



FINANCIAL STATEMENTS

Years Ended December 31, 2019 and 2018

with

Independent Auditors' Report

NATIVE ARTS AND CULTURES FOUNDATION, INC.

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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. (the Foundation), which comprise the statements of financial position as of December 31, 2019 and 2018, and the related statements of activities and changes in net assets, functional expenses, 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 basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Foundation as of December 31, 2019 and 2018, 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.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon
May 4, 2020

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statements of Financial Position

December 31,	2019	2018
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 137,184	\$ 217,337
Grants receivable <i>(Note 4)</i>	269,000	173,000
Prepaid expenses and deposits	23,063	16,598
Investments <i>(Note 6)</i>	1,714,208	1,127,055
Restricted cash	111,035	-
Total current assets	2,254,490	1,533,990
Grants receivable - net of current portion <i>(Note 4)</i>	35,000	38,000
Investments - net of current portion <i>(Notes 6 and 10)</i>	9,084,402	8,986,146
Total assets	<u>\$ 11,373,892</u>	<u>\$ 10,558,136</u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable	\$ 7,656	\$ 35,513
Grants payable	21,040	141,475
Funds held on behalf of others	111,035	-
Accrued payroll liabilities	18,806	15,933
Total liabilities (all current)	158,537	192,921
Commitments <i>(Note 7)</i>		
Net assets:		
Without donor restrictions <i>(Note 8)</i>	5,773,325	4,308,540
With donor restrictions <i>(Notes 9 and 10)</i>	5,442,030	6,056,675
Total net assets	<u>11,215,355</u>	<u>10,365,215</u>
Total liabilities and net assets	<u>\$ 11,373,892</u>	<u>\$ 10,558,136</u>

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,

	2019			2018		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains, and other support:						
Grants	\$ 224,272	\$ 993,500	\$ 1,217,772	\$ 179,900	\$ 254,500	\$ 434,400
Contributions	35,852	-	35,852	34,492	500	34,992
Investment return (loss), net <i>(Note 5)</i>	424,444	721,313	1,145,757	(270,744)	(266,579)	(537,323)
Miscellaneous income	4,800	-	4,800	-	-	-
Net assets released from restrictions <i>(Note 9)</i>	2,329,458	(2,329,458)	-	743,841	(743,841)	-
Net revenues, gains, and other support	3,018,826	(614,645)	2,404,181	687,489	(755,420)	(67,931)
Functional expenses:						
Program services	1,116,007	-	1,116,007	1,486,193	-	1,486,193
Management and general	263,304	-	263,304	354,107	-	354,107
Fundraising	174,730	-	174,730	124,818	-	124,818
Total expenses	1,554,041	-	1,554,041	1,965,118	-	1,965,118
Increase (decrease) in net assets	1,464,785	(614,645)	850,140	(1,277,629)	(755,420)	(2,033,049)
Net assets, beginning of year	4,308,540	6,056,675	10,365,215	5,586,169	6,812,095	12,398,264
Net assets, end of year	<u>\$ 5,773,325</u>	<u>\$ 5,442,030</u>	<u>\$ 11,215,355</u>	<u>\$ 4,308,540</u>	<u>\$ 6,056,675</u>	<u>\$ 10,365,215</u>

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

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statements of Functional Expenses

Years Ended December 31,

	2019				2018			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grant making programs	\$ 231,720	\$ -	\$ -	\$ 231,720	\$ 904,463	\$ -	\$ -	\$ 904,463
Salaries and wages	445,976	153,669	125,317	724,962	369,452	219,361	90,324	679,137
Payroll taxes and benefits	66,736	24,811	18,368	109,915	56,620	33,071	13,900	103,591
Office and operations	31,641	51,889	23,168	106,698	35,517	45,632	19,143	100,292
Professional contracts	229,245	4,275	2,475	235,995	525	21,469	-	21,994
Communications and external relations	2,845	-	-	2,845	38,790	-	60	38,850
Travel	100,834	26,731	2,446	130,011	78,528	33,303	660	112,491
Equipment	7,010	1,929	2,956	11,895	2,298	1,271	731	4,300
	<u>\$ 1,116,007</u>	<u>\$ 263,304</u>	<u>\$ 174,730</u>	<u>\$ 1,554,041</u>	<u>\$ 1,486,193</u>	<u>\$ 354,107</u>	<u>\$ 124,818</u>	<u>\$ 1,965,118</u>

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,	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 850,140	\$ (2,033,049)
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Realized and unrealized loss (gain) on investments	(881,535)	834,354
(Increase) decrease in assets:		
Grants receivable	(93,000)	72,305
Prepaid expenses and deposits	(6,465)	6,823
Increase (decrease) in liabilities:		
Accounts payable	(27,857)	16,254
Grants payable	(120,435)	(40,475)
Funds held on behalf of others	111,035	
Accrued payroll liabilities	2,873	(15,581)
Net cash used by operating activities	(165,244)	(1,159,369)
Cash flows from investing activities:		
Proceeds from sale of investments	2,553,943	1,256,473
Purchases of investments	(2,357,817)	(389,517)
Net cash provided by investing activities	196,126	866,956
Net increase (decrease) in cash and cash equivalents	30,882	(292,413)
Cash and cash equivalents, and restricted cash, beginning of year	217,337	509,750
Cash and cash equivalents, and restricted cash, end of year	\$ 248,219	\$ 217,337
Reconciliation to statement of financial position:		
Cash and cash equivalents	\$ 137,184	\$ 217,337
Restricted cash	111,035	-
	\$ 248,219	\$ 217,337

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 services and partnership, ensuring a path that benefits present and future generations of indigenous peoples in America. The Foundation is a unique national nonprofit 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:

Net assets without donor restrictions - Net assets not subject to donor-imposed stipulations.

Net assets with donor restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that certain resources be maintained in perpetuity.

Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of donor restrictions on net assets (i.e. the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction.

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.

Cash and Cash Equivalents and Restricted Cash - 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. Restricted cash consists of funds held on behalf of others.

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

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.

Funds Held on Behalf of Others - Funds held on behalf of others represent obligations of the Foundation related to agency transactions for which the Foundation lacks variance power. Amounts received under agency transactions are recorded as a liability, and not recognized as revenue in the accompanying statements of activities.

Revenue Recognition - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized as revenue until the conditions on which they depend are substantially met.

The Foundation reports gifts of cash and other assets as donor restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from donor restrictions.

During 2018, the Foundation received a \$214,000 conditional promise to give over a three-year period. As of December 31, 2019, the Foundation has recognized \$141,000 of this contribution, leaving a \$73,000 conditional promise to give to be received and recognized once certain matching funds are raised in accordance with the award agreement.

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 provides 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.

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

Functional Allocation of Expenses - The costs of providing the Foundation's various program services and other activities have been allocated among the programs and supporting services benefitted. The statements of functional expenses present the natural classification detail of expenses by function.

The statements of functional expenses report certain categories of expenses that are attributable to more than one program or supporting service function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include office and supplies, which are allocated on a square-footage basis, and salaries and wages, and payroll taxes and benefits, which are allocated on the basis of estimated time and effort.

New Accounting Standards - In June 2018, the Financial Accounting Standards Board (FASB) issued Account Standards Update (ASU) 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Made*. This standard assists entities in evaluating whether transactions should be accounted for as contributions or exchange transactions, and determining whether a contribution is conditional. The Foundation has implemented the provisions of ASU 2018-08 in the accompanying financial statements under a modified prospective basis. Accordingly, there is no effect on net assets in connection with its implementation of ASU 2018-08.

In January 2016, FASB issued ASU 2016-01, *Financial Instruments - Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. This standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. The adoption of this ASU did not have a significant impact to the Foundation's financial statements.

During 2019, the Foundation adopted the provisions of ASU 2015-07, *Disclosure for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)*, which removed the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share expedient (NAV practical expedient). The Foundation has applied the ASU retrospectively to all periods presented in *Note 6*.

The Foundation also adopted the provisions of ASU 2016-18, *Restricted Cash (a consensus of the FASB Emerging Issues Task Force)*, which requires an entity's reconciliation of the beginning of period and end of period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. This ASU is effective for fiscal years beginning after December 15, 2019, with early adoption permitted. The Foundation elected to early adopt this ASU for the year ended December 31, 2019, using a retrospective transition method for each period presented. The nature and reason for this change is a direct result of the guidance issued by FASB.

Reclassifications - Certain reclassifications have been made to the 2018 information to conform to the 2019 presentation.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

2. Liquidity and Availability

The Foundation's financial assets available for general expenditure within one year of the statement of financial position date consist of the following at December 31:

	2019	2018
Cash and cash equivalents	\$ 137,184	\$ 217,337
Grants receivable	269,000	173,000
Investments	<u>1,714,208</u>	<u>1,127,055</u>
Total financial assets available within one year	2,120,392	1,517,392
Less:		
Board designated for operating reserve	<u>(1,236,500)</u>	<u>(1,057,000)</u>
	<u>\$ 883,892</u>	<u>\$ 460,392</u>

As part of the Foundation's liquidity management, management has a practice to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. In addition, to help manage unanticipated liquidity needs, the Foundation has Board designated net assets without donor restrictions (*Note 8*) that, while the Foundation does not intend to spend for these purposes other than those identified, could be made available for current operations, if necessary.

3. Concentrations

Two grantors accounted for approximately 70 and 61 percent of total grant revenues during the years ended December 31, 2019 and 2018, respectively.

4. Grants Receivable

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

	2019	2018
Unconditional promises expected to be collected in:		
Less than one year	\$ 269,000	\$ 173,000
One to five years	<u>35,000</u>	<u>38,000</u>
	<u>\$ 304,000</u>	<u>\$ 211,000</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

5. Net Investment Return (Loss)

Net investment return (loss) consists of the following for the years ended December 31:

	2019	2018
Interest and dividends	\$ 303,873	\$ 348,373
Net realized and unrealized gain (loss)	881,535	(834,354)
Investment management fees	<u>(39,651)</u>	<u>(51,342)</u>
Net investment return (loss)	<u><u>\$ 1,145,757</u></u>	<u><u>\$ (537,323)</u></u>

6. 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.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

6. Fair Value Measurements - Continued

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:

2019	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 2,547,139	\$ -	\$ -	\$ 2,547,139
International equity	1,743,199	-	-	1,743,199
Fixed income	5,419,971	-	-	5,419,971
Annuities	-	<u>638,161</u>	-	<u>638,161</u>
	<u>\$ 9,710,309</u>	<u>\$ 638,161</u>	<u>\$ -</u>	10,348,470
Hedge fund investment measured at net asset value				<u>450,140</u>
				<u>\$ 10,798,610</u>
2018	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 2,290,824	\$ -	\$ -	\$ 2,290,824
International equity	2,309,313	-	-	2,309,313
Fixed income	4,137,562	-	-	4,137,562
Annuities	-	<u>660,237</u>	-	<u>660,237</u>
	<u>\$ 8,737,699</u>	<u>\$ 660,237</u>	<u>\$ -</u>	9,397,936
Hedge fund investment measured at net asset value				<u>715,265</u>
				<u>\$ 10,113,201</u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

6. Fair Value Measurements - Continued

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 as a practical expedient of shares held by the Foundation at year-end. The hedge fund strategy is to exploit structural and technical inefficiencies in the market, especially in the short-end of the yield curve and to enhance the Fund's risk adjusted returns through careful security selection, leverage, and active hedging.

The following table sets forth additional disclosures for the fair value measurement of the Foundation's hedge fund investment measured at net asset value as of December 31:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
2019	\$ 450,140	\$ -	Quarterly	45 days
2018	\$ 715,265	\$ -	Quarterly	45 days

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

7. Lease Commitments

At December 31, 2019, the Foundation had entered into operating lease agreements for office and meeting space through February 2020. Subsequent to December 31, 2019, the Foundation entered into an agreement to extend the office leases through February 2021. Total rent expense was \$24,364 and \$23,379 for 2019 and 2018, respectively.

Future minimum lease payments under these agreements as of December 31, 2019, inclusive of the extended leases, are as follows:

Years Ending December 31,	Amount
2020	\$ 22,906
2021	<u>3,836</u>
	<u><u>\$ 26,742</u></u>

8. Net Assets Without Donor Restrictions

The Foundation's net assets without donor restrictions is comprised of undesignated and Board designated amounts for the following purposes:

	2019	2018
Undesignated	\$ 7,528	\$ 562
Board designated for operating reserve	1,236,500	1,057,000
Board designated for financial reserve	<u>4,529,297</u>	<u>3,250,978</u>
	<u><u>\$ 5,773,325</u></u>	<u><u>\$ 4,308,540</u></u>

Board Designated for Operating Reserve - The Board approved management's proposed 2020 and 2019 operational budgets, which included certain anticipated operational deficits. In order to provide for sufficient funding of operational costs associated with execution of the Foundation's ongoing strategic initiatives, the Board designated \$1,236,500 and \$1,057,000 of net assets without donor restrictions at December 31, 2019 and 2018, respectively, as an operational reserve to be made available to management for balancing the budget.

Board Designated for Financial Reserve - The Board designated funds to be set aside for the purpose of securing the Foundation's long-term financial viability and continuing to meet the needs of the Foundation. Funds designated for financial reserve totaled \$4,529,297 and \$3,250,978 at December 31, 2019 and 2018, respectively.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

9. Net Assets With Donor Restrictions

Net assets with donor restrictions consist of the following at December 31:

	2019	2018
Purpose restrictions	\$ 886,925	\$ 321,507
Endowments subject to spending policy and appropriation (<i>Note 10</i>)	<u>4,555,105</u>	<u>5,735,168</u>
	<u><u>\$ 5,442,030</u></u>	<u><u>\$ 6,056,675</u></u>

Net assets of \$2,329,458 and \$743,841 were released from donor restrictions during 2019 and 2018, respectively, by incurring expenses satisfying restricted purposes or by the passage of time.

10. Endowment Net Assets

Net assets of the endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. The Foundation manages its endowment in accordance with the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The Board of Directors of the Foundation has interpreted UPMIFA as allowing the Foundation to appropriate for expenditure or accumulate so much of an endowment fund as the Foundation determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift agreement. Unless otherwise stated in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Directors.

As a result of this interpretation, the Foundation classifies as net assets with restrictions (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. Amounts appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by UPMIFA are classified as net assets without restrictions.

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 4.5 percent of the average market value of the endowment investments as of year end for the previous three years. However, the Foundation elected not to appropriate any amounts for expenditure in 2018.

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

10. Endowment Net Assets - Continued

In accordance with UPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund;
- The purposes of the Foundation and the donor-restricted endowment fund;
- General economic conditions;
- The possible effect of inflation and deflation;
- The expected total return from income and the appreciation of investments;
- Other resources of the Foundation; and
- The investment policies of the Foundation

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

	With Donor Restrictions
2019	
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ 4,000,000
Accumulated investment gains	<u>555,105</u>
Total endowment funds	<u><u>\$ 4,555,105</u></u>
2018	
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ 4,000,000
Accumulated investment gains	<u>1,735,168</u>
Total endowment funds	<u><u>\$ 5,735,168</u></u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

10. Endowment Net Assets - Continued

Changes in endowment net assets for years ended December 31, 2019 and 2018, are as follows:

	With Donor Restrictions
Endowment net assets, December 31, 2017	\$ 6,001,747
Investment loss, net	<u>(266,579)</u>
Endowment net assets, December 31, 2018	5,735,168
Investment return, net	721,313
Amounts appropriated for expenditure	<u>(1,901,376)</u>
Endowment net assets, December 31, 2019	<u><u>\$ 4,555,105</u></u>

11. Subsequent Events

Management has evaluated subsequent events through May 4, 2020, the date the financial statements were available for issue. As of that date financial markets and economic conditions in general had undergone a significant negative impact as a result of the COVID-19 health crisis. The extent of the impact of COVID-19 on the Foundation's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on donors, employees, and vendors all of which are uncertain and cannot be predicted. As such, the extent to which COVID-19 may impact the Foundation's financial position and results of operations cannot be reasonably estimated at this time.

On March 24, 2020, the Foundation entered into an agreement under which it will receive a donation of commercial real property located in Portland, Oregon. In March 2018, a broker opinion of value estimated the fair value of the building and land at \$5,100,000. No amounts related to this contribution have been reflected in the financial statements at December 31, 2019.