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**NATIVE  
ARTS &  
CULTURES**  
FOUNDATION

**FINANCIAL STATEMENTS**

**Year Ended December 31, 2020**

**with**

**Independent Auditors' Report**

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**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 statement of financial position as of December 31, 2020, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Huffman, Stewart & Schmitz, P.C.*

Lake Oswego, Oregon  
April 26, 2021

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statement of Financial Position

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December 31, 2020

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ASSETS

**Current assets:**

Cash and cash equivalents	\$ 322,260
Grants receivable	229,240
Prepaid expenses and deposits	28,865
Investments (Note 5)	5,949,783
Restricted cash	<u>19,677</u>

**Total current assets** **6,549,825**

Investments - net of current portion (Notes 5 and 9) 5,162,185

**Total assets** **\$ 11,712,010**

LIABILITIES AND NET ASSETS

**Liabilities:**

Accounts payable	\$ 22,672
Grants payable	166,700
Funds held on behalf of others	19,677
Accrued payroll liabilities	<u>109,582</u>

**Total liabilities (all current)** **318,631**

Commitments (Note 6)

**Net assets:**

Without donor restrictions (Note 7)	5,771,805
With donor restrictions (Notes 8 and 9)	<u>5,621,574</u>

**Total net assets** **11,393,379**

**Total liabilities and net assets** **\$ 11,712,010**

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

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Statement of Activities and Changes in Net Assets**

**Year Ended December 31, 2020**

	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains, and other support:</b>			
Grants	\$ 699,482	\$ 445,000	\$ 1,144,482
Contributions	73,805	-	73,805
Investment return, net <i>(Note 4)</i>	175,813	851,460	1,027,273
Miscellaneous income	17,536	-	17,536
Net assets released from restrictions <i>(Note 8)</i>	<u>1,116,916</u>	<u>(1,116,916)</u>	<u>-</u>
<b>Net revenues, gains, and other support</b>	<b>2,083,552</b>	<b>179,544</b>	<b>2,263,096</b>
<b>Functional expenses:</b>			
Program services	1,361,731	-	1,361,731
Management and general	397,401	-	397,401
Fundraising	<u>325,940</u>	<u>-</u>	<u>325,940</u>
<b>Total expenses</b>	<b><u>2,085,072</u></b>	<b><u>-</u></b>	<b><u>2,085,072</u></b>
<b>Increase (decrease) in net assets</b>	<b>(1,520)</b>	<b>179,544</b>	<b>178,024</b>
Net assets, beginning of year	<u>5,773,325</u>	<u>5,442,030</u>	<u>11,215,355</u>
<b>Net assets, end of year</b>	<b><u>\$ 5,771,805</u></b>	<b><u>\$ 5,621,574</u></b>	<b><u>\$ 11,393,379</u></b>

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

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Statement of Functional Expenses

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Year Ended December 31, 2020

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	Program Services	Management and General	Fundraising	Total
Grant making programs	\$ 745,774	\$ -	\$ -	\$ 745,774
Salaries and wages	476,926	236,377	197,225	910,528
Payroll taxes and benefits	67,688	25,674	36,142	129,504
Office and operations	33,427	67,548	21,552	122,527
Professional contracts	19,902	57,972	900	78,774
Communications and external relations	1,503	-	67,387	68,890
Travel	12,784	8,274	866	21,924
Equipment	3,727	1,556	1,868	7,151
	<u>\$ 1,361,731</u>	<u>\$ 397,401</u>	<u>\$ 325,940</u>	<u>\$ 2,085,072</u>

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

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Statement of Cash Flows**

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**Year Ended December 31, 2020**

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**Cash flows from operating activities:**

Increase in net assets	\$ 178,024
Adjustments to reconcile increase in net assets to net cash used by operating activities:	
Realized and unrealized gain on investments	(873,092)
(Increase) decrease in assets:	
Grants receivable	74,760
Prepaid expenses and deposits	(5,802)
Increase (decrease) in liabilities:	
Accounts payable	15,016
Grants payable	145,660
Funds held on behalf of others	(91,358)
Accrued payroll liabilities	<u>90,776</u>

**Net cash used by operating activities** **(466,016)**

**Cash flows from investing activities:**

Proceeds from sale of investments	1,250,520
Purchases of investments	<u>(690,786)</u>

**Net cash provided by investing activities** **559,734**

**Net increase in cash and cash  
equivalents, and restricted cash** **93,718**

Cash and cash equivalents, and restricted cash,  
beginning of year 248,219

**Cash and cash equivalents, and restricted cash,  
end of year** **\$ 341,937**

**Reconciliation to statement of financial position:**

Cash and cash equivalents	\$ 322,260
Restricted cash	<u>19,677</u>
	<b><u><u>\$ 341,937</u></u></b>

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



# NATIVE ARTS AND CULTURES FOUNDATION, INC.

## Notes to Financial Statements

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### 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**

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

**Summary of Significant Accounting Policies - Continued**

**Investments** - Investments 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 statement 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 statement 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.

Total conditional contributions to be recognized as contribution support once certain conditions are met are comprised of the following at December 31, 2020:

Conditioned upon raising matching funds	<u><u>\$ 1,250,000</u></u>
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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.

**Paycheck Protection Program Loan** - In June 2020, the Foundation received loan proceeds of \$156,700 from Umpqua Bank under the Paycheck Protection Program (PPP). The PPP, established as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provides for full or partial loan forgiveness if loan proceeds are used for qualifying expenses and certain other conditions are satisfied.

Contribution support is recognized as qualifying PPP expenses are incurred. The Foundation recognized grants revenue on the statement activities of \$156,700, the full amount of the original loan. The loan was forgiven in full by the Small Business Administration (SBA) in January 2021.

# NATIVE ARTS AND CULTURES FOUNDATION, INC.

## Notes to Financial Statements - Continued

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

#### Summary of Significant Accounting Policies - Continued

**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.

**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 statement of functional expenses presents the natural classification detail of expenses by function.

The statement of functional expenses reports 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.

**Adoption of New Accounting Standard** - Effective January 1, 2020, the Foundation has adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU), 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The ASU requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers that fall within its scope.

The Foundation has adopted the new standard using the modified retrospective approach. The Foundation did not identify any existing unsatisfied performance obligations at January 1, 2020 (the date of initial application), and there was no impact on the Foundation's previously recognized revenue as a result of the adoption of this ASU. The Foundation does not typically derive any of its revenues from contracts from customers and did not have such revenue in 2020.

**Recent Accounting Pronouncement** - In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU, among other things, will require lessees to recognize a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis, and a right-of-use asset, which represents the lessee's right to use, or control the use of, a specified asset for the lease term. ASU 2016-02 is effective for the Foundation on January 1, 2022. Management is evaluating the potential impact of this ASU on the Foundation's financial statements.

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

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**2. Liquidity and Availability of Resources**

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, 2020:

Cash and cash equivalents	\$ 322,260
Grants receivable	229,240
Investments	<u>5,949,783</u>
Total financial assets available within one year	6,501,283
Less:	
Board designated for operating reserve	(1,522,542)
Board designated for financial reserve	<u>(4,247,948)</u>
	<u><u>\$ 730,793</u></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 Board (the Board) has designated net assets without donor restrictions (*Note 7*) that, while the Foundation does not intend to spend for any purpose other than those identified, could be made available for current operations, if necessary.

**3. Concentrations**

Three grantors accounted for approximately 44 percent of total grant revenues during the year ended December 31, 2020. Four grantors accounted for approximately 79 percent of total grants receivable at December 31, 2020.

**4. Net Investment Return**

Net investment return consists of the following for the year ended December 31, 2020:

Interest and dividends	\$ 190,266
Net realized and unrealized gain	873,092
Investment management fees	<u>(36,085)</u>
Net investment return	<u><u>\$ 1,027,273</u></u>

NATIVE ARTS AND CULTURES FOUNDATION, INC.

Notes to Financial Statements - Continued

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**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.

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**5. Fair Value Measurements - Continued**

The following table sets forth by level, within the fair value hierarchy, the Foundation's assets measured at fair value on a recurring basis at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Mutual funds:				
Domestic equity	\$ 1,023,543	\$ -	\$ -	\$ 1,023,543
International equity	4,123,693	-	-	4,123,693
Domestic fixed income	4,261,364	-	-	4,261,364
Domestic balance	333,675	-	-	333,675
Alternative asset	195,163	-	-	195,163
All asset	286,220	-	-	286,220
Annuities	-	137,642	-	137,642
	<u>\$ 10,223,658</u>	<u>\$ 137,642</u>	<u>\$ -</u>	10,361,300
Hedge fund investment measured at net asset value				450,668
				<u>\$ 10,811,968</u>

Investments at December 31, 2020 also include cash and cash equivalents totaling \$300,000. Such investments are not subject to the fair value framework.

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, 2020:

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Period
	\$ 450,668	\$ -	Quarterly	45 days

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**6. Lease Commitments**

At December 31, 2020, the Foundation had entered into operating lease agreements for office and meeting space through February 2021. Subsequent to December 31, 2020, the Foundation entered into an agreement to extend the office leases through February 2022. Total rent expense was \$24,829 for the year ended December 31, 2020.

Future minimum lease payments under these agreements as of December 31, 2020, inclusive of the extended leases, are as follows:

Years Ending December 31,	Amount
2021	\$ 18,396
2022	<u>2,296</u>
	<u><u>\$ 20,692</u></u>

**7. 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:

Undesignated	\$ 1,315
Board designated for operating reserve	1,522,542
Board designated for financial reserve	<u>4,247,948</u>
	<u><u>\$ 5,771,805</u></u>

**Board Designated for Operating Reserve** - The Board approved management's proposed 2020 operational budget, 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 \$1,522,542 of net assets without donor restrictions at December 31, 2020, 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 \$4,247,948 at December 31, 2020.

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

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**8. Net Assets With Donor Restrictions**

Net assets with donor restrictions consist of the following at December 31, 2020:

Purpose restrictions	\$ 459,389
Endowments subject to spending policy and appropriation ( <i>Note 9</i> )	<u>5,162,185</u>
	<u><u>\$ 5,621,574</u></u>

Net assets of \$1,116,916 were released from donor restrictions during 2020 by incurring expenses satisfying restricted purposes or by the passage of time.

**9. 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 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.

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.



**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

**9. 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, 2020:

	<b>With Donor Restrictions</b>
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ 4,000,000
Accumulated investment gains	<u>1,162,185</u>
Total endowment funds	<u><u>\$ 5,162,185</u></u>

Changes in endowment net assets for the year ended December 31, 2020, are as follows:

	<b>With Donor Restrictions</b>
Endowment net assets, December 31, 2019	\$ 4,555,105
Investment return, net	851,460
Amounts appropriated for expenditure	<u>(244,380)</u>
Endowment net assets, December 31, 2020	<u><u>\$ 5,162,185</u></u>

**NATIVE ARTS AND CULTURES FOUNDATION, INC.**

**Notes to Financial Statements - Continued**

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**10. Subsequent Events**

Management has evaluated subsequent events through April 26, 2021, the date the financial statements were available for issue.

On February 26, 2021, the Foundation received a donation of commercial real property located in Portland, Oregon. On March 15, 2021, 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, 2020.