

SOUTHWESTERN ASSOCIATION FOR  
INDIAN ARTS

FINANCIAL STATEMENTS

DECEMBER 31, 2021 AND 2020



# **Southwestern Association for Indian Arts**

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**MICHAEL L. MOORE, CPA, LLC**

## Independent Auditor's Report

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

### **Opinion**

I have audited the accompanying financial statements of Southwestern Association for Indian Arts (SWAIA, a nonprofit organization), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwestern Association for Indian Arts as of June 30, 2021 and 2020, 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.

### **Basis for Opinion**

I conducted my audits in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of SWAIA and to meet my other ethical responsibilities in accordance with the relevant ethical requirements relating to my audits. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SWAIA's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 SWAIA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SWAIA's ability to continue as a going concern for a reasonable period of time.

I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that I identified during the audit.

*Michael L. Moore, CPA LLC*

Albuquerque, NM  
March 31, 2023

## Financial Statements

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

	<u><b>2021</b></u>	<u>2020</u>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 206,571	\$ 100,558
Cash and cash equivalents - restricted	152,597	167,597
Other receivables	15,769	6,829
Other assets	6,489	4,300
Total current assets	<u>381,426</u>	<u>279,284</u>
Investments	368,366	323,170
Equipment, net	<u>47,519</u>	<u>68,663</u>
Total assets	<u><u>797,311</u></u>	<u><u>671,117</u></u>
<b>Liabilities and Net Assets</b>		
Current liabilities		
Accounts payable	57,130	58,016
Accrued expenses	99,428	54,147
Refundable deposits	-	65,260
PPP Loan payable	-	55,948
Capital lease obligations	12,125	19,614
Total current liabilities	<u>168,683</u>	<u>252,985</u>
PPP Loan, less current portion	-	21,833
Capital lease obligation, less current portion	<u>31,212</u>	<u>43,337</u>
Total liabilities	<u>199,895</u>	<u>318,155</u>
Net assets		
Without donor restrictions	270,994	11,540
With donor restrictions	326,422	341,422
Total net assets	<u>597,416</u>	<u>352,962</u>
Total liabilities and net assets	<u><u>\$ 797,311</u></u>	<u><u>\$ 671,117</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, 2021**

	Without Donor Restrictions	With Donor Restrictions	<b>Total</b>
<b>Support and Revenue</b>			
Artist fee income	\$ 333,549	\$ -	\$ 333,549
Merchandise sales	63,433	-	63,433
Less cost of goods sold	(87,084)	-	(87,084)
Net merchandise sales	(23,651)	-	(23,651)
Marketing and licensing income	66,322	-	66,322
Membership and contributions	372,102	-	372,102
Grants and endowments	309,663	-	309,663
Special events	730,189	-	730,189
Less cost of direct benefits to donors	(98,992)	-	(98,992)
Net special events revenue	631,197	-	631,197
In-kind contributions	120,526	-	120,526
Net investment return	63,021	-	63,021
Net assets released			
from restrictions - other	15,000	(15,000)	-
Total support and revenue	1,887,729	(15,000)	1,872,729
<b>Expenses</b>			
Program services			
Indian Market	648,258	-	648,258
Fellowships, arts and awards	168,075	-	168,075
Support services			
Management and general	467,829	-	467,829
Fundraising	344,113	-	344,113
Total expenses	1,628,275	-	1,628,275
Change in net assets	259,454	(15,000)	244,454
Net assets, beginning of year	11,540	341,422	352,962
<b>Net assets, end of year</b>	<b>\$ 270,994</b>	<b>\$ 326,422</b>	<b>\$ 597,416</b>

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, 2020**

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Support and Revenue</b>			
Artist fee income	\$ 51,390	\$ -	\$ 51,390
Sale of merchandise	3,866	-	3,866
Less cost of goods sold	(6,641)	-	(6,641)
Net merchandise sales	(2,775)	-	(2,775)
Membership and contributions	258,158	148,487	406,645
Grants and endowments	108,256	-	108,256
Special events	161,752	-	161,752
Less cost of direct benefits to donors	(6,130)	-	(6,130)
Net special events revenue	155,622	-	155,622
In-kind contributions	41,250	-	41,250
Net investment return	42,708	-	42,708
Net assets released from restrictions	4,800	(4,800)	-
Total support and revenue	659,409	143,687	803,096
<b>Expenses</b>			
Program services			
Indian Market	420,889	-	420,889
Fellowships, arts and awards	126,264	-	126,264
Support services			
Management and general	338,854	-	338,854
Fundraising	157,922	-	157,922
Total expenses	1,043,929	-	1,043,929
Change in net assets	(384,520)	143,687	(240,833)
Net assets, beginning of year	396,060	197,735	593,795
<b>Net assets, end of year</b>	<u>\$ 11,540</u>	<u>\$ 341,422</u>	<u>\$ 352,962</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, 2021**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Indian Market</u>	<u>Fellowships Arts, Awards</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Professional services	\$ 174,824	\$ 6,811	\$ 123,440	\$ 81,550	<b>\$ 386,625</b>
Personnel	14,746	77,567	66,083	199,498	<b>357,894</b>
Production expense	250,705	26,127	16,501	49,420	<b>342,753</b>
Promotional expense	121,465	17,458	33,130	5,205	<b>177,258</b>
Donated rent and other	57,026	-	62,800	700	<b>120,526</b>
Administrative expense	7,018	488	52,052	6,731	<b>66,289</b>
Awards/Fellowships	18,040	35,300	-	-	<b>53,340</b>
Occupancy	-	4,324	46,027	-	<b>50,351</b>
Office expense	4,434	-	35,945	1,009	<b>41,388</b>
Depreciation	-	-	27,639	-	<b>27,639</b>
Interest	-	-	4,212	-	<b>4,212</b>
Total expenses	<u><u>\$ 648,258</u></u>	<u><u>\$ 168,075</u></u>	<u><u>\$ 467,829</u></u>	<u><u>\$ 344,113</u></u>	<u><u><b>\$ 1,628,275</b></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, 2020**

	<u>Program Services</u>		<u>Supporting Services</u>		
	<u>Indian</u>	<u>Fellowships</u>	<u>Management</u>		
	<u>Market</u>	<u>Arts, Awards</u>	<u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Personnel	\$ 110,284	\$ 13,411	\$ 155,257	\$ 108,022	\$ <b>386,974</b>
Professional services	152,684	63,750	28,701	31,693	<b>276,828</b>
Production expense	54,550	1,685	7,242	7,221	<b>70,698</b>
Occupancy	60,937	-	1,483	-	<b>62,420</b>
Office expense	3,137	2,459	32,601	7,973	<b>46,170</b>
Awards/Fellowships	387	43,600	-	-	<b>43,987</b>
Promotional expense	15,568	1,062	22,794	2,239	<b>41,663</b>
In-kind rent and other	17,650	-	23,600	-	<b>41,250</b>
Administrative expense	5,692	297	30,514	774	<b>37,277</b>
Depreciation	-	-	32,128	-	<b>32,128</b>
Interest	-	-	4,534	-	<b>4,534</b>
Total expenses	<u>\$ 420,889</u>	<u>\$ 126,264</u>	<u>\$ 338,854</u>	<u>\$ 157,922</u>	<u>\$ <b>1,043,929</b></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>2021</u>	<u>2020</u>
<b>Cash flows from operating activities</b>		
Cash received from artist fees and special events	\$ 899,486	\$ 272,272
Cash received from contributions and membership	595,044	521,677
Other receipts	60,496	5,458
Cash paid to employees and suppliers	(1,433,692)	(903,060)
Interest expense	(4,212)	(4,534)
Net cash provided (used) by operating activities	<u>117,122</u>	<u>(108,187)</u>
<b>Cash flows from investing activities</b>		
Purchase of equipment	<u>(6,495)</u>	<u>-</u>
<b>Cash flows from financing activities</b>		
Proceeds from PPP Loan	-	77,781
Principal payments on capital lease obligations	<u>(19,614)</u>	<u>(24,015)</u>
Net cash (used) provided by financing activities	<u>(19,614)</u>	<u>53,766</u>
Increase (decrease) in cash	91,013	(54,421)
Cash and cash equivalents, beginning of year	<u>268,155</u>	<u>322,576</u>
Cash and cash equivalents, end of year	359,168	268,155
Less: Donor restricted cash	<u>(152,597)</u>	<u>(167,597)</u>
<b>Cash and cash equivalents, end of year</b>		
Without donor restrictions	<u>\$ 206,571</u>	<u>\$ 100,558</u>

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

## Southwestern Association for Indian Arts

### Statements of Cash Flows (continued)

For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
<b>Reconciliation of change in net assets to net cash provided by operating activities</b>		
Change in net assets	\$ 244,454	\$ (240,833)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Depreciation	27,639	32,128
Cares Act loan forgiveness	(77,781)	-
Investment (gain) loss	(45,196)	(34,475)
Changes in assets and liabilities		
Other receivables	(8,940)	6,776
Other assets	(2,189)	225
Accounts payable	(886)	29,414
Accrued expenses	45,281	33,318
Refundable deposits	(65,260)	65,260
Total adjustments	<u>(127,332)</u>	<u>132,646</u>
Net cash provided (used) by operating activities	<u>\$ 117,122</u>	<u>\$ (108,187)</u>

### Supplemental Schedule of Noncash Investing and Financing Activities

During 2020, SWAIA entered into a capital lease for equipment totaling \$62,300.

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

# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2021 and 2020

### 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, 2021 and 2020, 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 an expansion of this program.

*Fellowships, Arts and Awards* – 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. Included is the development of an online market for indigenous arts.

*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, 2021 and 2020**

### **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, 2021 and 2020

### 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 and office space totaled \$120,526 and \$41,250 for the years ended December 31, 2021 and 2020, respectively. Additional in-kind contributions of art and jewelry for the purposes of auction fundraising totaled more than \$112,445 and \$50,975 for the years ended December 31, 2021 and 2020, respectively. Donation items be used for auction are valued at their final sales price and recorded as contributions. During 2021 and 2020, volunteers contributed approximately 1,184 and 0 hours to the Indian Market at a value of \$11,840 and \$0, 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 assets 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, 2021 and 2020**

### 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.

#### Recently Issued Accounting Pronouncements

Leases (Topic 842): Effective for fiscal years beginning after December 2021, SWAIA is subject to new accounting standards that will require significant changes to operating leases wherein SWAIA is the lessee. SWAIA has not determined the effect that the new standard will have on its financial statements.

#### 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, 2021 and 2020**

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

#### Advertising

Total advertising costs of \$98,498 and \$43,566 for the years ended December 31, 2021 and 2020, 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, 2021 and 2020, 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, 2021 and 2020

### 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>				
2021	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities				
Equity mutual fund	\$324,722	\$ -	\$ -	<b>\$ 324,722</b>
Bond mutual fund	43,644	-	-	<b>43,644</b>
	<u>\$368,366</u>	<u>\$ -</u>	<u>\$ -</u>	<u><b>\$ 368,366</b></u>
 <u>Fair Value Measurements Using</u>				
2020	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment securities				
Equity mutual fund	\$279,109	\$ -	\$ -	\$ 279,109
Bond mutual fund	44,061	-	-	44,061
	<u>\$323,170</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 323,170</u>

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2021 and 2020

#### 3) Equipment

Equipment consists of the following as of December 31:

	<u>2021</u>	<u>2020</u>
Furniture, fixtures and equipment	\$ 191,438	\$ 184,943
Computer software	<u>37,836</u>	<u>37,836</u>
	<u>229,274</u>	<u>222,779</u>
Less accumulated depreciation	<u>(181,755)</u>	<u>(154,116)</u>
Total	<u>\$ 47,519</u>	<u>\$ 68,663</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.

Investments are maintained in two mutual funds with one investment management organization. The maximum amount of potential loss due to credit risk related to these financial instruments is the carrying value of investments. No collateral is associated with these instruments.

#### 5) Commitments

SWAIA has a twelve-month lease for office space in Santa Fe through December 2021 and then month-to-month thereafter. The lease payment was \$2,282 per month, excluding in-kind donations of \$1,800 per month. Rent expense was \$22,966 and \$28,976, respectively, for the years ended December 31, 2021 and 2020.

SWAIA leases equipment under a capital lease agreement, which expires March 2025. Amortization of assets held under capital leases is included with depreciation expense.

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2021 and 2020

#### 5) Commitments— continued

The capitalized leased assets included in leased equipment consisted of the following at December 31, 2021:

Equipment	\$ 62,300
Accumulated amortization	<u>(20,767)</u>
Total	<u>\$ 41,533</u>

Future capital lease payments are as follows:

2022	\$ 15,246
2023	15,246
2024	15,246
2021	<u>3,811</u>
Minimum lease payments	49,549
Amount representing interest	<u>(6,212)</u>
Present value of lease payments	43,337
Current portion	<u>(12,125)</u>
Long-term obligations under lease	<u>\$ 31,212</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>2021</u>	<u>2020</u>
Cash and cash equivalents	<b>\$ 206,571</b>	\$ 100,558
Other receivables	<b>15,769</b>	6,829
Operating investments	<u><b>194,541</b></u>	<u>148,345</u>
	<u><b>\$ 416,881</b></u>	<u>\$ 255,732</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. SWAIA's policy is to maintain adequate liquid funds to meet commitments as they come due.

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2021 and 2020

#### 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>2021</u>	<u>2020</u>
Artist Awards	\$ 138,351	\$ 153,351
Artist Fellowships	7,050	7,050
Grants - artist assistance	3,960	3,960
Grants - equipment and hardware	<u>3,236</u>	<u>3,236</u>
	<u>\$ 152,597</u>	<u>\$ 167,597</u>

Endowments:

Not subject to appropriation at December 31:

	<u>2021</u>	<u>2020</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>\$ 326,422</u>	<u>\$ 341,422</u>

#### 8) CARES Act – Payroll Protection Plan (PPP) Loan

SWAIA obtained PPP loans in 2020 and 2021. Both were forgiven in 2021 and recorded as income.

# Southwestern Association for Indian Arts

## Notes to Financial Statements

December 31, 2021 and 2020

### 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.

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
2021			
Donor-restricted endowment funds			
Original donor-restricted gift	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$173,825</u>
2020			
Donor-restricted endowment funds			
Original donor-restricted gift	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$173,825</u>

## Southwestern Association for Indian Arts

### Notes to Financial Statements

December 31, 2021 and 2020

9) 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, 2019	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$173,825</u>
Investment return	33,688	-	33,688
Appropriation of endowment assets pursuant to policy	<u>(33,688)</u>	<u>-</u>	<u>(33,688)</u>
Endowment net assets, December 31, 2020	<u>\$ -</u>	<u>\$ 173,825</u>	<u>\$173,825</u>
Investment return	44,330	-	44,330
Appropriation of endowment assets pursuant to policy	<u>(44,330)</u>	<u>-</u>	<u>(44,330)</u>
Endowment net assets, December 31, 2021	<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, 2021 and 2020**

### **10) 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, 2021 and 2020.

### **11) Subsequent Events**

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