balance was $14,009,452, of which all was insured or secured by pledged assets.

Cash and cash equivalents for the Authority includes money market mutual funds reported at market value. At June 30, 2014, $62,889 was held in money market mutual funds invested in U.S. Government securities with $7,519 held for partial funding of a reserve account.

The Authority does not have a formal policy addressing concentration of credit risk or interest rate risk. All investments are held in the name of the Authority by its custodial bank. The Authority's specific investment is as follows:

	Fair Value	Maturity	Rate	Rating
Federal National Mortgage Association Bonds	$ 82,443	5/23/2017	2.05%	A
Federal National Mortgage Association Bonds	239,828	6/19/2018	1.00%	A
Federal National Mortgage Association Bonds	201,070	11/28/2027	1.625%	A
	$ 523,341			

NOTES TO FINANCIAL STATEMENTS

Northwest College Foundation:

Investments in marketable securities, including agency investment held for Boys & Girls Clubs, consists of the following at December 31, 2013 and 2012:

	Cost	Fair Value
	2013	
U.S. Treasury securities	**$ 1,950,763**	**$ 1,880,673**
Other U.S. Government bonds	**451,295**	**464,100**
Corporate bonds	**2,449,203**	**3,159,344**
Mutual/index funds	**3,374,106**	**3,202,770**
Equity	**14,447,758**	**19,960,768**
	$ 22,673,125	**$ 28,667,655**

	2012	
U.S. Treasury securities	$ 2,055,623	$ 2,190,909
Other U.S. Government bonds	557,094	573,123
Corporate bonds	1,434,798	1,622,247
Mutual/index funds	3,868,219	3,963,274
Equity	13,704,403	15,942,829
	$ 21,620,137	$ 24,292,382

Reported under the following captions:

	2013	2012
Investments	**$ 1,879,603**	$ 1,666,453
Investments restricted by donors for long-term purposes and investments held for others	**26,788,052**	22,625,929
	$ 28,667,655	$ 24,292,382

The Foundation maintains cash balances in one financial institution located in Powell, Wyoming and with several investment service firms. The carrying amount of cash with the investment firms totaling $681,918 was fully insured by the Securities Investor Protection Corporation (SIPC).

The bank balances of cash with the financial institution were $885,091 and $531,158 at December 31, 2013 and 2012, respectively. At December 31, 2013, $250,000 was insured by the Federal Deposit and Insurance Corporation (FDIC).

NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk: The Foundation's investment policy is as follows. The Foundation expects the investment managers to maintain diversified portfolios by using the following guidelines in accordance with investment policies.

Diversification: The portfolio should be diversified among cash and cash equivalents, high-quality equity, and fixed-income securities.

Equity investments: Equity investments may range from a minimum of 45% of the value of the fund to a maximum of 75% of the value of the fund.

At the time of purchase, small-cap equities shall not comprise more than 10% of fund assets.

Investments in international equities shall not represent more than 20% of the fund assets at the time of purchase.

Equity investments may include common stocks and mutual funds that invest in equity securities.

Benchmarks: The benchmark for measuring equity performance shall be the S&P 500 Index.

In the event that asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Investment Committee will instruct the Investment Manager(s) to bring the portfolio(s) into compliance with these guidelines as promptly and prudently as possible.

Interest rate risk: The Foundation is also exposed to investment fair value loss arising from increased interest rates. The Foundation's policy for fixed-income portfolios is as follows:

Fixed income investments may represent a minimum of 33% of fund assets and a maximum of 43% of fund assets. Fixed income obligations other than cash equivalents and high-yield securities shall have an average quality rating of "A" or better by Moody's Standard and Poor's or another nationally recognized bond-rating agency. No more than 10% of fund assets may be invested in high-yield (junk) bonds. The investment committee requests that investment managers advise it in writing prior to initiating purchases of high-yield bonds or high-yield bond funds.

Permissible fixed income investments include U.S. Government and agency bonds, investment-grade corporate bonds and fixed income securities of foreign governments and corporations.

Managers may also elect to use mutual funds that invest in these securities. However, mutual funds charge fees that add to the total cost of operating the fund. Therefore, if investment managers choose to utilize mutual funds, they should consider whether the additional cost is warranted in order to carry out their particular strategy.

The benchmark for measuring fixed-income performance shall be the Lehman Government/Credit Intermediate Index.

NOTES TO FINANCIAL STATEMENTS

At June 30, 2014 and 2013, the following tables show the fixed-income investments by type, amount and maturity for the endowed scholarship fund that includes the endowment challenge funds:

		Investment Maturities (in Years)		
	Fair Value	Less than 1	1 to 5	More than 5
		2014		
Investment Type:				
U.S. Treasury	**$ 1,035,743**	**$ -**	**$ 507,575**	**$ 528,168**
Government obligations	**814,948**	**308,052**	**132,285**	**374,611**
	$ 1,850,691	**$ 308,052**	**$ 639,860**	**$ 902,779**
		2013		
Investment Type:				
U.S. Treasury	$ 1,167,481	$ 183,407	$ 344,084	$ 639,990
Government obligations	1,256,579	-	457,513	799,066
	$ 2,424,060	$ 183,407	$ 801,597	$ 1,439,056

The quality rating of debt securities in the Foundation's investment portfolio at fair value as of June 30, 2014 is as follows:

U.S. Government investments (S&P rating AA+)	$ 1,850,691

As of December 31, 2013 and 2012, the Foundation held $10,655,175 and $8,928,846, respectively, of investments for the College.

Investments held for others: The Foundation has received funds from the College to invest on its behalf pursuant to the requirements of the Wyoming Community College Endowment Challenge Program under Wyoming Session Laws, Chapter 117. Under the terms of this program, the Foundation has solicited contributions for its endowment fund. These contributions were reported to the State of Wyoming which made a matching contribution to the College. The College invested these funds with the Foundation as required by statute. The Foundation is required to invest the money and use the investment earnings to fund the same endowments consistent with the original donor's intent.

Note 3. Capital Assets

A summary of changes in the capital assets for the years ended June 30, 2014 and 2013 is as follows:

	Balance June 30, 2013	Additions	Deletions	Transfers In (Out)	Balance June 30, 2014
Capital assets not being depreciated:					
Land	$ 1,464,663	$ -	$ -	$ -	$ 1,464,663
Art, literature and artifacts	50,000	-	-	-	50,000
Construction in progress	1,695,825	11,100,630	(7,120)	(1,838,179)	10,951,156
Total capital assets not being depreciated	$ 3,210,488	$ 11,100,630	$ (7,120)	$ (1,838,179)	$ 12,465,819
Other capital assets:					
Land improvements	$ 652,645	$ -	$ -	$ 216,964	$ 869,609
Buildings	49,012,219	119,006	-	929,903	50,061,128
Machinery and equipment	5,267,805	378,047	(51,582)	691,312	6,285,582
Total other capital assets	54,932,669	497,053	(51,582)	1,838,179	57,216,319
Less accumulated depreciation for:					
Land improvements	90,683	36,590	-	-	127,273
Buildings	30,521,940	1,288,586	-	-	31,810,526
Machinery and equipment	3,539,937	597,510	(51,307)	-	4,086,140
Total accumulated depreciation	34,152,560	1,922,686	(51,307)	-	36,023,939
Other capital assets, net	$ 20,780,109	$ (1,425,633)	$ (275)	$ 1,838,179	$ 21,192,380
Capital asset summary:					
Capital assets not being depreciated	$ 3,210,488	$ 11,100,630	$ (7,120)	$ (1,838,179)	$ 12,465,819
Other capital assets, at cost	54,932,669	497,053	(51,582)	1,838,179	57,216,319
Total cost of capital assets	58,143,157	11,597,683	(58,702)	-	69,682,138
Less accumulated depreciation	34,152,560	1,922,686	(51,307)	-	36,023,939
Capital assets, net	$ 23,990,597	$ 9,674,997	$ (7,395)	$ -	$ 33,658,199

	Balance June 30, 2012	Additions	Deletions	Transfers In (Out)	Balance June 30, 2013
Capital assets not being depreciated:					
Land	$ 1,464,663	$ -	$ -	$ -	$ 1,464,663
Art, literature and artifacts	50,000	-	-	-	50,000
Construction in progress	108,270	1,676,195	-	(88,640)	1,695,825
Total capital assets not being depreciated	$ 1,622,933	$ 1,676,195	$ -	$ (88,640)	$ 3,210,488
Other capital assets:					
Land improvements	$ 652,645	$ -	$ -	$ -	$ 652,645
Buildings	48,695,935	309,288	-	6,996	49,012,219
Machinery and equipment	4,717,792	544,847	(76,478)	81,644	5,267,805
Total other capital assets	54,066,372	854,135	(76,478)	88,640	54,932,669
Less accumulated depreciation for:					
Land improvements	55,299	35,384	-	-	90,683
Buildings	29,252,237	1,269,703	-	-	30,521,940
Machinery and equipment	3,070,685	542,227	(72,975)	-	3,539,937
Total accumulated depreciation	32,378,221	1,847,314	(72,975)	-	34,152,560
Other capital assets, net	$ 21,688,151	$ (993,179)	$ (3,503)	$ 88,640	$ 20,780,109
Capital asset summary:					
Capital assets not being depreciated	$ 1,622,933	$ 1,676,195	$ -	$ (88,640)	$ 3,210,488
Other capital assets, at cost	54,066,372	854,135	(76,478)	88,640	54,932,669
Total cost of capital assets	55,689,305	2,530,330	(76,478)	-	58,143,157
Less accumulated depreciation	32,378,221	1,847,314	(72,975)	-	34,152,560
Capital assets, net	$ 23,311,084	$ 683,016	$ (3,503)	$ -	$ 23,990,597

Note 4. Long-Term Liabilities

Voluntary termination: The College has established an arrangement for certain classes of employees. The plan is based on a predetermined formula computed with regard to length of service, attained age at termination, and salary schedule previous to the year of termination. Payments will usually be made over a period of five years from inception in equal, monthly installments for one class. Payments for the other class are made in a lump-sum payment. All voluntary termination contracts granted under the plan benefits must be reviewed and signed by the President with Board approval. During the years ended June 30, 2014 and 2013, the College had paid $101,038 and $86,940, respectively, under the plan. The accompanying financial statements reflect an obligation as of June 30, 2014 and 2013 of $130,669 and $185,228, respectively, for voluntary termination benefits to former employees who elected to receive and who were approved to receive voluntary termination benefits.

NOTES TO FINANCIAL STATEMENTS

The following summarizes scheduled future liquidation of June 30 obligations:

Fiscal year ending June 30,	Imputed Interest	Present Value	Total
2015	$ 4,637	$ 86,196	$ 90,833
2016	3,084	27,931	31,015
2017	2,473	14,546	17,019
2018	462	1,996	2,458
	$ 10,656	$ 130,669	$ 141,325

The Authority issued $6,000,000 of revenue bonds on July 1, 2008. The bonds are limited obligations of the Authority and do not constitute an obligation or guarantee of the College or of its agencies or political subdivisions. The bonds are secured by the leased assets and repayments will be made through lease payments by the College for the use of the assets.

Interest on the bonds range from 4.00% to 5.625% and is payable semi-annually.

The bonds require annual principal payments through June 1, 2033.

Activity related to bonds payable during the years ended June 30, 2014 and 2013 were as follows:

	2014	2013
Balance, beginning	**$ 5,204,374**	$ 5,375,654
Principal payments to bondholders	**(175,000)**	(175,000)
Amortization of original issue discount	**3,628**	3,720
Balance, June 30, 2014	**$ 5,033,002**	$ 5,204,374
Amounts due in one year, including discount amortization of $3,528 and $3,628, respectively	**$ 171,472**	$ 171,372

NOTES TO FINANCIAL STATEMENTS

Aggregate maturities including interest of $3,148,885 required on the bonds at June 30, 2014 are as follows:

	Principal	Interest
2015	$ 175,000	$ 264,504
2016	175,000	257,875
2017	200,000	250,613
2018	200,000	242,112
2019	200,000	233,013
2020 - 2024	1,175,000	1,007,237
2025 - 2029	1,450,000	667,125
2030 - 2033	1,500,000	226,406
	5,075,000	$ 3,148,885
Original issue discount/premium	(41,998)	
	$ 5,033,002	

Long-term liability activity other than bonds payable for the years ended June 30, 2014 and 2013 was as follows:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	$ 185,228	$ 46,479	$ (101,038)	$ 130,669	$ 86,196
Accrued compensated absences	450,824	587,047	(556,485)	481,386	361,040
Total other liabilities	$ 636,052	$ 633,526	$ (657,523)	$ 612,055	$ 447,236

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due within One Year
Other liabilities:					
Liability for voluntary termination	$ 163,778	$ 108,390	$ (86,940)	$ 185,228	$ 103,081
Accrued compensated absences	445,080	609,723	(603,979)	450,824	338,118
Total other liabilities	$ 608,858	$ 718,113	$ (690,919)	$ 636,052	$ 441,199

Note 5. Pension Plans

The College offers a retirement benefit to all permanent full-time employees. The plan statutorily requires a contribution of 14.12% of eligible employee salaries, of which the College contributes 12.69% and the employee contributed 1.43% of eligible gross wages. Effective September 1, 2013, required contributions increased to 14.62% of eligible employees' salaries. The College contributes 12.94% and the employee contributes 1.68% of employees' eligible wages. Eligible College employees may participate in one of two pension plans offered by the College, either the Wyoming Retirement System (WRS) or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA/CREF). WRS is a cost-sharing, multiple-employer public employee defined benefit, contributory retirement plan and is administered by the State of Wyoming. TIAA/CREF is a private defined contribution pension plan, which is portable to other institutions and states.

Participants in WRS who retire at age 60 with four years of credited service are entitled to a retirement benefit according to predetermined formulas and are allowed to select one of five optional methods for receiving benefits. Early retirement is allowed provided the employee has completed four years of service and attained the age of 50, but will result in a reduction of benefits based on the length of time remaining to normal retirement age. WRS also provides death and disability benefits. Benefits are established by State statutes. The WRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Wyoming Retirement System, 6101 Yellowstone Road, 5th Floor West, Cheyenne, Wyoming 82009 or by calling (307) 777-7691.

For both plans, the required contribution rate was raised to 15.87% as of June 30, 2014 with the College contributing 13.81% and the employee contributing 2.06%.

Total College contributions to WRS for the years ended June 30, 2014, 2013 and 2012 were $794,148, $762,630 and $774,072, respectively.

Total College contributions to TIAA-CREF for the years ended June 30, 2014, 2013 and 2012 were $673,540, $735,232 and $742,307, respectively.

Note 6. Leasing Arrangements

Operating leases: The College has entered into several operating leases for office equipment. To comply with State Statutes, all leases contain a nonappropriations clause which allows the College to cancel the lease in the event that resources are not available for future appropriation. Rent expense for these operating leases was $41,920 and $40,062 for the years ended June 30, 2014 and 2013, respectively. The College has also entered into two leases for outreach locations which were extended and are included in the following commitments. Rent expense for these leases was $96,306 and $93,501 for the years ended June 30, 2014 and 2013, respectively. In addition, the College entered into a lease for space on a broadcast tower to house an antenna/broadcasting system. Rent expense for this lease was approximately $12,000 for each of the years ended June 30, 2014 and 2013.

Future obligations consist of the following:

2015	$	141,266
2016		59,894
2017		15,564
2018		2,594
	$	219,318

Note 7. Commitments and Contingencies

Voluntary termination: As discussed in Note 4, the College offers voluntary termination benefits to employees of the College who meet certain employment, age and service requirements. As of June 30, 2014, approximately 36 employees have met the employment, age and term requirements of the plan, but have not applied for benefits under the plan nor has the Board considered approval of any payments to these individuals.

No liability for payment of incentive benefits to these employees has been recorded in the accompanying financial statements in as much as the Board has not approved payment and such approval is subject to various factors such as employment needs, available funding, and Board objectives. The estimated benefit payment requirement for these employees if they were approved for receiving payments as of June 30, 2014 was approximately $1,530,000.

Amounts expended under the terms of certain grants are subject to audit and possible adjustment by governmental agencies. In the opinion of College management, adjustments, if any, will not have a material effect on the accompanying financial statements.

Bond reserve fund: The Indenture of Trust agreement with the bond trustee required the Authority to deposit $528,125 into a separate account with the trustee. These funds may only be used to fund deficiencies in meeting bond debt service payments. Funds withdrawn from the reserve account are to be repaid in equal monthly payments over the next 12 months. No withdrawals have been made as of June 30, 2014. As of June 30, 2014, the reserve fund consists of investments with a fair market value of $523,342 and cash of $7,519.

Note 8. Risk Management

The College is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees and natural disasters. During the year ended June 30, 2014, the College contracted with various insurance companies for property insurance (including machinery), general liability insurance, professional insurance, and vehicle insurance. The coverage under each type of insurance policy varies in amounts and deductibles. The College has not had significant settlements exceeding insurance coverage in any of the past three fiscal years. The College has had no significant reductions in insurance coverage from coverage in the prior year.

Note 9. Custodial Deposits

The College holds in trust funds collected by various student groups. A liability for these funds is included in current liabilities in the accompanying financial statements. The following summarizes activity within the Student Activity Funds during the year ended June 30, 2014 and 2013.

Student Activity Funds:

	2014	2013
Beginning of year	**$ 470,296**	$ 374,745
Additions:		
Student fees	**170,308**	216,250
Interest	**62,798**	10,935
Donations	**58,820**	61,033
Other	**391,998**	308,833
Scholarships and grants	**1,074,768**	1,015,011
Total additions	**1,758,692**	1,612,062
Deductions:		
Supplies	**86,611**	57,418
Printing	**1,477**	1,895
Contractual	**55,857**	46,609
Scholarships and grants	**1,056,869**	1,015,355
Various	**601,149**	395,234
Total deductions	**1,801,963**	1,516,511
End of Year	**$ 427,025**	$ 470,296

Note 10. Natural Classifications with Functional Classifications

The College's operating expenses by natural classification were as follows for June 30, 2014 and 2013:

	Natural Classification				
Functional Classification	Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
			2014		
Instruction	$ 8,912,406	$ 800,320	$ -	$ -	$ 9,712,726
Public service	35,992	135,556	-	-	171,548
Academic support	1,173,483	1,297,246	-	-	2,470,729
Student services	2,448,545	887,106	-	-	3,335,651
Institutional support	2,498,341	1,673,444	-	-	4,171,785
Operation of plant	1,497,897	1,294,525	-	-	2,792,422
Scholarships	-	-	-	2,976,167	2,976,167
Auxiliary enterprises	1,387,131	2,142,769	-	-	3,529,900
Depreciation	-	-	1,922,686	-	1,922,686
Total expenses	$ 17,953,795	$ 8,230,966	$ 1,922,686	$ 2,976,167	$ 31,083,614

NOTES TO FINANCIAL STATEMENTS

Functional Classification	Natural Classification: Compensation and Benefits	Supplies and Services	Depreciation	Scholarships	Total
	2013				
Instruction	$ 9,295,397	$ 748,239	$ -	$ -	$ 10,043,636
Public service	39,748	194,571	-	-	234,319
Academic support	1,157,032	1,423,001	-	-	2,580,033
Student services	2,409,846	731,849	-	-	3,141,695
Institutional support	2,642,971	1,910,134	-	-	4,553,105
Operation of plant	1,484,881	1,305,103	-	-	2,789,984
Scholarships	-	-	-	4,117,080	4,117,080
Auxiliary enterprises	1,526,991	2,858,325	-	-	4,385,316
Depreciation	-	-	1,847,314	-	1,847,314
Total expenses	$ 18,556,866	$ 9,171,222	$ 1,847,314	$ 4,117,080	$ 33,692,482

Note 11. Construction Commitment

The College, in connection with the State of Wyoming, is constructing a new facility known as the Yellowstone Building. The approximate cost of the facility is $13.2 million. The State provided the first $9.1 million of the construction costs for the Yellowstone Building. The College intends to fund the remainder of this project through reserves and $750,000 from a capital campaign held by the Foundation. To provide long-term funding for the Yellowstone Building and other capital projects, the College has implemented a $5 per credit hour fee for all courses beginning the Fall 2013 semester. As of June 30, 2014, construction in progress for the construction of the building is $10,902,940 plus $1,006,995 of deposits the College has made with the State to be applied to construction costs. The State of Wyoming has funded $9,316,011 and the College has spent $2,593,924.

Note 12. Subsequent Event – Debt Refinancing

On October 13, 2014, the College authorized the 2008 Revenue Bonds to be refinanced at an interest rate not to exceed 4%. The payment on the bonds is not to exceed the current payment of $420,000 per year. The maturity date of the bonds is to be no later than the current date of 2033.

Note 13. New Pronouncement

On July 1, 2013, the College implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities (GASB 65)*, which states that debt issuance costs, other than bond issuance, should be recognized as an expense in the period incurred. The accounting change adopted to conform to the provisions of GASB 65 has been applied retroactively by restating the beginning net position of the earliest period presented.

At June 30, 2013, the College reported an asset of $94,853 related to capitalized bond issuance costs on the Series 2011 Bond. The unamortized bond issuance costs of $102,885 as of June 30, 2012 has been reported as a restatement of beginning net position for the year ended June 30, 2013. The statement of revenue, expenses and changes in net position for the year ended June 30, 2013 has also been restated by decreasing interest expense increasing the increase in net position by $7,732.

GASB 65 also reclassifies deferred outflows and deferred inflows that were previously reported as assets and liabilities. Deferred inflows for property taxes as of June 30, 2013 have been restated to comply with this pronouncement.

NORTHWEST COLLEGE

COMBINING SCHEDULE OF NET POSITION
June 30, 2014

ASSETS	Northwest College	Northwest College Building Authority	Eliminations	Total
Current Assets				
Cash and cash equivalents	$ 6,787,006	$ 55,370	$ -	$ 6,842,376
Cash and cash equivalents, restricted	6,226,534	-	-	6,226,534
Accounts receivable, net	1,187,606	-	-	1,187,606
Current maturities of lease	-	106,970	(106,970)	-
Interest receivable	-	234,773	(234,773)	-
Property taxes receivable	4,500,634	-	-	4,500,634
Prepaids	210,097	-	-	210,097
Total current assets	18,911,877	397,113	(341,743)	18,967,247
Noncurrent Assets				
Restricted cash	-	7,519	-	7,519
Restricted investments	-	523,342	-	523,342
Long-term lease	-	4,315,740	(4,315,740)	-
Advance construction payments	1,006,995	-	-	1,006,995
Capital assets, net of accumulated depreciation	33,658,199	-	-	33,658,199
Investments held by others	11,024,944	-	-	11,024,944
	45,690,138	4,846,601	(4,315,740)	46,220,999
Total assets	64,602,015	5,243,714	(4,657,483)	65,188,246
LIABILITIES				
Current Liabilities				
Accounts payable	783,455	-	-	783,455
Payroll and related liabilities	855,618	-	-	855,618
Liability for voluntary termination	86,196	-	-	86,196
Accrued compensated absences	361,040	-	-	361,040
Accrued interest payable	234,773	22,043	(234,773)	22,043
Advance payments	252,378	-	-	252,378
Custodial deposits	427,025	-	-	427,025
Capital lease obligation	106,970	-	(106,970)	-
Current maturities of bonds payable	-	171,472	-	171,472
Total current liabilities	3,107,455	193,515	(341,743)	2,959,227
Noncurrent Liabilities				
Liability for voluntary termination	44,473	-	-	44,473
Accrued compensated absences	120,346	-	-	120,346
Capital lease obligation	4,315,740	-	(4,315,740)	-
Long-term bonds payable	-	4,861,530	-	4,861,530
Total noncurrent liabilities	4,480,559	4,861,530	(4,315,740)	5,026,349
Total liabilities	7,588,014	5,055,045	(4,657,483)	7,985,576
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	4,358,473	-	-	4,358,473
NET POSITION				
Invested in Capital Assets, net of related debt	29,235,489	(610,292)	-	28,625,197
Restricted for:				
Nonexpendable	8,460,103	-	-	8,460,103
Expendable:				
Scholarships	3,370,486	-	-	3,370,486
Capital projects	5,535,152	-	-	5,535,152
Unrestricted	6,054,298	798,961	-	6,853,259
Total net position	$ 52,655,528	$ 188,669	$ -	$ 52,844,197

NORTHWEST COLLEGE

COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
Year Ended June 30, 2014

	Northwest College	Northwest College Building Authority	Eliminations	Total
Operating Revenues				
Tuition and fees	$ 2,328,282	$ -	$ -	$ 2,328,282
Federal grants and contacts	976,304	-	-	976,304
State and local grants and contracts	263,561	-	-	263,561
Auxiliary enterprise charges	3,189,581	-	-	3,189,581
Other operating revenues	1,409,504	-	-	1,409,504
Total operating revenues	8,167,232	-	-	8,167,232
Operating Expenses				
Instruction	9,712,726	-	-	9,712,726
Public service	171,548	-	-	171,548
Academic support	2,470,729	-	-	2,470,729
Student services	3,335,651	-	-	3,335,651
Institutional support	4,171,785	-	-	4,171,785
Operation and maintenance of plant	2,788,610	3,812	-	2,792,422
Scholarships	2,976,167	-	-	2,976,167
Auxiliary enterprises	3,529,900	-	-	3,529,900
Depreciation	1,922,686	-	-	1,922,686
Total operating expenses	31,079,802	3,812	-	31,083,614
Operating (loss)	(22,912,570)	(3,812)	-	(22,916,382)
Nonoperating Revenues (Expenses)				
Non-exchange Federal and state grants	4,581,557	-	-	4,581,557
State appropriations	14,293,203	-	-	14,293,203
Local appropriations	4,963,155	-	-	4,963,155
Private gifts, grants and contracts	67,867	-	-	67,867
Net investment income	1,665,313	10,933	-	1,676,246
Direct financing income	-	314,798	(314,798)	-
Interest expense	(314,798)	(275,150)	314,798	(275,150)
Total nonoperating revenues	25,256,297	50,581	-	25,306,878
Income before other revenue, expenses, gains or losses	2,343,727	46,769	-	2,390,496
Other Revenue, Expenses, Gains or Losses				
State endowment appropriation	532,178	-	-	532,178
Capital appropriations	8,273,316	-	-	8,273,316
Total other revenue, expenses, gains or losses	8,805,494	-	-	8,805,494
Increase in net position	11,149,221	46,769	-	11,195,990
Net Position				
Beginning	41,506,307	141,900	-	41,648,207
Ending	$ 52,655,528	$ 188,669	$ -	$ 52,844,197

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Catalog of Federal Domestic Assistance Number	Federal Award Expenditures
Student Financial Aid Cluster:			
U.S. Department of Education:			
Federal Direct Student Loans		84.268	$ 1,980,050
Federal Pell Grant Program	P063P112457	84.063	1,951,259
Federal Work-Study Program	P033A104574	84.033	47,004
Federal Supplemental Educational Opportunity Gr	P007A114574	84.007	28,503
Total Student Financial Aid Cluster			4,006,816
Other Programs:			
U.S. Department of Education:			
Trio - Student Support Services	P042A050506	84.042A	243,621
College Access Challenge Grant Program	P378A130038	84.378A	41,872
			285,493
Passed through Wyoming Department of Education:			
Vocational Education - Basic Grants to States	121550PPS00	84.048A	84,297
Education and Human Resources	DUE-0806554	47.076	22,380
Child Care Food Program		10.558	10,102
Temporary Assistance for Needy Families		93.558	28,655
Total passed through Wyoming Department of Education			145,434
Passed through Wyoming Community College Commission:			
Adult Education Basic Grants to States	ABE13R07	84.002A	55,838
Passed through University of Wyoming:			
Gear-Up	DOINPS42511	84.334S	258,028
Total other programs - U.S. Department of Education			744,793
Total U.S. Department of Education			4,751,609
U.S. Department of Agriculture:			
Risk Management Education and Outreach Partnerships Program	12-1E-53102-085	10.455	3,730
Total U.S. Department of Agriculture			3,730
U.S. Department of Health and Human Services:			
Passed through University of Wyoming			
National Center for Research Resources	DHHSNIHLC4090	93.389	74,419
Total U.S. Department of Health and Human Services			74,419
U.S. Department of Forest Service:			
Shoshone National Forest Biology Interns	14-CS-11021400-018	None	1,137
Total U.S. Department of Forest Service			1,137

Continued

NORTHWEST COLLEGE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2014

Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Grantor's Number	Catalog of Federal Domestic Assistance Number	Federal Award Expenditures
National Park Service:			
Passed through University of Wyoming			
Big Horn Canyon - Recreation Area		None	$ 9,194
Big Horn Canyon - Intern	1001628-NWC	None	2,437
Big Horn Canyon - GIS Data	1001188-NWC	None	1,042
Big Horn Canyon - Visual Database	DOINPS40371	None	284
Big Horn Canyon - Tribal Field School		None	3,972
Total passed through University of Wyoming			16,929
Passed through Northwest College			
BICA - Tree Ring Analysis	P13AC00216	None	416
BICA - Tribal Field School	P14AC00478	None	14,432
BICA - Bad Pass Trail		None	15,537
Total passed through Northwest College			30,385
Total National Park Service			47,314
National Endowment for the Humanities			
Intercultural Center	C2-50287-13	None	106,000
Total National Endowment for the Humanities			106,000
Total Federal award expenditures			$ 4,984,209

See Notes to Schedule of Expenditures of Federal Awards.

NORTHWEST COLLEGE

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1. Basis of Presentation

The purpose of the schedule of expenditures of Federal awards (the "Schedule") is to present a summary of the activities of the Northwest College (the "College") for the year ended June 30, 2014, which have been financed by the U.S. Government. The Schedule is presented on the accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.*

For purposes of the Schedule, Federal awards have been classified into two types:

1. Direct Federal awards consisting of Federal assistance and Federal student financial aid, and

2. Pass-through funds received from non-Federal organizations made under federally sponsored programs conducted by those organizations.

McGee, Hearne & Paiz, LLP
Certified Public Accountants and Consultants
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees
Northwest College
Powell, Wyoming

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Northwest College (the "College") as of and for the year ended June 30, 2014, which collectively comprise the College's basic financial statements, and have issued our report thereon dated November 20, 2014. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were not audited in accordance with *Government Auditing Standards* and accordingly this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the discretely presented component unit.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the College's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the College's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the College's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the College's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 20, 2014

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees
Northwest College
Powell, Wyoming

Report on Compliance for Each Major Federal Program

We have audited Northwest College's (the "College") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the College's major Federal programs for the year ended June 30, 2014. The College's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the College's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of the College's compliance.

Opinion on Each Major Federal Program

In our opinion, the College complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002. Our opinion on each major Federal program is not modified with respect to these matters.

The College's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control over Compliance

Management of the College is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the College's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the College's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-001 and 2014-002 that we consider to be significant deficiencies.

The College's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The College's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

McGee, Hearne & Paiz, LLP

Cheyenne, Wyoming
November 20, 2014

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2014

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

• Material weaknesses identified?	____ Yes	X No
• Significant deficiencies identified that are not considered to be material weaknesses?	____ Yes	X None Reported

Noncompliance material to financial statements noted? ____ Yes X No

B. Federal Awards

Internal control over major programs:

• Material weaknesses identified?	____ Yes	X No
• Significant deficiencies identified that are not considered to be material weaknesses?	X Yes	____ None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

• Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?	X Yes	____ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster	Expenditures
Cluster	Student Financial Aid	$4,006,816

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? X Yes ____ No

II. FINANCIAL STATEMENT FINDINGS

None

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

2014-001 - Student Financial Aid Cluster

Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster
Federal Agency Name: Department of Education
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: N/A
Award Year(s): July 1, 2013 – June 30, 2014

Condition – During testing of the FISAP report, data in Part VI Section A Line 25 "Total less-than-full-time students" and Line 26 "Total 'Automatic' Zero EFC students" was erroneously omitted.

Criteria – Per 34 CFR section 673.3 (a) To participate in the Federal Perkins Loan, FWS, or FSEOG programs, an institution shall file an application before the deadline date established annually by the Secretary through publication of a notice in the FEDERAL REGISTER. (b) The application for the Federal Perkins Loan, FWS, and FSEOG programs must be on a form approved by the Secretary and must contain the information needed by the Secretary to determine the institution's allocation or reallocation of funds under sections 462, 442, and 413D of the HEA, respectively.

In addition, according to the FISAP Instructions provided by the U.S. Department of Education, Line 25 (Total less-than-full-time) and Line 26 (Total 'Automatic' Zero EFC students) should report the break out of the number of recipients and funds for FSEOG, FWS, as well as an amount for unduplicated recipients. According to the instructions, these fields cannot be blank.

Cause – With respect to the erroneously omitted fields on the report, the cause appears to be human error.

Effect – Errors on the FISAP report could cause the College to lose future funding or miscalculation of future funding.

Recommendation – The Financial Aid Director and Business Officer should verify that each line item on the report is completed prior to submission.

Questioned Costs – $0

College's Response – See Condition 3 in the attached Corrective Action Plan.

2014-002 - Student Financial Assistance Cluster – Eligibility

Catalog of Federal Assistance (CFDA) Number and Title: Student Financial Aid Cluster
Federal Agency Name: U.S. Department of Education
Pass-Through Entity Name (if applicable): N/A
Award Number/Name: N/A
Award Year(s): July 1, 2013 – June 30, 2014

Condition – Of the 25 students selected for general eligibility testing within the Student Financial Assistance Cluster, four students cost of attendance was not originally calculated correctly, with one of the four being detected and corrected by the school when a student showed interest in summer school. Of the remaining three miscalculations, two of the miscalculations resulted in incorrect amounts of PELL being awarded and one had no effect on the student's awards.

Criteria – Per 34CFR690.61, an institution must disburse a Federal Pell Grant to an eligible student who is otherwise qualified to receive that disbursement and electronically transmit Federal Pell Grant disbursement data to the Secretary for that student if: (i) the student submits a valid SAR to the institution; or (ii) the institution obtains a valid ISIR for the student. Also, per 34CFR690.63, PELL must be disbursed in the exact amount per PELL payment schedules based on their enrollment status, cost of attendance, and expected family contribution. Also, per 34CFR673.5, loans can only be disbursed if combined with the other estimated financial assistance the student receives, does not exceed the student's financial need. It is noted that improperly calculating the cost of attendance can result in an incorrect amount of PELL being disbursed, as well as possible over or under awarding of overall aid.

Cause – The Student Financial Aid Office calculated the cost of attendance using incorrect residency or status for the students by mistake and the review process in place failed to identify the error.

Effect – If the Student Financial Aid Office does not properly calculate and disburse Federal Aid to the students, the College could possibly lose the right to Title IV funding.

Recommendation – We recommend that the College conduct a more through review of the Cost of Attendance to ensure that the proper residency and status of the students are used.

Questioned Costs – $936 Projected to $20,949

College's Response – See Conditions 1 and 2 in the attached Corrective Action Plan.

NORTHWEST COLLEGE

SUMMARY SCHEDULE OF PRIOR YEAR FEDERAL AUDIT FINDINGS
Year Ended June 30, 2014

There were no Federal audit findings in the prior year.

Corrective Action Plan
Award Year 2013-14

OPEID 00393100 | 11.3.14

Condition 1: Student paid at full time status but only enrolled in three quarter time credits

Historical Practice

Prior to 2014-15, the College utilized Colleague's (student database) Funds Transmittal Report (FATR) to verify students' planned enrollment & award level with actual enrollment & award payment. This report is run just before funds are transmitted to Accounts Receivable and is manually reviewed for accuracy. Once enrollment and award level is confirmed, FSA funds are released, applied against student semester debt, and excess refunds are released to students.

Cause of Condition

The student in question registered for courses after the first day of the semester had passed (during the semester's add/drop period) after the FATR report reconciliation had been completed. The student was not listed on the report and therefore as not included in the Financial Aid Office's student review.

Corrective Action

For the 2014-15 award year, the financial aid office implemented a two-step reconciliation process. In conjunction with the FATR report review, the Financial Aid Office now utilizes Colleague's Attendance Pattern Compare Report (APCR). The Financial Aid Office triggers this secondary report after the drop-add period has concluded to review expected FA credits versus actual registered credits for students. This two-step process will identify student records which have mismatched expected enrollment vs. credit level. The Financial Aid Office reduces awards at that point for any student who did not register for credits at the level for which they were awarded.

(Note: the COA/enrollment status calculation for this student was corrected in June 2014, at the time of audit review.)

Condition 2: Student cost of attendance (COA) calculated at the incorrect residency/tuition rate status

Historical Practice

The Financial Aid Office calculates the COA based upon the student's residency/tuition rate status, as recorded by the Registrar's Office.

Cause of Condition

When the Financial Aid Office calculated the student's COA and aid eligibility, the student was packaged at an Out-of-State student. When detailing into Colleague's Registration Person Entry (RGPE) screen, both In-State and Out-of-State statuses were recorded in the student record. The Financial Aid Office erroneously relied on the Out-of-State status to calculate the COA and aid eligibility when the student truly had In-State residency/tuition rate status.

Corrective Action

For the 2014-15 award year forward, the Financial Aid Office now utilizes the custom Colleague Reporting & Analytics (CROA) report, built by the College's Institutional Research Office, to generate a comparison of three Colleague student database variables after the add/drop portion of the semester concludes:

- Financial Aid Office student residency status
- Registrar's Office student residency status
- Budget component code used by the Financial Aid Office within the Colleague database to populate the correct student tuition rate/COA.

The Financial Aid Office then reviews this data to ensure that the calculated COA and subsequent aid eligibility matches the student's intended residency/tuition rate status.

(Note: the COA/tuition rate status calculation for this student was corrected in June 2014, at the time of audit review.)

Corrective Action Plan
Award Year 2013-14

OPEID 00393100 | 11.3.14

Condition 3: FISAP report, data in Part VI Section A Line 25 "Total less-than-full-time students" and Line 26 "Total 'Automatic' Zero EFC students" was erroneously omitted.

Historical Practice

The Director of Financial Aid (DFA) and the Financial Aid Specialist (FAS), enter FISAP data into the electronic FISAP interface in the Federal Student Aid eCampus-Based System. FISAP data is gleaned from the College's Ellucian Colleague student database system. Upon data entry conclusion, the DFA/FAS complete a data review to check for discrepancy/omission errors. Data is reviewed electronically and through the eCampus-Based System's "Validate All" automated diagnostic review.

Cause of Condition

Simple human error. The DFA's/FAS's electronic review did not uncover the omitted line's data, nor did the FISAP validation diagnostic.

Corrective Action

Beginning with the 2015-16 award year FISAP application award year submitted on 9.29.14, the DFA/FAS prints a hard-copy of all FISAP entered data and compares to the Ellucian Colleague (student database) generated hard-copy data reports, line by line, number by number. Each data point is reviewed, individually, by two Financial Aid staff members. Comparing hard-copies of both report will ensure that the human review identifies discrepancies/omissions that the FISAP's built-in "validate all" diagnostic does not.

(Note: a 2014-15 award year FISAP correction to include the omitted data was requested from Federal Student Aid at the time the omission was identified – audit review on 6.10.14. Federal Student Aid [Pat Stephenson, Manager, Campus Based Programs/Federal Student Aid] approved the requested data entry on 6.17.14 and the revised 2014-15 FISAP was submitted by the DFA/FAS on 6.18.14.)