

SOUTHWESTERN ASSOCIATION FOR  
INDIAN ARTS

FINANCIAL STATEMENTS

DECEMBER 31, 2017 AND 2016

# **Southwestern Association for Indian Arts**

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## Independent Auditor's Report

Board of Directors  
Southwestern Association for Indian Arts  
Albuquerque, New Mexico

We have audited the accompanying financial statements of the Southwestern Association for Indian Arts (SWAIA, a nonprofit organization), which comprise the statements of financial position as of December 31, 2017 and 2016, and the related statements of activities, functional expense 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.

### **Auditor's 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 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 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 Southwestern Association for Indian Arts as of December 31, 2017 and 2016, and the changes in its net assets and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink, appearing to read "M.P. Group, Inc." followed by a flourish.

Albuquerque, NM  
November 26, 2018

## Financial Statements

**Southwestern Association for Indian Arts**  
**Statements of Financial Position**  
**December 31,**

	<u>2017</u>	<u>2016</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 37,123	\$ 128,459
Accounts receivable	17,910	18,629
Contracts and grants receivable	-	15,000
Other assets	<u>7,268</u>	<u>11,573</u>
Total current assets	<u>62,301</u>	<u>173,661</u>
Investments	262,265	244,315
Equipment, net	<u>57,875</u>	<u>70,030</u>
Total assets	<u><u>382,441</u></u>	<u><u>488,006</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	46,471	45,441
Accrued expenses	16,351	20,794
Capital lease obligations	<u>11,954</u>	<u>10,420</u>
Total current liabilities	<u>74,776</u>	<u>76,655</u>
Capital lease obligation, less current portion	<u>42,636</u>	<u>57,960</u>
Total liabilities	<u><u>117,412</u></u>	<u><u>134,615</u></u>
Net assets		
Unrestricted	75,818	136,370
Temporarily restricted	15,386	43,196
Permanently restricted	<u>173,825</u>	<u>173,825</u>
Total net assets	<u>265,029</u>	<u>353,391</u>
Total liabilities and net assets	<u><u>\$ 382,441</u></u>	<u><u>\$ 488,006</u></u>

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

**Southwestern Association for Indian Arts**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Artist fee income	\$ 527,982	\$ -	\$ -	\$ 527,982
Sale of merchandise	45,829	-	-	45,829
Marketing and licensing income	70,000	-	-	70,000
Membership and contributions	210,801	8,190	-	218,991
Special events	306,517	-	-	306,517
In-kind contributions	176,349	-	-	176,349
Investment income	14,286	-	-	14,286
Unrealized gain on investments	27,034	-	-	27,034
Net assets released from restrictions	36,000	(36,000)	-	-
Total support and revenue	<u>1,414,798</u>	<u>(27,810)</u>	<u>-</u>	<u>1,386,988</u>
<b>Expenses</b>				
Program services				
Indian Market	688,068	-	-	688,068
Fellowships and awards	120,422	-	-	120,422
Support services				
Management and general	266,788	-	-	266,788
Fundraising	400,072	-	-	400,072
Total expenses	<u>1,475,350</u>	<u>-</u>	<u>-</u>	<u>1,475,350</u>
Change in net assets	(60,552)	(27,810)	-	(88,362)
Net assets, beginning of year	<u>136,370</u>	<u>43,196</u>	<u>173,825</u>	<u>353,391</u>
<b>Net assets, end of year</b>	<u><u>\$ 75,818</u></u>	<u><u>\$ 15,386</u></u>	<u><u>\$ 173,825</u></u>	<u><u>\$ 265,029</u></u>

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

**Southwestern Association for Indian Arts**  
**Statement of Activities**  
**For the Year Ended December 31, 2016**

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Support and Revenue</b>				
Artist fee income	\$ 540,843	\$ -	\$ -	\$ 540,843
Sale of merchandise	35,723	-	-	35,723
Marketing and licensing income	83,007	-	-	83,007
Membership and contributions	209,546	-	-	209,546
Grants and endowments	53,814	36,100	-	89,914
Special events	448,050	-	-	448,050
In-kind contributions	150,400	-	-	150,400
Investment income	12,304	-	-	12,304
Unrealized gain on investments	8,097	-	-	8,097
Net assets released from restrictions	21,016	(21,016)	-	-
Total support and revenue	<u>1,562,800</u>	<u>15,084</u>	<u>-</u>	<u>1,577,884</u>
<b>Expenses</b>				
Program services				-
Indian Market	710,867	-	-	710,867
Fellowships and Awards	110,088	-	-	110,088
Support services				
Management and general	325,703	-	-	325,703
Fundraising	434,105	-	-	434,105
Total expenses	<u>1,580,763</u>	<u>-</u>	<u>-</u>	<u>1,580,763</u>
Change in net assets	(17,963)	15,084	-	(2,879)
Net assets, beginning of year	<u>154,333</u>	<u>28,112</u>	<u>173,825</u>	<u>356,270</u>
<b>Net assets, end of year</b>	<u><u>\$ 136,370</u></u>	<u><u>\$ 43,196</u></u>	<u><u>\$ 173,825</u></u>	<u><u>\$ 353,391</u></u>

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



**Southwestern Association for Indian Arts**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2017**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Indian Market</u>	<u>Fellowships and Awards</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Production expense	\$ 412,954	\$ 8,749	\$ 7,905	\$ 125,053	<b>\$ 554,661</b>
Personnel	241,716	12,997	82,402	160,428	<b>497,543</b>
Awards/Fellowships	16,272	70,736	-	-	<b>87,008</b>
Occupancy	1,705	434	82,097	4	<b>84,240</b>
Office expense	2,665	7,116	38,337	21,994	<b>70,112</b>
Promotional expense	4,330	5,852	3,693	54,737	<b>68,612</b>
Professional services	426	14,538	19,887	28,822	<b>63,673</b>
Administrative expense	-	-	27,068	1,534	<b>28,602</b>
Depreciation	8,000	-	2,029	7,500	<b>17,529</b>
Interest	-	-	3,370	-	<b>3,370</b>
Total expenses	<u>\$ 688,068</u>	<u>\$ 120,422</u>	<u>\$ 266,788</u>	<u>\$ 400,072</u>	<u><b>\$ 1,475,350</b></u>

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

**Southwestern Association for Indian Arts**  
**Statement of Functional Expenses**  
**For the Year Ended December 31, 2016**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Indian Market</u>	<u>Fellowships and Awards</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 205,121	\$ 26,388	\$ 122,654	\$ 211,194	\$ 565,357
Production expense	396,373	1,250	11,179	102,638	511,440
Promotional expense	55,469	-	7,592	49,104	112,165
Awards/Fellowships	20,629	82,450	-	-	103,079
Professional services	26,476	-	33,149	41,216	100,841
Occupancy	1,578	-	89,012	44	90,634
Office expense	5,221	-	23,374	29,135	57,730
Administrative expense	-	-	27,910	774	28,684
Depreciation	-	-	8,873	-	8,873
Interest	-	-	1,960	-	1,960
Total expenses	<u>\$ 710,867</u>	<u>\$ 110,088</u>	<u>\$ 325,703</u>	<u>\$ 434,105</u>	<u>\$ 1,580,763</u>

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

# Southwestern Association for Indian Arts

## Statements of Cash Flows For the Years Ended December 31,

	<u>2017</u>	<u>2016</u>
<b>Cash flows from operating activities</b>		
Cash received from artist fees and special events	\$ 834,499	\$ 988,893
Cash received from contributions	234,710	271,167
Other receipts	130,115	130,090
Cash paid to employees and suppliers	(1,277,210)	(1,389,295)
Interest expense	<u>(3,370)</u>	<u>(1,960)</u>
Net cash used by operating activities	<u>(81,256)</u>	<u>(1,105)</u>
<b>Cash flows from investing activities</b>		
Proceeds from investments	9,084	9,000
Purchase of equipment	<u>(5,374)</u>	<u>(1,679)</u>
Net cash used by investing activities	<u>3,710</u>	<u>7,321</u>
<b>Cash flows from financing activities</b>		
Principal payments on capital lease obligations	<u>(13,790)</u>	<u>(6,620)</u>
Decrease in cash	(91,336)	(404)
Cash, beginning of year	<u>128,459</u>	<u>128,863</u>
<b>Cash, end of year</b>	<u><u>\$ 37,123</u></u>	<u><u>\$ 128,459</u></u>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ (88,362)	\$ (2,879)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	17,529	8,873
Unrealized gain on investments	(27,034)	(9,041)
Changes in assets and liabilities		
Accounts receivable	719	(13,293)
Contracts and grants receivable	15,000	(15,000)
Other assets	4,305	3,814
Accounts payable	1,030	24,905
Accrued expenses	<u>(4,443)</u>	<u>1,516</u>
Total adjustments	<u>7,106</u>	<u>1,774</u>
Net cash provided by operating activities	<u><u>\$ (81,256)</u></u>	<u><u>\$ (1,105)</u></u>

### Supplemental Schedule of Noncash Investing and Financing Activities

During 2016, SWAIA entered into a capital lease for equipment totaling \$75,000.

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

# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2017 and 2016

### 1) Summary of Significant Accounting Policies

#### Nature of Business

The Southwestern Association for Indian Arts (SWAIA) 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. For the years ended December 31, 2017 and 2016, SWAIA's main sources of revenue were from memberships, donations, grants, artist fees and special events. The programs of SWAIA are as follows:

*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.

*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.

#### Furniture and Equipment

Furniture and equipment are recorded at cost if purchased or at the estimated fair value on the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, SWAIA reports the expiration of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. SWAIA reclassifies restricted net assets to unrestricted net assets at that time. Purchased or donated assets in excess of \$1,500 are capitalized. Depreciation is calculated on a straight-line basis in amounts sufficient to relate the cost of depreciable assets to operations over their estimated useful lives, which range from three to ten years.

# **Southwestern Association for Indian Arts**

## **Notes to Financial Statements**

**December 31, 2017 and 2016**

### **1) Summary of Significant Accounting Policies — continued**

#### Cash and Cash Equivalents

For purposes of the statement of cash flows, SWAIA considers all short-term highly liquid instruments to be cash equivalents provided they are both readily convertible to cash and had an original maturity of three months or less when purchased.

#### Investments

Investments are recorded at fair value 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 fluctuations. 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 SWAIA's financial condition and results of operations in the future.

#### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

#### Functional Allocation of Expense

Expenses are charged directly to program, management and general, and fundraising activities based on specific identification. Costs benefiting more than one service are allocated based on measures such as management's estimates of time spent and square footage, as applicable.

#### Allowance for Doubtful Accounts

Management reviews the collectability of its receivables and, if necessary, records an allowance for its estimate of uncollectible accounts. Bad debt history and current facts and circumstances are the primary basis for this estimate. When an account is deemed uncollectible, it is charged off against the allowance. Management estimates the receivables to be fully collectible; therefore, no allowance for doubtful accounts has been recorded.

# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2017 and 2016

### 1) Summary of Significant Accounting Policies — continued

#### Donated Services and Materials

Donated services are recorded if the services create or enhance nonfinancial assets or require specialized skills. Recognized in-kind donations are recorded at fair value on the date of donation. In-kind contributions of advertising, food, meeting space and auctioneer services related to the Indian Market totaled \$176,349 and \$150,400 for the years ended December 31, 2017 and 2016, respectively. Additional in-kind contributions of art and jewelry for the purposes of auction fundraising totaled more than \$247,000 and \$310,000 for the years ended December 31, 2017 and 2016, respectively. Donation items be used for auction are valued at their final sales price and recorded as contributions. During 2017 and 2016, volunteers contributed approximately 2,620 and 2,900 hours to the Indian Market at a value of \$26,200 and \$29,000, respectively. These services do not meet the requirements and have not been recorded in the financial statements.

#### Basis of presentation

The financial statement includes the accounts and transactions of SWAIA. The organization reports information regarding its financial position and activities according to three classes of net assets:

*Unrestricted net assets* – assets not subject to stipulation imposed by the donor and currently available for expenditure. 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 restriction are met in the same reporting period as they are received. Expense is reported as decreases in unrestricted net assets. Gains and losses on investments are reported as increase or decreases in unrestricted net assets unless their use is restricted by the donor or law. When a donor restriction expires, restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. A donor's restriction 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.

*Temporarily restricted net assets* – assets subject to explicit restrictions imposed by the donor on the use 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.

*Permanently restricted net assets* – assets subject to explicit stipulation imposed by the donor to be maintained in perpetuity.

# **Southwestern Association for Indian Arts**

## **Notes to Financial Statements**

**December 31, 2017 and 2016**

### **1) Summary of Significant Accounting Policies — continued**

#### 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 IRS Section 501(c)(3). Further, SWAIA has been classified as an organization that is not a private foundation and, as such, contributions to SWAIA qualify for deduction as charitable contributions.

Accounting standards prescribe a comprehensive model for how an organization should measure, recognize, present and disclose in its financial statements uncertain tax positions that an organization has taken or expects to take on a tax return. Management has determined that there are no material uncertain income tax positions.

#### Advertising

SWAIA expenses advertising costs as incurred. Total advertising costs were \$56,385 and \$103,050 for the years ended December 31, 2017 and 2016, respectively.

#### Financial Instruments

SWAIA's financial instruments consist of accounts and contracts receivable and accounts payable. It is management's opinion that SWAIA is not exposed to significant interest rate or credit risks arising from these instruments. Unless otherwise noted, the fair values of these financial instruments approximate their carrying value. The maximum potential loss from credit risk is equal to the carrying value. SWAIA does not require collateral on these financial instruments.

#### Subsequent Events

Subsequent events were evaluated through November 26, 2018, which is the date the financial statements were available for issue.

### **2) 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 provision of the plan. There were no contributions to the plan for the years ended December 31, 2017 and 2016.

# **Southwestern Association for Indian Arts**

## **Notes to Financial Statements**

**December 31, 2017 and 2016**

### **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 statement of financial position. Unrealized gains and losses are included in the changes in net assets in the accompanying statement of activities and changes in net assets.

The following presents information about SWAIA assets that are measured at fair value on a recurring basis as of December 31, 2017 and 2016, 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:

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.

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.

The following is a description of the valuation methodologies used for assets measured at fair value.

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



# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2017 and 2016

### 3) Fair Value Measurements — continued

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. 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 are as follows at December 31:

<b>2017</b>		<u>Fair Value Measurements Using</u>			
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities					
Equity		\$ 221,352	\$ -	\$ -	\$ 221,352
Marketable debt		40,913	-	-	40,913
		<u>\$ 262,265</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 262,265</u>
		<u>Fair Value Measurements Using</u>			
<b>2016</b>		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities					
Equity		\$ 194,991	\$ -	\$ -	\$ 194,991
Marketable debt		49,324	-	-	49,324
		<u>\$ 244,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 244,315</u>

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2017 and 2016

#### 4) Equipment

Equipment consists of the following as of December 31:

	<u>2017</u>	<u>2016</u>
Furniture, fixtures and equipment	<b>\$ 124,322</b>	\$ 124,322
Computer software	<b>15,068</b>	9,693
	<u><b>139,390</b></u>	<u>134,015</u>
Less accumulated depreciation	<u><b>(81,515)</b></u>	<u>(63,985)</u>
Total	<u><b>\$ 57,875</b></u>	<u>\$ 70,030</u>

#### 5) Concentrations

SWAIA has cash depository accounts with one financial institution that sometimes exceeds the Federal Deposit Insurance Corporation (FDIC) coverage limit of \$250,000. SWAIA has not experienced any losses in these balances and believes it is not exposed to any significant credit risk to any uninsured balances. The majority of SWAIA's income is attributable to the annual Indian Market.

#### 6) Commitments

SWAIA has a three-year lease for office space in Santa Fe through May 2020. The monthly lease payment is \$3,599 per month. Rent expense was \$53,443 and \$70,060 for the years ended December 31, 2017 and 2016, respectively. Future minimum lease payments are as follows:

2018	\$ 43,188
2019	43,188
2021	<u>17,995</u>
Total	<u>\$ 104,371</u>

SWAIA leases equipment under a capital lease agreement, which expires June 2021. Amortization of assets held under capital leases is included with depreciation expense.

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2017 and 2016

#### 6) Commitments— continued

The capitalized leased assets included in leased equipment consisted of the following at December 31, 2017:

Equipment	\$ 75,000
Accumulated amortization	<u>(22,500)</u>
Total	<u>\$ 52,500</u>

Future capital lease payments are as follows:

2018	\$ 17,160
2019	17,160
2020	17,160
2021	<u>8,580</u>
Minimum lease payments	60,060
Amount representing interest	<u>(5,470)</u>
Present value of lease payments	54,590
Current portion	<u>(11,954)</u>
Long-term obligations under lease	<u>\$ 42,636</u>

#### 7) Temporarily Restricted Net Assets

Temporarily restricted net assets consist of the following at December 31:

	<u>2017</u>	<u>2016</u>
Artist Awards	\$ 8,190	\$ -
Grants - artist assistance	3,960	3,960
Grants - equipment and hardware	3,236	3,236
Time restriction	<u>-</u>	<u>36,000</u>
	<u>\$ 15,386</u>	<u>\$ 43,196</u>

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2017 and 2016

#### 8) Permanently Restricted Net Assets

Permanently restricted net assets consist of the following at December 31, 2016:

	<u>2017</u>	<u>2016</u>
William Randolph Hearst Foundation Fellowship	\$ 100,000	\$ 100,000
John Moore's Endowment	50,000	50,000
Helen Naha Memorial Award Fund	11,825	11,825
Messengers of Healing Winds Foundation Endowment	10,000	10,000
John Moore's Endowment	2,000	2,000
	<u>\$ 173,825</u>	<u>\$ 173,825</u>

#### 9) Endowment

SWAIA's 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 and absent explicit donor stipulation 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.

# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2017 and 2016

### 9) Endowment — continued

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 determining 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

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

<b>2017</b>	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 173,825	\$ 173,825

<b>2016</b>	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	\$ -	\$ 173,825	\$ 173,825

**Southwestern Association for Indian Arts**  
**Notes to Financial Statements**  
**December 31, 2017 and 2016**

9) Endowment — continued

Endowment net assets changes are as follows for the year ended December 31:

	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, December 31, 2015	\$ -	\$ 173,825	\$ 173,825
Investment return	8,097	-	8,097
Appropriation of endowment assets for expenditure	<u>(8,097)</u>	<u>-</u>	<u>(8,097)</u>
Endowment net assets, December 31, 2016	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>
Investment return	27,034	-	27,034
Appropriation of endowment assets for expenditure	<u>(27,034)</u>	<u>-</u>	<u>(27,034)</u>
Endowment net assets, December 31, 2017	<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 at December 31, 2017 and 2016.

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.