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**NATIVE  
ARTS &  
CULTURES**  
FOUNDATION

**FINANCIAL STATEMENTS**

**Years Ended December 31, 2018 and 2017**

**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 statements of financial position as of December 31, 2018 and 2017, 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, 2018 and 2017, 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.

## **Emphasis of a Matter**

As discussed in *Note 1* to the financial statements, the Foundation has adopted Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. Our opinion is not modified with respect to this matter.

Huffman, Stewart & Schmidt, P.C.

Lake Oswego, Oregon  
April 18, 2019

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

**Statements of Financial Position**

<b>December 31,</b>	<b>2018</b>	<b>2017</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 217,337	\$ 509,750
Grants receivable <i>(Note 4)</i>	173,000	204,305
Prepaid expenses and deposits	16,598	23,421
Investments <i>(Note 6)</i>	<u>4,378,033</u>	<u>5,812,764</u>
<b>Total current assets</b>	<b>4,784,968</b>	<b>6,550,240</b>
Grants receivable - net of current portion <i>(Note 4)</i>	38,000	79,000
Investments - net of current portion <i>(Notes 6 and 10)</i>	<u>5,735,168</u>	<u>6,001,747</u>
<b>Total assets</b>	<b><u>\$ 10,558,136</u></b>	<b><u>\$ 12,630,987</u></b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 35,513	\$ 19,259
Grants payable	141,475	181,950
Accrued payroll liabilities	<u>15,933</u>	<u>31,514</u>
<b>Total liabilities (all current)</b>	<b>192,921</b>	<b>232,723</b>
Commitments <i>(Note 7)</i>		
<b>Net assets:</b>		
Without donor restrictions <i>(Note 8)</i>	4,308,540	5,586,169
With donor restrictions <i>(Notes 9 and 10)</i>	<u>6,056,675</u>	<u>6,812,095</u>
<b>Total net assets</b>	<b><u>10,365,215</u></b>	<b><u>12,398,264</u></b>
<b>Total liabilities and net assets</b>	<b><u>\$ 10,558,136</u></b>	<b><u>\$ 12,630,987</u></b>

*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,**

	<b>2018</b>			<b>2017</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
<b>Revenues, gains, and other support:</b>						
Grants	\$ 179,900	\$ 254,500	\$ 434,400	\$ 229,750	\$ 533,000	\$ 762,750
Contributions	34,492	500	34,992	23,521	-	23,521
Investment return (loss), net <i>(Note 5)</i>	(270,744)	(266,579)	(537,323)	582,577	526,443	1,109,020
Miscellaneous income	-	-	-	84	-	84
Net assets released from restrictions <i>(Note 9)</i>	743,841	(743,841)	-	631,812	(631,812)	-
<b>Net revenues, gains, and other support</b>	<b>687,489</b>	<b>(755,420)</b>	<b>(67,931)</b>	<b>1,467,744</b>	<b>427,631</b>	<b>1,895,375</b>
<b>Functional expenses:</b>						
Program services	1,486,193	-	1,486,193	1,269,738	-	1,269,738
Management and general	354,107	-	354,107	322,640	-	322,640
Fundraising	124,818	-	124,818	111,516	-	111,516
<b>Total expenses</b>	<b>1,965,118</b>	<b>-</b>	<b>1,965,118</b>	<b>1,703,894</b>	<b>-</b>	<b>1,703,894</b>
<b>Increase (decrease) in net assets</b>	<b>(1,277,629)</b>	<b>(755,420)</b>	<b>(2,033,049)</b>	<b>(236,150)</b>	<b>427,631</b>	<b>191,481</b>
Net assets, beginning of year	5,586,169	6,812,095	12,398,264	5,822,319	6,384,464	12,206,783
<b>Net assets, end of year</b>	<b>\$ 4,308,540</b>	<b>\$ 6,056,675</b>	<b>\$ 10,365,215</b>	<b>\$ 5,586,169</b>	<b>\$ 6,812,095</b>	<b>\$ 12,398,264</b>

*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,**

	2018				2017			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Grant making programs	\$ 904,463	\$ -	\$ -	\$ 904,463	\$ 686,668	\$ -	\$ -	\$ 686,668
Salaries and wages	369,452	219,361	90,324	679,137	379,210	196,231	75,057	650,498
Payroll taxes and benefits	56,620	33,071	13,900	103,591	55,515	31,459	12,617	99,591
Office and operations	35,517	45,632	19,143	100,292	42,879	36,980	16,711	96,570
Professional contracts	525	21,469	-	21,994	3,504	3,869	-	7,373
Communications and external relations	38,790	-	60	38,850	8,532	-	832	9,364
Travel	78,528	33,303	660	112,491	87,787	51,222	5,007	144,016
Equipment	2,298	1,271	731	4,300	5,643	2,879	1,292	9,814
	<b><u>\$ 1,486,193</u></b>	<b><u>\$ 354,107</u></b>	<b><u>\$ 124,818</u></b>	<b><u>\$ 1,965,118</u></b>	<b><u>\$ 1,269,738</u></b>	<b><u>\$ 322,640</u></b>	<b><u>\$ 111,516</u></b>	<b><u>\$ 1,703,894</u></b>

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

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

**Statements of Cash Flows**

<b>Years Ended December 31,</b>	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets	\$ (2,033,049)	\$ 191,481
Adjustments to reconcile increase (decrease) in net assets to net cash used by operating activities:		
Realized and unrealized loss (gain) on investments	834,354	(853,060)
(Increase) decrease in assets:		
Grants receivable	72,305	96,695
Prepaid expenses and deposits	6,823	6,096
Increase (decrease) in liabilities:		
Accounts payable	16,254	(17,501)
Grants payable	(40,475)	133,425
Accrued payroll liabilities	(15,581)	9,327
<b>Net cash used by operating activities</b>	<b>(1,159,369)</b>	<b>(433,537)</b>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of investments	1,256,473	1,049,709
Purchases of investments	(389,517)	(361,273)
<b>Net cash provided by investing activities</b>	<b>866,956</b>	<b>688,436</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(292,413)</b>	<b>254,899</b>
Cash and cash equivalents, beginning of year	509,750	254,851
<b>Cash and cash equivalents, end of year</b>	<b>\$ 217,337</b>	<b>\$ 509,750</b>

*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.

Estimates are used in the financial statements for, among other things, the determination of any allowance for uncollectible receivables, 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.

**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 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 revenues in the period received. Conditional promises are not recognized until they become unconditional, that is, when 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, 2018, the Foundation has recognized \$105,000 of this contribution, leaving a \$109,000 conditional promise to give to be received and recognized once certain conditions are met in accordance with the award agreement.

During 2017, the Foundation received a \$450,000 conditional promise to give over a three-year period. As of December 31, 2018, the Foundation has recognized \$300,000 of this contribution, leaving a \$150,000 conditional promise to give to be received and recognized once certain conditions are met 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 Standard** - In August 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-14, *Not-for-Profit Entities (Topic 958) - Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Foundation implemented ASU 2016-14 during the year ended December 31, 2018 and has adjusted the presentation in these financial statements accordingly. The ASU has been applied retrospectively to all periods presented. The Foundation opted not to disclose liquidity and availability information for 2017 as permitted under the ASU in the year of adoption.

**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, 2018:

Cash and cash equivalents	\$ 217,337
Grants receivable	173,000
Investments	<u>4,378,033</u>
Total financial assets available within one year	4,768,370
Less:	
Amounts unavailable to management without board approval:	
Board designated for operating reserve	(1,057,000)
Board designated for financial reserve	<u>(3,250,978)</u>
Total financial assets available within one year after board designations	<u>\$ 460,392</u>

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

**Notes to Financial Statements - Continued**

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**2. Liquidity and Availability - Continued**

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 61 percent of total grant revenues during the year ended December 31, 2018. One grantor accounted for approximately 20 percent of total grant revenues during the year ended December 31, 2017.

**4. Grants Receivable**

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

	2018	2017
Unconditional promises expected to be collected in:		
Less than one year	\$ 173,000	\$ 204,305
One to five years	<u>38,000</u>	<u>79,000</u>
	<u>\$ 211,000</u>	<u>\$ 283,305</u>

**5. Net Investment Return (Loss)**

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

	2018	2017
Interest and dividends	\$ 348,373	\$ 309,694
Net realized and unrealized gain (loss)	(834,354)	853,060
Investment management fees	<u>(51,342)</u>	<u>(53,734)</u>
Net investment return (loss)	<u>\$ (537,323)</u>	<u>\$ 1,109,020</u>

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

**Notes to Financial Statements - Continued**

**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.

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:

<b>2018</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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	-	660,237	-	660,237
Hedge fund	-	-	715,265	715,265
	<u>\$ 8,737,699</u>	<u>\$ 660,237</u>	<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**

<b>2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Mutual funds:				
Domestic equity	\$ 3,327,763	\$ -	\$ -	\$ 3,327,763
International equity	2,664,453	-	-	2,664,453
Fixed income	4,406,824	-	-	4,406,824
Annuities	-	716,714	-	716,714
Hedge fund	-	-	698,757	698,757
	<u>\$ 10,399,040</u>	<u>\$ 716,714</u>	<u>\$ 698,757</u>	<u>\$ 11,814,511</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:

	<b>2018</b>	<b>2017</b>
Balance, beginning of year	\$ 698,757	\$ 666,670
Realized and unrealized gains	23,433	42,380
Fees paid	<u>(6,925)</u>	<u>(10,293)</u>
Balance, end of year	<u>\$ 715,265</u>	<u>\$ 698,757</u>

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

**Notes to Financial Statements - Continued**

**7. Lease Commitments**

At December 31, 2018, the Foundation had entered into operating lease agreements for office and meeting space through February 2020. Total rent expense was \$23,379 and \$20,540 for 2018 and 2017, respectively.

Future minimum lease payments under these agreements as of December 31, 2018, inclusive of the extended leases, are as follows:

Years Ending December 31,	Amount
2019	\$ 22,261
2020	<u>3,726</u>
	<u><u>\$ 25,987</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:

	2018	2017
Undesignated	\$ 562	\$ 1,402
Board designated for operating reserve	1,057,000	796,000
Board designated for financial reserve	<u>3,250,978</u>	<u>4,788,767</u>
	<u><u>\$ 4,308,540</u></u>	<u><u>\$ 5,586,169</u></u>

**Board Designated for Operating Reserve** - The Board approved management's proposed 2019 and 2018 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 \$1,057,000 and \$796,000 of net assets without donor restrictions at December 31, 2018 and 2017, 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 \$3,250,978 and \$4,788,767 at December 31, 2018 and 2017, 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:

	<b>2018</b>	<b>2017</b>
Purpose restrictions	\$ 321,507	\$ 810,348
Endowments subject to spending policy and appropriation ( <i>Note 10</i> )	<u>5,735,168</u>	<u>6,001,747</u>
	<u><u>\$ 6,056,675</u></u>	<u><u>\$ 6,812,095</u></u>

Net assets of \$743,841 and \$631,812 were released from donor restrictions during 2018 and 2017, 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 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 or 2017.



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

**Notes to Financial Statements - Continued**

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**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:

	<b>With Donor Restrictions</b>
<b>2018</b>	
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>
<b>2017</b>	
Original donor-restricted gift amounts required to be maintained in perpetuity by donor	\$ 4,000,000
Accumulated investment gains	<u>2,001,747</u>
Total endowment funds	<u><u>\$ 6,001,747</u></u>

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

**Notes to Financial Statements - Continued**

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**10. Endowment Net Assets - Continued**

Changes in endowment net assets for years ended December 31, 2018 and 2017, are as follows:

	<b>With Donor Restrictions</b>
Endowment net assets, December 31, 2016	\$ 5,475,304
Investment return, net	<u>526,443</u>
Endowment net assets, December 31, 2017	6,001,747
Investment loss, net	<u>(266,579)</u>
Endowment net assets, December 31, 2018	<u>\$ 5,735,168</u>

**11. Subsequent Events**

Management has evaluated subsequent events through April 18, 2019, the date the financial statements were available for issue.

In September 2018, management of the Foundation and Yale Union (YU), a Portland-based, nonprofit contemporary art space, initiated a discussion regarding the possible transition of ownership to the Foundation of a 36,000 square foot, two-story commercial property owned by YU, and located at 800 SE 10<sup>th</sup> Avenue in Portland, Oregon.

On March 5, 2019, management of the Foundation and YU entered into a non-binding letter of intent regarding the possible transition. The Foundation is under no obligation to accept the property, and actual transition would be subject to Foundation board approval upon completion of a feasibility analysis and mutual agreement on a plan of transition. The building and land was last appraised in February 2011, as is, for \$2,170,000.