

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
**Financial Statements**  
**For the Years Ended August 31, 2019 and 2018.**

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
**Table of Contents**

	<b><u>Page</u></b>
<b>Independent Auditor's Report</b>	<b>1 - 2</b>
<b>Financial Statements:</b>	
<b>Statements of Financial Position</b>	<b>3</b>
<b>Statements of Activities</b>	<b>4</b>
<b>Statements of Functional Expenses</b>	<b>5 - 6</b>
<b>Statements of Cash Flows</b>	<b>7</b>
<b>Notes to Financial Statements</b>	<b>8 - 16</b>



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**INDEPENDENT AUDITOR'S REPORT**

The Board of Directors of  
NATIVE AMERICAN HERITAGE ASSOCIATION

We have audited the accompanying financial statements of Native American Heritage Association (a nonprofit organization), which comprise the statements of financial position as of August 31, 2019 and 2018, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**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 Native American Heritage Association as of August 31, 2019 and 2018, 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.

*Bullock & Associates, P.C.*

BULLOCK & ASSOCIATES, P.C.

Leesburg, Virginia

December 19, 2019

NATIVE AMERICAN HERITAGE ASSOCIATION  
 Statements of Financial Position  
 August 31, 2019 and 2018

ASSETS

	<u>2019</u>	<u>2018</u>
Current assets:		
Cash and cash equivalents	\$ 2,903,439	\$ 1,881,256
Accounts receivable	1,171,267	1,145,087
Inventory (Note 1)	8,334,968	8,273,219
Prepaid expenses	1,975,618	2,256,979
Total current assets	14,385,292	13,556,541
Property and equipment, at cost net of accumulated depreciation (Note 3)	1,559,060	1,473,198
Other assets:		
Marketable securities (Note 6)	6,333,037	6,217,599
Unemployment & refundable deposits	18,567	13,024
Total other assets	6,351,604	6,230,623
Total assets	\$ 22,295,956	\$ 21,260,362

LIABILITIES AND NET ASSETS

Current liabilities:		
Accounts payable	\$ 50,192	\$ 8,749
Accrued expenses	10,375	19,203
Accrued salaries and benefits	23,098	23,098
Margin loan (Note 5)	1,697,742	1,682,520
Deferred revenue	5,434,328	5,309,416
Total current liabilities	7,215,735	7,042,986
Net assets:		
Without donor restrictions	13,995,831	14,217,376
With donor restrictions	1,084,390	-
Total net assets	15,080,221	14,217,376
Total liabilities and net assets	\$ 22,295,956	\$ 21,260,362

See independent auditor's report and accompanying notes to financial statements.

NATIVE AMERICAN HERITAGE ASSOCIATION  
 Statements of Activities  
 For the years ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net assets without donor restrictions:		
Support and revenue:		
Contributions - Cash	\$ 2,705,701	\$ 2,384,893
Contributions - Food	6,685,494	7,741,884
Contributions - Clothing	2,005,144	2,467,234
Contributions - Gifts in Kind	56,490,369	42,891,915
Sales, net of costs	237,068	169,040
Special events, less related expenses of \$5,828,308 and \$4,993,904, respectively	557,413	535,996
Grants	10,839	16,282
Gain (loss) on asset disposal	21,500	(13,727)
Interest and dividends	266,433	259,837
Realized gain on investments	59,476	90,269
Unrealized gain on investments	19,815	633,963
Total support and revenue without donor restrictions	<u>69,059,252</u>	<u>57,177,586</u>
Expenses:		
Functional expenses:		
Program	67,504,391	54,619,461
Management and general	656,660	585,597
Fundraising	1,119,746	878,542
Total functional expenses	<u>69,280,797</u>	<u>56,083,600</u>
Increase (decrease) in net assets without donor restrictions	<u>(221,545)</u>	<u>1,093,986</u>
Net assets with donor restrictions:		
Donor restricted contributions	<u>1,084,390</u>	-
Increase in net assets with donor restrictions	<u>1,084,390</u>	-
Increase in net assets	862,845	1,093,986
Net assets at beginning of year	<u>14,217,376</u>	<u>13,123,390</u>
Net assets at end of year	<u>\$15,080,221</u>	<u>\$ 14,217,376</u>

See independent auditor's report and accompanying notes to financial statements.

NATIVE AMERICAN HERITAGE ASSOCIATION

Statement of Functional Expenses

For the Year Ended August 31, 2019

	<u>Program Services</u>	<u>Management and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 106,069	\$ -	\$ 106,069
Advertising	-	300	-	300
Bank and credit card charges	-	1,550	11,901	13,451
Computer maintenance	-	105	-	105
Custodial	-	13,000	-	13,000
Delivery expense	296,755	-	-	296,755
Depreciation	76,711	40,639	130	117,480
Donated goods-clothing	2,005,144	-	-	2,005,144
Donations-cash	217,415	-	-	217,415
Donations-Gifts in Kind	56,428,621	-	-	56,428,621
Donations-food	6,759,979	-	-	6,759,979
Dues & fees	639	15,958	2,533	19,130
Employee benefits-child care	2,658	2,658	2,657	7,973
Employee benefits-insurance	85,411	48,792	7,947	142,150
Employee benefits-pension	88,339	24,926	24,926	138,191
Envelopes, printing & production	4,000	111	309,563	313,674
Equipment lease	-	2,745	8,235	10,980
Food distribution expense	109,424	-	-	109,424
Gifts in Kind fee expense	888,298	-	-	888,298
Insurance	32,458	8,903	2,990	44,351
Interest expense	-	84,533	-	84,533
Legal fees	-	84	-	84
Meetings & travel	560	5,926	-	6,486
Office expense	782	4,467	1,176	6,425
Payroll taxes	22,598	7,663	4,390	34,651
Payroll process fee	359	180	179	718
Postage	-	7,467	437,616	445,083
Property taxes	-	3,184	126	3,310
Prospect list	-	-	227,801	227,801
Real estate and other taxes	-	6,610	-	6,610
Repairs and maintenance	5,891	5,225	675	11,791
Salaries	314,923	237,255	76,901	629,079
Security	1,071	420	-	1,491
State registrations	-	14,522	-	14,522
Supplies	1,345	-	-	1,345
Telephone	7,238	6,097	-	13,335
Utilities	14,704	5,722	-	20,426
Vehicle expense	139,068	1,549	-	140,617
<b>Total expenses</b>	<b><u>\$67,504,391</u></b>	<b><u>\$656,660</u></b>	<b><u>\$1,119,746</u></b>	<b><u>\$69,280,797</u></b>

See independent auditor's report and accompanying notes to financial statements.

**NATIVE AMERICAN HERITAGE ASSOCIATION**

Statement of Functional Expenses

For the Year Ended August 31, 2018

	<u>Program</u> <u>Services</u>	<u>Management</u> <u>and General</u>	<u>Fundraising</u>	<u>Total</u>
Accounting	\$ -	\$ 85,500	\$ -	\$ 85,500
Advertising	5,000	305	17,850	23,155
Bank and credit card charges	-	2,069	9,586	11,655
Computer maintenance	60	587	-	647
Custodial	-	2,500	-	2,500
Delivery expense	167,373	-	-	167,373
Depreciation	78,775	39,022	130	117,927
Donated goods-clothing	2,467,234	-	-	2,467,234
Donations-cash	116,928	-	-	116,928
Donations-Gifts in Kind	42,114,777	-	-	42,114,777
Donations-food	7,779,544	-	-	7,779,544
Dues & fees	446	13,082	2,448	15,976
Employee benefits-child care	3,914	3,914	3,914	11,742
Employee benefits-insurance	71,884	39,626	7,369	118,879
Employee benefits-pension	73,738	18,367	18,367	110,472
Envelopes, printing & production	-	185	233,555	233,740
Equipment lease	-	-	15,108	15,108
Food distribution expense	164,612	-	-	164,612
Gifts in Kind fee expense	1,100,615	-	-	1,100,615
Insurance	15,418	27,689	4,320	47,427
Interest expense	-	74,831	-	74,831
Legal fees	5,179	-	-	5,179
Meetings & travel	9,228	8,333	1,192	18,753
Office expense	1,323	3,618	776	5,717
Payroll taxes	21,008	13,526	3,477	38,011
Payroll process fee	332	167	166	665
Postage	-	39,021	333,869	372,890
Property taxes	-	3,901	889	4,790
Prospect list	-	-	171,546	171,546
Real estate and other taxes	-	3,458	-	3,458
Repairs and maintenance	13,490	2,123	675	16,288
Salaries	283,321	181,909	53,305	518,535
Security	551	420	-	971
State registrations	-	9,942	-	9,942
Supplies	1,623	59	-	1,682
Telephone	5,825	4,802	-	10,627
Utilities	15,633	5,221	-	20,854
Vehicle expense	101,630	1,420	-	103,050
<b>Total expenses</b>	<u><u>\$54,619,461</u></u>	<u><u>\$585,597</u></u>	<u><u>\$878,542</u></u>	<u><u>\$56,083,600</u></u>

See independent auditor's report and accompanying notes to financial statements.



NATIVE AMERICAN HERITAGE ASSOCIATION

Statements of Cash Flows

For the Years Ended August 31, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 862,845	\$ 1,093,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	117,480	117,927
(Gain)/loss on asset disposal	(21,500)	13,727
Realized gain on investments	(59,476)	(90,269)
Unrealized gain on investments	(19,815)	(633,963)
Increase in accounts receivable	(26,180)	(236,116)
Increase in inventories	(61,749)	(777,139)
(Increase)/decrease in prepaid expenses	281,361	(57,957)
Increase in deposits	(5,543)	(2,683)
Increase in accounts payable	41,443	476
Decrease in accrued salaries and benefits	-	(712)
Increase in deferred revenue	124,912	711,059
Decrease in accrued expenses	(8,828)	(8,313)
Total adjustments	<u>362,105</u>	<u>(963,963)</u>
Net cash provided by operating activities	<u>1,224,950</u>	<u>130,023</u>
Cash flows from investing activities:		
Cash payments for the purchase of property	(203,342)	(75,860)
Cash proceeds from the sale of property	21,500	17,500
Investments, net of realized and unrealized gain/(loss)	<u>(36,147)</u>	<u>915,605</u>
Net cash provided/(used) by investing activities	<u>(217,989)</u>	<u>857,245</u>
Cash flows from financing activities:		
Cash repayments on margin loan	<u>15,222</u>	<u>(841,179)</u>
Net cash provided/(used) by financing activities	<u>15,222</u>	<u>(841,179)</u>
Net increase in cash and equivalents	1,022,183	146,089
Cash and equivalents - beginning of year	<u>1,881,256</u>	<u>1,735,167</u>
Cash and equivalents - end of year	<u>\$ 2,903,439</u>	<u>\$ 1,881,256</u>
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest expense	<u>84,533</u>	<u>74,831</u>

See independent auditor's report and accompanying notes to financial statements.

## NATIVE AMERICAN HERITAGE ASSOCIATION

Notes to Financial Statements

August 31, 2019 and 2018

### 1. Summary of significant accounting policies:

A summary of the Organization's significant accounting policies is presented below to assist the reader in evaluating the organization's financial statements.

**Nature of business:** Native American Heritage Association is a not-for-profit corporation dedicated to helping Native Americans living on and off the tribal reservations in South Dakota and Wyoming. The Organization is headquartered in Rapid City, South Dakota, with certain administrative and fundraising activities carried out at a branch office in Front Royal, Virginia. Virtually all revenue of the Organization is obtained by soliciting monetary and clothing contributions from the general public through direct mail, as well as from food donations by Feeding America and Orphan Grain Train and donated goods from Good 360, BluSource, NAEIR, Walmart, and Feed the Children.

The Organization's primary program is to assist Native Americans on tribal reservations through the distribution of donated food, clothing, and other items.

**Cash and cash equivalents:** For financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash is held in bank deposit accounts, which, at times, exceeds federally insured limits. At August 31, 2019 and 2018, there existed cash deposits of approximately \$2,689,950 and \$1,771,086 in excess of federally insured limits, respectively. The Organization has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

**Contributed Inventory:** The Organization receives contributed perishable and nonperishable food items from Feeding America. The Organization pays an administrative fee to cover the costs of handling the food; however, the product itself is considered to be donated and is recorded as inventory and contribution revenue at the time of shipment. The food is distributed on the tribal reservations shortly after receipt. The value of the food inventory for the years ended August 31, 2019 and 2018 was \$0 and \$0, respectively. Distribution expense is recorded at the time the food is distributed. For the years ended August 31, 2019 and 2018, the fair value of the donated food was recorded at \$1.62 and \$1.57 per pound, respectively. This value was derived from a study performed by the independent auditors of Feeding America that determined the average wholesale value of one pound of donated product. Wholesale value is considered to approximate fair market value due to the large quantities of donated food received.

NATIVE AMERICAN HERITAGE ASSOCIATION  
Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued):

The Organization receives contributed clothing from the general public. The clothing is distributed on the tribal reservations shortly after receipt. The value of the clothing inventory for the years ended August 31, 2019 and 2018 was \$0 and \$0, respectively. For the years ended August 31, 2019 and 2018, the Organization recorded the fair market value of the clothing as contribution revenue and distribution expense at an estimated \$14.72 and \$14.72 per pound, respectively.

The Organization receives other contributed items from Good 360, BluSource, NAEIR, Walmart, and Feed the Children, such as clothing, personal care/cosmetics, household items, and furniture. The Organization pays an administrative fee to cover the cost of handling, however the products are considered donated and are recorded as inventory and contribution revenue at the time of shipment. The items are distributed on the tribal reservations shortly after receipt. The value of the inventory items for the years ended August 31, 2019 and 2018 was \$8,334,968 and \$8,273,219 respectively. Distribution expense is recorded at the time the items are distributed. The fair value of the donated items is determined by the donor organization to Good 360, BluSource, NAEIR, Walmart, and Feed The Children, who then pass the donation to the Organization.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts and disclosures reported in the financial statements. Actual results could differ from those estimates.

**Property and depreciation:** Property and equipment are recorded at cost or, if donated, at the approximate fair value at the date of donation. All assets over \$1,000 with an estimated useful life exceeding one year are capitalized. Depreciation is calculated using the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in income.

**Recognition of revenue and expenses:** The financial statements of the Organization are presented on the accrual basis of accounting.

**Advertising costs:** The Organization expenses all advertising costs as they are incurred.

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
Notes to Financial Statements (continued)

1. **Summary of significant accounting policies (continued):**

**Functional expenses:** The cost of providing program and other activities has been summarized on a functional basis in the Statements of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited. Such allocations have been made by management on an equitable basis. The Organization conducts no joint activities. The expenses that are allocated include the following:

Expense	Methodology
Accounting	Direct Allocation
Advertising	Direct Allocation
Bank fees and credit card charges	Direct Allocation
Computer maintenance	Direct Allocation
Custodial	Direct Allocation
Delivery expense	Direct Allocation
Depreciation	Direct Allocation
Donations	Direct Allocation
Dues and fees	Direct Allocation
Employee benefits	Time and effort
Envelopes, printing and production	Direct Allocation
Equipment lease	Direct Allocation
Food distribution expense	Direct Allocation
Gifts in Kind fee expense	Direct Allocation
Insurance	Direct Allocation
Interest	Direct Allocation
Legal fees	Direct Allocation
Meetings and travel	Direct Allocation
Office expense	Direct Allocation
Payroll and related taxes	Time and effort
Postage	Direct Allocation
Property taxes	Direct Allocation
Prospect list	Direct Allocation
Real estate and other taxes	Direct Allocation
Repairs and maintenance	Direct Allocation
Security	Direct Allocation
State registrations	Direct Allocation
Supplies	Direct Allocation
Telephone	Direct Allocation
Utilities	Direct Allocation
Vehicle expense	Direct Allocation

NATIVE AMERICAN HERITAGE ASSOCIATION  
Notes to Financial Statements (continued)

1. Summary of significant accounting policies (continued):

**Contributions:** The Organization records contributions in accordance with FASB Codification 958-605-25. Accordingly, contributions received are recorded as support without donor restrictions or support with donor restrictions, depending on the existence and/or nature of any donor restrictions. Contributions that are restricted by the donor are reported as an increase in net assets without donor restrictions if the restriction expires in the reporting period in which the contribution is recognized. All other donor restricted contributions are reported as an increase in net assets with donor restrictions, depending on the nature of restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. As all material used in soliciting contributions gives the Organization variance power to use the contribution “for the most critical need at the time received,” all contribution revenue is considered to be without donor restrictions.

**Income taxes:** The Organization implemented the accounting guidance for uncertainty in income taxes using the provisions of financial Accounting Standards Board (FASB) ASC 740, Income Taxes. Using that guidance, tax positions initially need to be recognized in the financial statements when it is more-likely-than-not the position will be sustained upon examination by tax authorities. As of August 31, 2019 and 2018, the Organization had no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. The Organization is subject to income tax on any unrelated business net income. At August 31, 2019 and 2018 the Organization had an outstanding liability for securities purchased on margin. Therefore, the Organization incurred unrelated debt-financed income which is subject to income tax. The Organization incurred \$0 and \$0 in unrelated business income tax for the years ended August 31, 2019 and 2018, respectively. The federal income tax returns of the Organization for 2019, 2018, and 2017 are subject to examination by the IRS, generally for three years after they were filed.

**Concentrations:** The Organization receives a significant portion of its contributions from Good360, NAEIR, BluSource, Feeding America and Orphan Grain Train, the loss of which could have an impact on the Organization.

**New Accounting Pronouncement:** On August 18, 2016, FASB issued ASU 2016-14, Not-for-Profit Entities (Topic 958) – *Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in type of information provided about expenses and investment return. The Organization has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
**Notes to Financial Statements (continued)**

**2. Restrictions on assets:**

In accordance with FASB Codification 958, Not-for-Profit Entities, the Organization reports information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions. The Organization received a bequest of \$1,084,390 in July 2019 with a donor restriction to be put into an endowment fund, but the interest generated by the principal has no restrictions. The Organization will establish the endowment fund and associated spending policy in the fiscal year ending August 31, 2020.

Net assets with donor restrictions totaled \$1,084,390 and \$0 at August 31, 2019 and 2018, respectively.

**3. Property and equipment:**

Major classifications of property and equipment and their respective depreciable lives at August 31, 2019 and 2018, are summarized below:

	<u>2019</u>	<u>2018</u>
Buildings and leasehold improvements (27-35 Years)	\$1,683,015	\$1,683,015
Furniture and equipment (3-10 Years)	359,548	356,269
Vehicles (5 Years)	920,463	791,632
Website development (5 Years)	24,755	24,755
Land	<u>80,305</u>	<u>80,305</u>
	3,068,086	2,935,976
Less: accumulated depreciation	<u>1,509,026</u>	<u>1,462,778</u>
Net property and equipment	<u>\$1,559,060</u>	<u>\$1,473,198</u>

**4. Pension Plan:**

Effective January 1, 2002, the Organization adopted a SEP IRA pension plan, whereby full-time employees with a minimum employment period of two years, and who have attained the age of 21 are eligible for the plan. Effective for 2007, the Organization contributes 25% of each eligible employee's wages to the plan. For the years ended August 31, 2019 and 2018, the Organization contributed \$138,191 and \$110,472, respectively. The plan follows the calendar year.

**5. Margin Loan:**

In 2012, the Organization opened a margin account with Wells Fargo Advisors to purchase securities. The securities purchased on margin are considered collateral for the margin loan. The fair value of securities held in margin were \$6,316,840 and \$5,091,266 as of August 31, 2019 and 2018, respectively.

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
**Notes to Financial Statements (continued)**

5. **Margin Loan (continued):**

The amount of the loan changes daily when securities are purchased and sold. The rate of interest charged is calculated monthly, based on the average daily debit balance in the margin account. The interest rates at August 31, 2019 and 2018 were 4.75% and 4.50%, respectively. Management, based on income information from Wells Fargo Advisors, has calculated the return/(losses) on investments for the years ended August 31, 2019 and 2018, to be approximately 5.49% and 16%, respectively.

6. **Marketable Securities:**

The Organization holds marketable securities at August 31, 2019 and 2018. A summary of these holdings is as follows:

	August 31, 2019		
	<u>Cost</u> <u>Basis</u>	<u>Cumulative</u> <u>Unrealized</u> <u>Gain(Loss)</u>	<u>Fair</u> <u>Value</u>
Cash and equivalents	\$ 16,197	\$ -	\$ 16,197
Equity securities	2,226,078	2,078,956	4,305,034
Fixed income securities	1,502,602	75,644	1,578,246
Mutual funds	390,021	(29,761)	360,260
Preferreds/fixed rate securities	75,000	(1,700)	73,300
	<u>\$ 4,209,898</u>	<u>\$ 2,123,139</u>	<u>\$ 6,333,037</u>

	August 31, 2018		
	<u>Cost</u> <u>Basis</u>	<u>Cumulative</u> <u>Unrealized</u> <u>Gain(Loss)</u>	<u>Fair</u> <u>Value</u>
Cash and equivalents	\$ 17,230	\$ -	\$ 17,230
Equity securities	2,035,737	2,161,817	4,197,554
Fixed income securities	1,601,805	(48,659)	1,553,146
Mutual funds	390,021	(16,822)	373,199
Preferreds/fixed rate securities	75,000	1,470	76,470
	<u>\$ 4,119,793</u>	<u>\$ 2,097,806</u>	<u>\$ 6,217,599</u>

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
Notes to Financial Statements (continued)

6. **Marketable Securities (continued):**

The unrealized gains and losses on marketable securities for the current year are included as a separate component of other revenue in the accompanying statement of activities.

The Fair Value Measurements Topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are briefly described below:

- |         |   |
|---------|---|
| Level 1 | Inputs to the valuation methodology are unadjusted 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 assets 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 values of all of the marketable securities as of August 31, 2019 and 2018 are based on unadjusted, quoted prices in active markets as of the measurement date (often referred to as Level 1 inputs).

7. **Lease and Related Party:**

On June 12, 2017, the Organization entered into a short-term lease for living space in Front Royal, Virginia from July 1, 2017 through November 15, 2017 and was then modified to a month-to-month basis. The lease stipulated monthly rent was \$900 per month. This lease was to provide housing for a Board Member, who was also an employee of the Organization. The monthly rent amount was reimbursed to the Organization by an after-tax deduction from the employee's wages. As of August 31, 2018 the amount due from the employee was \$0. The employee moved out of this living space in July 2018, and no future minimum lease payments were required under this lease.

On January 10, 2018, the Organization entered into a short-term lease for living space in Fort Lauderdale, Florida from January 25, 2018 through January 24, 2019. This lease was renewed on January 22, 2019 for the period from January 24, 2019 through January 23, 2020. The lease stipulates monthly rent is \$3,700 per month, which was due in one payment of \$44,400 upon signing of the lease. This lease is to provide lodging for employees of the Organization when they travel to Florida to conduct business on behalf of the Organization.



NATIVE AMERICAN HERITAGE ASSOCIATION  
Notes to Financial Statements (continued)

7. Lease and Related Party (continued):

As of August 31, 2019 and 2018, there were no future minimum lease payments required under this lease. Rent paid for the years ended August 31, 2019 and 2018 totaled \$41,300 and \$40,700, respectively.

8. Commitments:

As of August 31, 2019, the Organization has entered into the following agreements for costs associated with a fundraising cruise occurring February 27, 2020:

- Cruise ship guest accommodations with Royal Caribbean Cruises, Ltd. for \$2,359,002; of this \$748,648 was paid as of August 31, 2019.
- Marketing/registration services and operational management/onsite implementation with Sea Planners Group for \$125,000; of this \$90,000 was paid as of August 31, 2019.
- Talent buyer services with American Artist Corporation for 10% of the total of all artist guarantees. As of August 31, 2019, total artist guarantees were \$1,175,000, and \$105,000 has been paid for the 10% fee.
- Production services with Light Action Productions for \$622,544; of this \$302,764 was paid as of August 31, 2019.

As of August 31, 2019, the Organization has entered into the following agreements for costs associated with a fundraising cruise occurring February 18, 2021:

- Cruise ship guest accommodations with Royal Caribbean Cruises, Ltd. for \$2,697,857; of this \$211,788 was paid as of August 31, 2019.
- Marketing/registration services and operational management/onsite implementation with Sea Planners Group for \$125,000; of this \$30,000 was paid as of August 31, 2019.

**NATIVE AMERICAN HERITAGE ASSOCIATION**  
**Notes to Financial Statements (continued)**

9. **Availability and Liquidity:**

The following represents the Organization's financial assets as of August 31, 2019:

<b>Financial assets at year end:</b>	
Cash and cash equivalents	\$2,903,439
Accounts receivable	1,171,267
Investments	6,333,037
<b>Total financial assets</b>	<b>10,407,743</b>
<b>Less amounts not available to be used within one year:</b>	
Net assets with donor restrictions	(1,084,390)
<b>Financial assets available to meet general expenditures over the next twelve months</b>	
	<b>\$9,323,353</b>

10. **Subsequent Events:**

Subsequent events have been evaluated through December 19, 2019, as this is the date the financial statements were available to be issued.