



Report of Independent Auditors
and Financial Statements for

**Southwestern Association
for Indian Arts, Inc.**

December 31, 2013 and 2012

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
Southwestern Association for Indian Arts, Inc.
Santa Fe, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of Southwestern Association for Indian Arts, Inc. (a nonprofit organization), which comprise the statement of financial position as of December 31, 2013, and the related statements of activities 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.

Auditor's 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 Association'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.

To the Board of Directors
Southwestern Association for Indian Arts, Inc.

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 Southwestern Association for Indian Arts, Inc. as of December 31, 2013, 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.

Prior Period Financial Statements

The statement of financial position of Southwestern Association for Indian Arts, Inc. as of and for the year ended December 31, 2012, were audited by other auditors whose report dated October 20, 2013, expressed an unmodified opinion on those statements.

Mess Adams LLP

Albuquerque, New Mexico
July 29, 2014

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SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENT OF FINANCIAL POSITION

ASSETS

	December 31,	
	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 115,796	\$ 210,554
Short-term investments	26,321	26,289
Accounts receivable	-	15
Prepaid assets	10,668	14,009
Total current assets	<u>152,785</u>	<u>250,867</u>
EQUIPMENT	<u>5,737</u>	<u>4,285</u>
LONG-TERM INVESTMENTS		
Equity securities	177,623	158,675
Marketable debt securities	65,457	66,787
Total long-term investments	<u>243,080</u>	<u>225,462</u>
Total assets	<u>\$ 401,602</u>	<u>\$ 480,614</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 15,306	\$ 41,551
Accrued expenses	23,455	18,918
Total current liabilities	<u>38,761</u>	<u>60,469</u>
NET ASSETS		
Unrestricted	167,414	227,733
Temporarily restricted	21,602	18,587
Permanently restricted	173,825	173,825
Total net assets	<u>362,841</u>	<u>420,145</u>
Total liabilities and net assets	<u>\$ 401,602</u>	<u>\$ 480,614</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENT OF ACTIVITIES
Year Ended December 31, 2013 and 2012

	2013			2012	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, Public Support and Reclassifications					
Artist fee income	\$ 501,249	\$ -	\$ -	\$ 501,249	\$ 489,332
Marketing and licensing income	56,516	-	-	56,516	58,863
Merchandise sales income	50,101	-	-	50,101	48,988
Membership and contributions	240,780	35,065	-	275,845	456,580
Grants and endowments	2,000	105,419	-	107,419	16,393
Special events	367,604	25,000	-	392,604	484,809
In-kind contributions	76,839	-	-	76,839	76,883
Investment income	4,207	-	-	4,207	4,037
Unrealized gain on investments	38,811	-	-	38,811	17,371
Other income	500	-	-	500	1,000
Gain/(loss) on sales of fixed asset	(220)	-	-	(220)	(528)
Net assets released from restrictions	162,469	(162,469)	-	-	-
	<u>1,500,856</u>	<u>3,015</u>	<u>-</u>	<u>1,503,871</u>	<u>1,653,728</u>
Expenses					
Program Services					
Indian market	580,322	-	-	580,322	668,436
Awards and fellowships	120,129	-	-	120,129	121,221
In-kind expenses	76,839	-	-	76,839	76,883
	<u>777,290</u>	<u>-</u>	<u>-</u>	<u>777,290</u>	<u>866,540</u>
Support Services					
Management and general	503,115	-	-	503,115	430,647
Fundraising - funds development	280,770	-	-	280,770	277,577
	<u>783,885</u>	<u>-</u>	<u>-</u>	<u>783,885</u>	<u>708,224</u>
	<u>1,561,175</u>	<u>-</u>	<u>-</u>	<u>1,561,175</u>	<u>1,574,764</u>
Change in net assets	(60,319)	3,015	-	(57,304)	78,964
Net assets, beginning of year	227,733	18,587	173,825	420,145	341,181
Net assets, end of year	<u>\$ 167,414</u>	<u>\$ 21,602</u>	<u>\$ 173,825</u>	<u>\$ 362,841</u>	<u>\$ 420,145</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (57,304)	\$ 78,964
Loss on disposal of equipment	220	528
Unrealized gain on investments	38,811	17,371
Depreciation	6,870	14,659
Changes in assets and liabilities		
Accounts receivable	15	1,415
Grants receivable	-	32,343
Prepaid expenses and deposits	3,341	2,680
Accounts payable	(26,245)	10,752
Accrued expenses	4,537	9,978
	<u>(29,755)</u>	<u>168,690</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of equipment	(8,542)	(9,124)
Purchase of investments	(56,461)	(38,738)
	<u>(65,003)</u>	<u>(47,862)</u>
Net (decrease) increase in cash	(94,758)	120,828
Cash and cash equivalents, beginning of year	<u>210,554</u>	<u>89,726</u>
Cash and cash equivalents, end of year	<u>\$ 115,796</u>	<u>\$ 210,554</u>
Supplemental Data:		
In-kind expenses	<u>\$ 76,839</u>	<u>\$ 76,883</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Organization

Organization and nature of activities – The Southwestern Association for Indian Arts, Inc. (SWAIA or the Organization) is a not-for-profit organization incorporated in June 1971 under the laws of the State of New Mexico. SWAIA's mission is to develop, sponsor and promote the Santa Fe Indian Market and other educational programs and events that encourage cultural preservation, intercultural understanding and economic opportunities for American Indians through excellence in the arts.

Description of programs – Following are the major programs of SWAIA:

Indian market – includes the annual organization and administration of the Southwest's largest arts market to display and judge artwork representing 1,200 artists from 43 states and Canada. Winter Indian Market is a relatively new expansion of this program. See footnote 10 for greater program detail.

Awards and fellowships – consists of the judging process and presentation of awards and fellowships to participating Indian Market artists based on predefined standards and criteria of their work.

Outreach programs – consists of providing support to and recognition of Native American artists of all ages.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting – The financial statements are prepared using the accrual basis of accounting.

Basis of presentation – The financial statements include the accounts and transactions of SWAIA. The Organization's financial statements are reflected on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The Organization reports information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets.

Unrestricted net assets – are assets not subject to stipulations imposed by the donor and are currently available for expenditures. Revenues are reported as increases in unrestricted net assets unless use of the related assets is limited by explicit donor restrictions. Contributions are reported as unrestricted where donor-imposed restrictions are met in the same reporting period as they are received. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or law. Unrestricted net assets include net assets transferred from temporarily restricted net assets after temporary restrictions imposed by the donor have been accomplished or the stipulated time period has elapsed. A donor's restriction, however, may be released or modified by the donor, a court, or in the circumstances and manner set forth in the Uniform Prudent Management of Institutional Funds Act.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Temporarily restricted net assets – are assets subject to explicit restrictions imposed by the donor on the expenditure of contributions or income and gains on contributed assets. The temporary restrictions may expire due to the passage of time or the occurrence of expenditures that fulfill the restrictions. Temporarily restricted net assets also include accumulated net investment income earned by the permanently restricted net assets, except for net investment income permanently restricted by the donor.

Permanently restricted net assets – are assets subject to explicit stipulations imposed by the donor to be maintained in perpetuity. Permanently restricted net assets consist of contributions and pledges specifically restricted by the donor for the purpose of forming a permanent endowment to generate income.

Use of estimates – The preparation of financial statements in conformity with generally accepted accounting principles (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, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and cash equivalents – Cash and cash equivalents include all cash balances and highly liquid investments with an initial maturity of three months or less. In the normal course of operations SWAIA may maintain cash held at financial institutions in excess of the FDIC limit of \$250,000.

Investments – Investments are recorded at fair value in accordance with ASC 820 Fair Value Measurements and Disclosures (see Note 3) and the realized and unrealized gains and losses on investments are recorded as increases or decreases in unrestricted, temporarily restricted or permanently restricted net assets based upon donor imposed restrictions or applicable law.

The fair value of investments is subject to ongoing fluctuation. The amount ultimately realized upon disposition may differ than the amounts reported in these financial statements. Fair value estimates for securities are currently volatile, difficult to predict, and subject to material changes that could affect the SWAIA's financial condition and results of operations in the future.

Equipment – Equipment is recorded at cost or estimated fair value at the date of donation. SWAIA capitalizes all equipment purchased in excess of \$1,500. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets over their estimated service lives of approximately 3 to 10 years on furniture, equipment, and machinery on a straight-line basis.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Concentration of credit risk – SWAIA has cash depository accounts with one financial institution that sometimes exceeds the FDIC insurance coverage limit of \$250,000. SWAIA has not experienced any losses to date, and management believes the organization is not exposed to significant liquidity risk from this concentration.

Income taxes – SWAIA is exempt from federal income taxes on related income under Section 501 (a) of the Internal Revenue Code (IRC) of 1986, as amended, as an organization described in IRC Section 501 (c)(3). Further, SWAIA has been classified as an organization that is not a private foundation under the IRC Section 509(a) and, as such, contributions to SWAIA qualify for deduction as charitable contributions.

Financial Accounting Standards Board (FASB) provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken in the course of preparing the SWAIA's tax return to determine whether the tax positions are "more-likely-than-not" of being sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax benefit or expense and liability in the current year. Management has determined that there are no material uncertain income tax positions. SWAIA is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for years prior to 2009.

Contributions – SWAIA also follows FASB ASC Subtopic 958-605, Not-for-Profit Entities: Revenue Recognition (or ASC 958-605). Contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Unconditional promises to give, are required to be recorded when received and such contributions are required to be reported as permanently restricted support or temporarily restricted support and are then reclassified to unrestricted net assets upon satisfaction of donor restrictions.

Functional allocation of expenses – SWAIA is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporary restricted net assets, and permanently restricted net assets. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Reclassifications – Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

Subsequent events – SWAIA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated subsequent events through July 29, 2014, the date on which the financial statements were available to be issued. See Note 11.

Note 3 – Fair Value Measurements

SWAIA carries investments in marketable securities with readily determinable fair values and all investments in debt securities at their fair values in the statements of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statements of activities and changes in net assets.

The following table presents information about SWAIA assets that are measured at fair value on a recurring basis (no liabilities are reported at fair value) as of December 31, 2013 and 2012 and indicates the fair value hierarchy of the valuation techniques used to determine such fair value. The three levels for measuring fair value are based on the reliability of inputs and are as follows:

The three levels are defined as follows:

Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.

Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 3 – Fair Value Measurements (continued)

The 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.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Time deposits – Fair value of certificates of deposit approximates carrying value of the short-term maturity of the certificates.

Equities and debt securities – Valued at the closing price reported on the active market on which the individual securities are traded.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SWAIA believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Assets Measured at Fair Value on a Recurring Basis at December 31, 2013 are as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Time Deposits	\$ 26,321	\$ -	\$ -	\$ 26,321
Equity Securities	177,623	-	-	177,623
Marketable Debt Securities	65,457	-	-	65,457
	\$ 269,401	\$ -	\$ -	\$ 269,401

Assets Measured at Fair Value on a Recurring Basis at December 31, 2012 are as follows:

	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Total
Investments				
Time Deposits	\$ 26,289	\$ -	\$ -	\$ 26,289
Equity Securities	158,675	-	-	158,675
Marketable Debt Securities	66,787	-	-	66,787
	\$ 251,751	\$ -	\$ -	\$ 251,751

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 4 – Equipment

Equipment consists of the following as of December 31:

	<u>2013</u>	<u>2012</u>
Furniture, fixtures and equipment	\$ 47,643	\$ 48,687
Computer software	8,542	-
	<u>56,185</u>	<u>48,687</u>
Less accumulated depreciation and amortization	<u>(50,448)</u>	<u>(44,402)</u>
Total	<u>\$ 5,737</u>	<u>\$ 4,285</u>

Depreciation expense for the years ended December 31, 2013 and 2012 was \$6,870 and \$14,659, respectively.

Note 5 – Operating Leases

SWAIA has various equipment, office and storage leases. SWAIA has a Konica digital copier under lease with a 60 month term that will expire November 7, 2018, with monthly payments of \$1,462. A prior copier lease was terminated in November 7, 2013.

SWAIA has a 5 year lease for office space at 215 Washington Avenue for the period of June 1, 2012 to May 31, 2017. The monthly lease payment was \$5,251 from January to May 2013 and increased to \$5,409 for June 1 to December 31, 2013.

Other rental payments include a postage meter leased on a quarterly basis with a monthly payment of \$154. Additionally, a storage rental is paid on a month-to-month basis at a current rate of \$594 per month.

Future minimum lease payments for the leases recognized above are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2014	\$ 20,005	\$ 66,042
2015	20,005	68,021
2016	17,540	70,060
2017	17,540	29,550
2018	<u>14,616</u>	<u>-</u>
	<u>\$ 89,706</u>	<u>\$ 233,673</u>

Equipment and facilities lease expense during the year are \$27,723 and \$63,960 respectively for 2013 and \$27,343 and \$80,508, respectively for 2012.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 6 – In-Kind Contributions and Services

In-kind services consist of volunteer support for the office and the Indian Market. During 2013, 600 volunteers contributed approximately 12,000 hours to the Indian Market at a value of \$126,120. For 2012, volunteers contributed approximately 12,000 hours to the Indian Market at a value of \$118,200. Volunteers are valued at rates of \$10.51 per hour, consistent with the city minimum wage in 2013 and 2012. Pursuant to the requirements of FASB ASC 958-605-30-2, these amounts have not been recorded in the SWAIA's financial statements.

In-kind contributions of advertising, food, meeting space fees and auctioneer services totaled \$76,839 for the year ending December 31, 2013, and were booked accordingly. In-kind contributions for fiscal year 2012 totaled \$76,883.

Additional in-kind contributions of art and jewelry for the purpose of auction fundraising totaled \$262,818 for the year ending December 31, 2013, and were booked accordingly. Similar in-kind contributions for fiscal year 2012 totaled \$363,868. Auction donations are valued at their final sales price. No corresponding in-kind expense is recorded due to cash received upon sale.

Note 7 – Retirement Plan

SWAIA participates in a 403(b) retirement plan for eligible employees, generally after six months of employment. Contributions to the plan are based on a percentage of employee salaries, determined by specific provisions of the plan. As of December 31, 2013 and 2012, contributions to the plan of \$6,025 and \$6,503 respectively, have been recognized in the accompanying financial statements.

Note 8 – Temporarily Restricted Net Assets

As of December 31, temporarily restricted net assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Purpose restriction		
Grants - youth camp	\$ 9,631	\$ -
Grants - fellowships	4,975	-
Grants - artist assistance	3,760	-
Grants - equipment and hardware	<u>3,236</u>	<u>18,587</u>
	<u>\$ 21,602</u>	<u>\$ 18,587</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 9 – Permanently Restricted Net Assets

SWAIA maintains several permanently restricted endowment funds in its permanently restricted net assets. These funds as of December 31, are as follows:

	<u>2013</u>	<u>2012</u>
Messengers of Healing Winds Foundation Endowment	\$ 10,000	\$ 10,000
William Randolph Herst Foundation Fellowship	100,000	100,000
Helen Naha Memorial Award Funds	11,825	11,825
Peter Dechert Indian Arts Award Fund	2,000	2,000
John Moore's Endowment	<u>50,000</u>	<u>50,000</u>
Total	<u>\$ 173,825</u>	<u>\$ 173,825</u>

Note 10 – Endowments

SWAIA endowment consists of donor-restricted endowment funds and does not include any funds designated by the Board of Directors to function as endowments. Net assets associated with endowments are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of relevant law – Based on the interpretation of UPMIFA by the Board of Directors of SWAIA, the guidance in ASC 958-205, and absent explicit donor stipulations to the contrary, SWAIA 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 SWAIA in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, SWAIA 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 SWAIA 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 SWAIA
- the investment policies of SWAIA

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
NOTES TO FINANCIAL STATEMENTS

Note 10 – Endowments (continued)

Net asset classification by type of endowment as of December 31, 2013, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 173,825	\$ 173,825

Changes in Endowment Net Assets for the Year Ended December 31, 2013 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2012	\$ -	\$ -	\$ 173,825	\$ 173,825
Investment return	-	38,811	-	38,811
Appropriation of endowment assets for expenditure	-	(38,811)	-	(38,811)
Endowment net assets, December 31, 2013	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>

Net asset classification by type of endowment as of December 31, 2012, is as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ -	\$ -	\$ 173,825	\$ 173,825

Changes in Endowment Net Assets for the Year Ended December 31, 2012 are as follows:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2011	\$ -	\$ -	\$ 173,825	\$ 173,825
Investment return	-	17,371	-	17,371
Appropriation of endowment assets for expenditure	-	(17,371)	-	(17,371)
Endowment net assets, December 31, 2012	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>

Funds with deficiencies – From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original value of the fund. There were no funds with deficiencies.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

Note 10 – Endowments (continued)

Return objectives and risk parameters – SWAIA has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the historical dollar value of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a mix of relevant benchmarks, while assuming a moderate level of investment risk. SWAIA currently expects its endowment funds to produce a total investment rate of return over the long term which exceeds the rate of inflation as measured by the Consumer Price Index (CPI) by at least 5%. Actual returns in any given year may vary from this amount.

Note 11 – Subsequent Events

Subsequent to year end, SWAIA received an unsecured line of credit loan from First National Bank for \$100,000 with a variable interest rate, Wall Street Journal prime, plus 1.75% (currently 5.0%) maturing on September 25, 2014. Monthly interest payments are due beginning April 25, 2014, with all outstanding principal and accrued interest due upon maturity of the note.