

SOUTHWESTERN ASSOCIATION FOR
INDIAN ARTS

FINANCIAL STATEMENTS

DECEMBER 31, 2019 AND 2018

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, 2019 and 2018, 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, 2019 and 2018, 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
May 31, 2022

Financial Statements

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

	<u>2019</u>	<u>2018</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 322,576	\$ 141,179
Other receivables	13,605	19,457
Other assets	4,525	19,725
Total current assets	<u>340,706</u>	<u>180,361</u>
Investments	288,695	233,316
Equipment, net	<u>38,491</u>	<u>57,128</u>
Total assets	<u>667,892</u>	<u>470,805</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable	28,602	47,204
Accrued expenses	20,829	14,662
Capital lease obligations	16,221	15,367
Total current liabilities	<u>65,652</u>	<u>77,233</u>
Capital lease obligation, less current portion	<u>8,445</u>	<u>24,667</u>
Total liabilities	<u>74,097</u>	<u>101,900</u>
Net assets		
Without donor restrictions	396,060	179,734
With donor restrictions	197,735	189,171
Total net assets	<u>593,795</u>	<u>368,905</u>
Total liabilities and net assets	<u>\$ 667,892</u>	<u>\$ 470,805</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, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Artist fee income	\$ 478,400	\$ -	\$ 478,400
Merchandise sales	47,333	-	47,333
Less cost of goods sold	<u>(21,833)</u>	<u>-</u>	<u>(21,833)</u>
Net merchandise sales	25,500	-	25,500
Marketing and licensing income	75,000	-	75,000
Membership and contributions	466,720	8,564	475,284
Grants and endowments	91,689	-	91,689
Special events	359,345	-	359,345
Less cost of direct benefits to donors	<u>(89,433)</u>	<u>-</u>	<u>(89,433)</u>
Net special events revenue	269,912	-	269,912
In-kind contributions	155,772	-	155,772
Net investment return	66,504	-	66,504
Net assets released			
from restrictions - other	<u>-</u>	<u>-</u>	<u>-</u>
Total support and revenue	<u>1,629,497</u>	<u>8,564</u>	<u>1,638,061</u>
Expenses			
Program services			
Indian Market	702,535	-	702,535
Fellowships and awards	99,279	-	99,279
Support services			
Management and general	330,872	-	330,872
Fundraising	<u>280,485</u>	<u>-</u>	<u>280,485</u>
Total expenses	<u>1,413,171</u>	<u>-</u>	<u>1,413,171</u>
Change in net assets	216,326	8,564	224,890
Net assets, beginning of year	<u>179,734</u>	<u>189,171</u>	<u>368,905</u>
Net assets, end of year	<u><u>\$ 396,060</u></u>	<u><u>\$ 197,735</u></u>	<u><u>\$ 593,795</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, 2018

	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue			
Artist fee income	\$ 534,399	\$ -	\$ 534,399
Sale of merchandise	32,228	-	32,228
Less cost of goods sold	(17,210)	-	(17,210)
Net merchandise sales	15,018	-	15,018
Marketing and licensing income	70,000	-	70,000
Membership and contributions	214,248	8,150	222,398
Grants and endowments	55,200	-	55,200
Special events	331,962	-	331,962
Less cost of direct benefits to donors	(75,059)	-	(75,059)
Net special events revenue	256,903	-	256,903
In-kind contributions	153,209	-	153,209
Net investment return	(7,248)	-	(7,248)
Miscellaneous	5,376	-	5,376
Net assets released			
from restrictions	8,190	(8,190)	-
Total support and revenue	1,305,295	(40)	1,305,255
Expenses			
Program services			
Indian Market	571,330	-	571,330
Fellowships and Awards	112,168	-	112,168
Support services			
Management and general	181,186	-	181,186
Fundraising	336,695	-	336,695
Total expenses	1,201,379	-	1,201,379
Change in net assets	103,916	(40)	103,876
Net assets, beginning of year	75,818	189,211	265,029
Net assets, end of year	\$ 179,734	\$ 189,171	\$ 368,905

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, 2019

	<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	\$ 272,857	\$ 1,746	\$ 85,811	\$ 84,697	\$ 445,111
Production expense	367,799	9,062	6,128	58,154	441,143
Professional services	27,452	4,964	71,941	48,457	152,814
Promotional expense	22,941	4,169	4,642	77,985	109,737
Awards/Fellowships	10,419	74,304	-	-	84,723
Occupancy	-	-	65,763	-	65,763
Office expense	1,067	4,958	33,796	10,738	50,559
Administrative expense	-	76	37,317	454	37,847
Depreciation	-	-	23,681	-	23,681
Interest	-	-	1,793	-	1,793
Total expenses	<u>\$ 702,535</u>	<u>\$ 99,279</u>	<u>\$ 330,872</u>	<u>\$ 280,485</u>	<u>\$ 1,413,171</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, 2018

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Indian</u>	<u>Fellowships</u>	<u>Management</u>		
	<u>Market</u>	<u>and Awards</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 224,982	\$ 1,750	\$ 71,001	\$ 102,036	\$ 399,769
Production expense	246,807	7,583	7,885	135,304	397,579
Awards/Fellowships	10,852	83,797	-	-	94,649
Professional services	33,341	637	19,364	29,914	83,256
Promotional expense	17,642	1,913	5,587	41,074	66,216
Occupancy	36,149	281	11,408	16,394	64,232
Office expense	1,557	16,207	12,546	11,502	41,812
Administrative expense	-	-	34,000	471	34,471
Depreciation	-	-	16,792	-	16,792
Interest	-	-	2,603	-	2,603
Total expenses	<u>\$ 571,330</u>	<u>\$ 112,168</u>	<u>\$ 181,186</u>	<u>\$ 336,695</u>	<u>\$1,201,379</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>2019</u>	<u>2018</u>
Cash flows from operating activities		
Cash received from artist fees and special events	\$ 748,312	\$ 791,302
Cash received from contributions and membership	572,825	276,051
Other receipts	111,625	108,095
Cash paid to employees and suppliers	(1,229,160)	(1,042,188)
Interest expense	(1,793)	(2,603)
Net cash provided by operating activities	<u>201,809</u>	<u>130,657</u>
Cash flows from investing activities		
Proceeds from sale of investments	-	4,000
Purchase of equipment	(5,044)	(16,045)
Net cash used by investing activities	<u>(5,044)</u>	<u>(12,045)</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(15,368)	(14,556)
Increase in cash	181,397	104,056
Cash, beginning of year	141,179	37,123
Cash, end of year	<u>\$ 322,576</u>	<u>\$ 141,179</u>
Reconciliation of change in net assets to net cash provided by operating activities		
Change in net assets	\$ 224,890	\$ 103,876
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	23,681	16,792
Investment (gain) loss	(55,379)	24,949
Changes in assets and liabilities		
Accounts receivable	-	17,910
Other receivables	5,852	(19,457)
Other assets	15,200	(12,457)
Accounts payable	(18,602)	733
Accrued expenses	6,167	(1,689)
Total adjustments	<u>(23,081)</u>	<u>26,781</u>
Net cash provided by operating activities	<u>\$ 201,809</u>	<u>\$ 130,657</u>

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

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

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, 2019 and 2018, 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 additions over \$1,500 are recorded at cost if purchased or at the estimated fair value on the date of donation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets ranging from three to ten years, or in the case of capitalized leased assets, the lesser of the useful life of the asset or the lease term. When assets are sold or otherwise disposed of, the cost and related depreciation or amortization are removed from the accounts, and any resulting gain or loss is included in the statement of activities. Costs of maintenance and repairs that do not improve or extend the useful lives of the respective assets are expensed currently.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

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 financial instruments with original maturities of three months or less, which are neither held for nor restricted by donors for long-term purposes, to be cash and cash equivalents. Cash and highly liquid financial instruments restricted to building projects, endowments that are perpetual in nature, or other long-term purposes are excluded from this definition.

Investments

Investments are recorded at cost if purchased or, if donated, at fair value on the date of donation. Thereafter, investments are reported at their fair value in the statement of financial position. Net investment return/(loss) is reported in the statement of activities and consists of interest and dividend income, realized and unrealized capital gains and losses, less external and direct internal investment expenses.

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, 2019 and 2018

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 \$155,772 and \$153,209 for the years ended December 31, 2019 and 2018, respectively. Additional in-kind contributions of art and jewelry for the purposes of auction fundraising totaled more than \$118,466 and \$108,771 for the years ended December 31, 2019 and 2018, respectively. Donation items be used for auction are valued at their final sales price and recorded as contributions. During 2019 and 2018, volunteers contributed approximately 3,286 and 5,238 hours to the Indian Market at a value of \$32,860 and \$52,380, respectively. These services do not meet the requirements and have not been recorded in the financial statements.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restriction. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions – Net assets available for use in general operations and not subject to donor (or certain grantor) restriction.

Net Assets With Donor Restrictions – Net assets subject to donor-imposed (or certain grantor-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 resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service. Contributions restricted by donors are reported as increases in net assets without donor restriction if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions, depending on the nature of the restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assts without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

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 it has taken or expects to take on a tax return. Management has determined that there are no material uncertain income tax positions.

New Accounting Pronouncements

In 2014, FASB issued ASU 2014-09 - *Revenue from Contracts with Customers*, as amended. Analysis of various provisions of this standard resulted in no significant changes in the SWAIA recognizes revenue, and therefore no changes to the 2018 financial statements were required on a retrospective basis.

In 2018, FASB issued ASU 2018-08 – *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. The standard is applied prospectively. There were no changes to previously unrecognized promises to give as a result of this new standard.

Revenue Recognition

SWAIA recognizes revenue under contracts with customers from membership dues, licensing, artist fees, and other sources. Revenue recognition is subject to the completion of performance obligations. Generally, there is only one performance obligation. SWAIA's revenue is recognized when a given performance obligation is satisfied, either over a period of time or at a given point in time.

Concentration of Credit Risk

SWAIA's assets that are exposed to credit risk consist primarily of cash, investments, and receivables. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonable possible that changes in the values will occur in the near term that could materially affect the investment balances and the amounts in the statement of financial position.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

1) Summary of Significant Accounting Policies — continued

Advertising

Total advertising costs of \$94,411 and \$59,618 for the years ended December 31, 2019 and 2018, respectively, were expensed as incurred.

2) 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, 2019 and 2018, 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.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

2) Fair Value Measurements — continued

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 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:

<u>Fair Value Measurements Using</u>				
2019	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities				
Equity mutual fund	\$248,897	\$ -	\$ -	\$ 248,897
Bond mutual fund	39,798	-	-	39,798
	<u>\$288,695</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 288,695</u>
 <u>Fair Value Measurements Using</u>				
2018	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities				
Equity mutual fund	\$196,472	\$ -	\$ -	\$ 196,472
Bond mutual fund	36,844	-	-	36,844
	<u>\$233,316</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 233,316</u>

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

3) Equipment

Equipment consists of the following as of December 31:

	<u>2019</u>	<u>2018</u>
Furniture, fixtures and equipment	\$ 124,322	\$ 124,322
Computer software	<u>36,157</u>	<u>31,113</u>
	<u>160,479</u>	<u>155,435</u>
Less accumulated depreciation	<u>(121,988)</u>	<u>(98,307)</u>
Total	<u>\$ 38,491</u>	<u>\$ 57,128</u>

4) Concentrations

SWAIA has cash depository accounts with one financial institution that sometimes exceeds the Federal Deposit Insurance Corporation coverage limit of \$250,000. SWAIA has not experienced any losses and believes it is not exposed to any significant credit risk related to any uninsured balances.

The majority of SWAIA's income is attributable to the annual Indian Market.

5) Commitments

SWAIA has a three-year lease for office space in Santa Fe through May 2020. The lease payment is \$3,599 per month. Rent expense was \$43,188 for the years ended December 31, 2019 and 2018. Future minimum lease payments are as follows:

2020	\$ <u>17,995</u>
Total	\$ <u>17,995</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, 2019 and 2018

5) Commitments— continued

The capitalized leased assets included in leased equipment consisted of the following at December 31, 2019:

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

Future capital lease payments are as follows:

2020	\$ 17,160
2021	<u>8,580</u>
Minimum lease payments	25,740
Amount representing interest	<u>(1,074)</u>
Present value of lease payments	24,666
Current portion	<u>(16,221)</u>
Long-term obligations under lease	<u>\$ 8,445</u>

6) Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the balance sheet date, comprise the following at December 31,:

	<u>2019</u>	<u>2018</u>
Cash and cash equivalents	\$ 322,576	\$ 141,179
Other receivables	13,605	19,457
Operating investments	<u>90,961</u>	<u>44,145</u>
	<u>\$ 427,142</u>	<u>\$ 204,781</u>

The endowment fund consists primarily of donor-restricted balances. There is a portion available for current needs; operating investments. The underlying assets are maintained in publicly traded funds; liquidating them in the near term would not be an undue burden. Investment earnings from the endowment fund are available for general expenditure.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

7) Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods.

Subject to expenditure for specified purpose at December 31:

	<u>2019</u>	<u>2018</u>
Artist Awards	\$ 11,850	\$ 8,150
Artist Fellowships	4,864	-
Grants - artist assistance	3,960	3,960
Grants - equipment and hardware	<u>3,236</u>	<u>3,236</u>
	<u>\$ 23,910</u>	<u>\$ 15,346</u>

Endowments:

Not subject to appropriation at December 31:

	<u>2019</u>	<u>2018</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	<u>2,000</u>	<u>2,000</u>
Total endowments	<u>173,825</u>	<u>173,825</u>
	<u>\$ 197,735</u>	<u>\$ 189,171</u>

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

8) 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.

Based on the interpretation of New Mexico's Uniform Prudent Management of Institutional Funds Act (UPMIFA) by the Board of Directors of SWAIA and absent explicit donor stipulation to the contrary, SWAIA retains in perpetuity (a) the original value of gifts donated to the permanent endowment, (b) 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. 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:

	Without Donor Restrictions	With Donor Restrictions	Total
2019			
Donor-restricted endowment funds			
Original donor-restricted gift	\$ -	\$ 173,825	\$ 173,825
2018			
Donor-restricted endowment funds			
Original donor-restricted gift	\$ -	\$ 173,825	\$ 173,825

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

8) Endowment — continued

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

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, December 31, 2017	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>
Investment return	(24,835)	-	(24,835)
Appropriation of endowment assets pursuant to policy	<u>24,835</u>	<u>-</u>	<u>24,835</u>
Endowment net assets, December 31, 2018	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>
Investment return	54,482	-	54,482
Appropriation of endowment assets pursuant to policy	<u>(54,482)</u>	<u>-</u>	<u>(54,482)</u>
Endowment net assets, December 31, 2019	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$ 173,825</u>

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.

Southwestern Association for Indian Arts

Notes to Financial Statements

December 31, 2019 and 2018

9) 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, 2019 and 2018.

10) Subsequent Events

Subsequent events were evaluated through May 31, 2022, which is the date the financial statements were available for issue.

The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of multiple businesses across New Mexico. While the disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings. SWAIA was not deemed an essential business by the Governor of New Mexico and was not allowed to remain open for business as usual. SWAIA expects this matter to negatively impact its operating results. However, the related financial impact and duration cannot be reasonably estimated at this time.