



FINANCIAL STATEMENTS

Years Ended December 31, 2015 and 2014

and

Supplementary Financial Information

with

Independent Auditors' Reports

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Table of Contents

	Page
Independent Auditors' Report	1
Financial Statements	
Statements of Financial Position	3
Statements of Activities and Changes in Net Assets	4
Statements of Cash Flows	5
Notes to Financial Statements	6
Supplementary Financial Information	
Independent Auditors' Report on Supplementary Financial Information	14
Schedules of Expenses	15

Independent Auditors' Report

The Board of Directors
Native Arts and Cultures Foundation, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of Native Arts and Cultures Foundation, Inc., which comprise the statements of financial position as of December 31, 2015 and 2014, and the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Native Arts and Cultures Foundation, Inc. as of December 31, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Hoffman, Stewart & Schmitt, P.C.

Lake Oswego, Oregon
March 23, 2016

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statements of Financial Position

December 31,	2015	2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 411,519	\$ 446,686
Certificates of deposit	-	400,000
Grants receivable (Note 3)	70,000	440,000
Prepaid expenses and deposits	28,291	33,937
Investments (Note 5)	6,306,122	4,243,036
Total current assets	6,815,932	5,563,659
Furniture and equipment	73,307	71,313
Less accumulated depreciation	(73,307)	(37,911)
Net furniture and equipment	-	33,402
Grants receivable (Note 3)	-	70,000
Investments (Note 5)	5,201,183	5,218,452
Total assets	\$ 12,017,115	\$ 10,885,513
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 26,155	\$ 8,079
Grants payable	40,500	10,500
Accrued payroll liabilities	29,546	21,540
Deferred rent	-	7,328
Total liabilities (all current)	96,201	47,447
Commitments (Notes 6, 7 and 10)		
Net assets:		
Unrestricted:		
Available for operations	3,655	25,166
Board designated for operating reserve	1,000,000	-
Board designated for financial reserve	5,311,430	4,407,781
Total unrestricted	6,315,085	4,432,947
Temporarily restricted (Note 8)	1,605,829	2,405,119
Permanently restricted (Note 9)	4,000,000	4,000,000
Total net assets	11,920,914	10,838,066
Total liabilities and net assets	\$ 12,017,115	\$ 10,885,513

The accompanying notes are an integral part of the financial statements.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statements of Activities and Changes in Net Assets

Years Ended December 31,

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:								
Grants	\$ 3,035,000	\$ 144,500	\$ -	\$ 3,179,500	\$ 100	\$ 1,340,000	\$ -	\$ 1,340,100
Contributions	39,066	-	-	39,066	53,290	-	-	53,290
Investment return <i>(Note 4)</i>	(78,702)	(17,269)	-	(95,971)	143,816	165,969	-	309,785
Miscellaneous income	2,868	-	-	2,868	-	-	-	-
In-kind contributions	-	-	-	-	458	-	-	458
Net assets released from restrictions <i>(Note 8)</i>	926,521	(926,521)	-	-	351,959	(351,959)	-	-
Total revenues, gains, and other support	3,924,753	(799,290)	-	3,125,463	549,623	1,154,010	-	1,703,633
Functional expenses:								
Program services	1,479,182	-	-	1,479,182	951,245	-	-	951,245
Management and general	281,896	-	-	281,896	253,998	-	-	253,998
Fundraising	281,537	-	-	281,537	359,632	-	-	359,632
Total expenses	2,042,615	-	-	2,042,615	1,564,875	-	-	1,564,875
Increase (decrease) in net assets	1,882,138	(799,290)	-	1,082,848	(1,015,252)	1,154,010	-	138,758
Net assets, beginning of year	4,432,947	2,405,119	4,000,000	10,838,066	5,448,199	1,251,109	4,000,000	10,699,308
Net assets, end of year	\$ 6,315,085	\$ 1,605,829	\$ 4,000,000	\$ 11,920,914	\$ 4,432,947	\$ 2,405,119	\$ 4,000,000	\$ 10,838,066

The accompanying notes are an integral part of the financial statements.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statements of Cash Flows

Years Ended December 31,	2015	2014
Cash flows from operating activities:		
Increase in net assets	\$ 1,082,848	\$ 138,758
Adjustments to reconcile increase in net assets to net cash used by operating activities:		
Depreciation	35,396	15,559
Realized and unrealized loss (gain) on investments	266,861	(123,373)
(Increase) decrease in assets:		
Grants receivable	440,000	(468,000)
Other receivable	-	1,050
Prepaid expenses and deposits	5,646	18,199
Increase (decrease) in liabilities:		
Accounts payable	18,076	(26,510)
Grants payable	30,000	(15,500)
Accrued payroll liabilities	8,006	(31,909)
Deferred rent	(7,328)	(2,286)
Net cash provided (used) by operating activities	1,879,505	(494,012)
Cash flows from investing activities:		
Proceeds from sale of investments	1,150,133	3,079,916
Purchases of investments	(3,462,811)	(2,276,136)
Proceeds from sale of certificates of deposit	400,000	-
Purchases of certificates of deposit	-	(400,000)
Purchases of furniture and equipment	(1,994)	(13,763)
Net cash provided (used) by investing activities	(1,914,672)	390,017
Net decrease in cash and cash equivalents	(35,167)	(103,995)
Cash and cash equivalents, beginning of year	446,686	550,681
Cash and cash equivalents, end of year	\$ 411,519	\$ 446,686

The accompanying notes are an integral part of the financial statements.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements

1. Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization - The Native Arts and Cultures Foundation, Inc. (the Foundation) was established to promote the revitalization, appreciation, and perpetuation of Native arts and cultures in all sectors of society through philanthropy and partnership, ensuring a path that benefits present and future generations of indigenous peoples in America. The Foundation is a unique national philanthropic foundation dedicated exclusively to Native arts and cultures. Through grant making, partnerships, and convening, the Foundation will focus on strengthening the Native arts and cultures field, indigenous artists, and communities.

Summary of Significant Accounting Policies

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

Unrestricted - Resources over which the Board of Directors has discretionary control and are not subject to donor imposed restrictions. Designated amounts represent those revenues the Board has set aside for a particular purpose.

Temporarily restricted - Those resources subject to donor imposed restrictions that will be satisfied by actions of the Foundation or passage of time.

Permanently restricted - Those resources subject to a donor imposed restriction that they be maintained permanently by the Foundation. The donors of these resources permitted the Foundation to use all or part of the income earned, including capital appreciation, or related investments for unrestricted or temporarily restricted purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

Estimates are used in the financial statements for, among other things, the determination of any allowance for uncollectible receivables, the useful lives of furniture and equipment for calculating depreciation expense, and the valuation of investments classified as Level 3.

Cash and Cash Equivalents - The Foundation considers money market funds, financial instruments, and certificates of deposit with an original maturity date of 90 days or less to be cash equivalents. The Foundation maintains its cash in bank deposit accounts, which at times may exceed Federally insured limits.

Certificates of Deposit - Certificates of deposit are valued at cost plus accumulated interest, which approximates fair value.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

1. Nature of Organization and Summary of Significant Accounting Policies - Continued Summary of Significant Accounting Policies - Continued

Furniture and Equipment - Furniture and equipment are recorded at cost, if purchased, and at fair value, if donated. The Foundation depreciates furniture and equipment over estimated useful lives ranging from three to seven years using the straight-line method of depreciation.

Investments - Investments consist of mutual funds, annuities, and a hedge fund, which are carried at fair value. Donor-restricted endowment funds are classified as long-term investments in the statements of financial position.

Revenue Recognition - Contributions, including unconditional promises to give, are recognized as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

All donor-restricted support is reported as an increase in the temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities and changes in net assets as net assets released from restrictions.

Unconditional promises to give (pledges) are recognized as revenues or gains in the period received and as assets, decreases in liabilities, or expenses depending on the form of the benefits received. Conditional contributions are recognized when the conditions on which they depend are substantially met.

Income Taxes - The Foundation is exempt from income tax under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Foundation is not classified as a private foundation.

GAAP prescribes a recognition threshold and measurement process for accounting for uncertain tax positions and provides⁷ guidance on various related matters such as interest, penalties, and required disclosures. Management does not believe the Foundation has any uncertain tax positions. The Foundation files informational returns. Generally, these returns are subject to examination by income tax authorities for three years from the filing of a return. The Foundation has not paid any interest or penalties related to its income tax positions, and there are currently no audits for any tax periods in progress. Interest or penalties assessed by taxing authorities, if any, would be included with management and general expenses.

Functional Allocation of Expenses - Salaries and related expenses are allocated based on estimates of time spent on programs. Other expenses, not directly identifiable by program or supporting service, are allocated based on the best estimates of management.

Reclassifications - Certain reclassifications have been made to the 2014 financial statements to conform to the 2015 presentation.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

2. Concentrations

One grantor accounted for approximately 95 percent of total grant revenues during the year ended December 31, 2015. Two grantors accounted for approximately 71 percent of total grant revenues during the year ended December 31, 2014.

3. Grants Receivable

The Foundation had unconditional promises to give representing the following at December 31:

	2015	2014
Meyer Memorial Trust	\$ 70,000	\$ 210,000
Ford Foundation	-	300,000
	<u>\$ 70,000</u>	<u>\$ 510,000</u>
Unconditional promises expected to be collected in:		
Less than one year	\$ 70,000	\$ 440,000
One to five years	-	70,000
	<u>\$ 70,000</u>	<u>\$ 510,000</u>

Management has elected not to calculate any discount to present value on grants receivable due beyond one year as such amount would not be significant.

4. Investment Return

Investment return consists of the following:

	2015	2014
Interest and dividends	\$ 213,327	\$ 235,119
Net realized and unrealized gain (loss)	(266,861)	123,373
Investment management fees	(42,437)	(48,707)
	<u>\$ (95,971)</u>	<u>\$ 309,785</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

5. Fair Value Measurements

The classification of assets and liabilities within the fair value hierarchy is based on whether the inputs to the valuation methodology used for measurement are observable or unobservable. Observable inputs reflect market-derived or market-based information obtained from independent sources while unobservable inputs reflect estimates about market data.

The three levels of the fair value hierarchy and the valuation methodologies used for assets are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets the Foundation has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Fair value is based on significant unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following tables set forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis at December 31:

2015	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 1,662,884	\$ -	\$ -	\$ 1,662,884
International equity	4,039,970	-	-	4,039,970
Fixed income	4,286,924	-	-	4,286,924
Annuities	-	921,885	-	921,885
Hedge fund	-	-	595,642	595,642
	<u>\$ 9,989,778</u>	<u>\$ 921,885</u>	<u>\$ 595,642</u>	<u>\$ 11,507,305</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

5. Fair Value Measurements - Continued

2014	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 1,700,145	\$ -	\$ -	\$ 1,700,145
International equity	1,720,670	-	-	1,720,670
Fixed income	4,480,495	-	-	4,480,495
Money market	3,848	-	-	3,848
Annuities	-	906,373	-	906,373
Hedge fund	-	-	649,957	649,957
	<u>\$ 7,905,158</u>	<u>\$ 906,373</u>	<u>\$ 649,957</u>	<u>\$ 9,461,488</u>

Following is a description of the valuation methodologies used for assets measured at fair value:

Mutual funds: Valued at the net asset value of shares held by the Foundation at year end, and are classified as Level 1.

Annuities: Recorded at fair value provided primarily by the insurance companies based on pricing models that incorporate available trade, bid and other market information.

Hedge fund: Valued at net asset value of shares held by the Foundation at year end. The underlying investments of the hedge fund are measured by management of the hedge fund using a variety of valuation methods including Level 1, Level 2, and Level 3 inputs. As such, this asset is classified as Level 3.

A summary of the fair value measurements using unobservable inputs (Level 3) are as follows for the years ended December 31:

	2015	2014
Balance, beginning of year	\$ 649,957	\$ 1,060,062
Realized and unrealized gains	503	52,653
Redemptions	(50,000)	(450,000)
Fees paid	(4,818)	(12,758)
Balance, end of year	<u>\$ 595,642</u>	<u>\$ 649,957</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

6. Lease Commitment

During the year ended December 31, 2015, the Foundation executed an option to terminate a certain operating lease for its office facilities, effective April 2016. Under terms of the lease agreement, lease termination costs totaled \$15,561. Total rent expense, inclusive of the lease termination costs, was \$58,993 and \$46,914 for 2015 and 2014, respectively.

Future minimum rental payments required by the terminated operating lease agreement total \$17,226 for the year ended December 31, 2016.

7. Grant Commitments

At December 31, 2015, the Foundation had committed \$107,700 for the funding of several Community Inspiration Program projects to be granted through 2016. Because the Foundation's future underwriting of these projects is dependent upon certain conditions, no expense has been recorded for any amounts beyond the amounts that have been authorized and awarded as of December 31, 2015, by the Board of Directors.

8. Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following:

	2015	2014
Time restriction	\$ 70,000	\$ 510,000
Purpose restriction	334,646	676,667
Unappropriated endowment earnings	<u>1,201,183</u>	<u>1,218,452</u>
	<u>\$ 1,605,829</u>	<u>\$ 2,405,119</u>

Net assets of \$926,521 and \$351,959 were released from donor restrictions during 2015 and 2014, respectively, by incurring expenses satisfying restricted purposes or by the passage of time.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

9. Endowment and Permanently Restricted Net Assets

Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Directors of the Foundation has interpreted the state's Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA.

Donor-restricted endowment funds are pooled with overall investments of the Foundation and are subject to the investment policies of the Foundation with an overall goal of long-term capital appreciation with preservation of capital. The strategy of the Foundation is to maintain a balanced, diversified portfolio with specific asset allocation targets. To manage risk, the investment policy also limits the types of investments the Foundation can hold.

The Foundation has adopted a spending policy, which allows management to appropriate 5 percent of the average market value of the endowment investments as of year end for the previous three years.

Endowment net asset composition by type of fund is as follows as of December 31:

2015	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 1,201,183</u>	<u>\$ 4,000,000</u>	<u>\$ 5,201,183</u>
2014				
Donor-restricted endowment funds	<u>\$ -</u>	<u>\$ 1,218,452</u>	<u>\$ 4,000,000</u>	<u>\$ 5,218,452</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

9. Endowment and Permanently Restricted Net Assets - Continued

Changes in endowment net assets for the years ended December 31, 2015 and 2014, are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2013	\$ -	\$ 1,052,483	\$ 4,000,000	\$ 5,052,483
Investment return:				
Realized income	-	651,229	-	651,229
Unrealized loss	-	(485,260)	-	(485,260)
	<u>-</u>	<u>(485,260)</u>	<u>-</u>	<u>(485,260)</u>
Net investment gain	<u>-</u>	<u>165,969</u>	<u>-</u>	<u>165,969</u>
Endowment net assets, December 31, 2014	-	1,218,452	4,000,000	5,218,452
Investment return:				
Realized income	-	101,280	-	101,280
Unrealized loss	-	(118,549)	-	(118,549)
	<u>-</u>	<u>(118,549)</u>	<u>-</u>	<u>(118,549)</u>
Net investment loss	<u>-</u>	<u>(17,269)</u>	<u>-</u>	<u>(17,269)</u>
Endowment net assets, December 31, 2015	<u>\$ -</u>	<u>\$ 1,201,183</u>	<u>\$ 4,000,000</u>	<u>\$ 5,201,183</u>

10. Subsequent Events

Management has evaluated subsequent events through March 23, 2016, the date the financial statements were available for issue.

Subsequent to December 31, 2015, the Foundation entered into a one-year operating lease agreement for its office facilities. Future minimum rental payments required by the operating lease agreement total \$8,220.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Supplementary Financial Information

Independent Auditors' Report on Supplementary Financial Information

The Board of Directors
Native Arts and Cultures Foundation, Inc.

We have audited the financial statements of the Native Arts and Cultures Foundation, Inc. as of and for the years ended December 31, 2015 and 2014, and our report thereon dated March 23, 2016, which expressed an unmodified opinion on those financial statements, appears on page 1. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary financial information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoffman, Stewart & Schmidt, P.C.

March 23, 2016

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Schedules of Expenses

Years Ended December 31,	2015	2014
Grant making programs	\$ 728,683	\$ 176,765
Salaries and wages	713,366	627,389
Payroll taxes and benefits	119,363	100,231
Office and operations	164,699	165,726
Professional contracts	57,382	80,351
Communications and external relations	83,677	270,976
Travel	138,751	122,828
Equipment	1,298	5,050
Depreciation	35,396	15,559
Total expenses	<u>\$ 2,042,615</u>	<u>\$ 1,564,875</u>