

Partnership With Native Americans

Independent Auditor's Report and Financial Statements

December 31, 2020 and 2019

Partnership With Native Americans

December 31, 2020 and 2019

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Independent Auditor's Report

Board of Directors
Partnership With Native Americans
Addison, Texas

We have audited the accompanying financial statements of Partnership With Native Americans (PWNA), which comprise the statements of financial position as of December 31, 2020 and 2019, 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 PWNA as of December 31, 2020 and 2019, 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The Schedules of Changes in Net Assets listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Dallas, Texas
May 24, 2021

Partnership With Native Americans
Statements of Financial Position
December 31, 2020 and 2019

Assets

	<u>2020</u>	<u>2019</u>
Current Assets		
Cash and cash equivalents	\$ 6,861,716	\$ 2,732,504
Bequests receivable	-	393,613
Accounts receivable	894,063	332,090
Inventories	23,045,667	8,358,850
Short-term investments	85,256	72,567
Prepaid expenses and other assets	<u>313,031</u>	<u>267,975</u>
Total current assets	31,199,733	12,157,599
Property and equipment, net	<u>5,192,804</u>	<u>5,414,208</u>
Total assets	<u>\$ 36,392,537</u>	<u>\$ 17,571,807</u>

Liabilities and Net Assets

Current Liabilities		
Accounts payable	\$ 242,372	\$ 397,435
Accrued liabilities	393,390	318,214
Deferred revenue	419,083	134,015
Paycheck Protection Program loan	<u>679,620</u>	<u>-</u>
Total current liabilities	1,734,465	849,664
Annuities payable	<u>-</u>	<u>994</u>
Total liabilities	<u>1,734,465</u>	<u>850,658</u>
Net Assets		
Net assets without donor restriction	33,015,653	15,995,776
Net assets with donor restriction	<u>1,642,419</u>	<u>725,373</u>
Total net assets	<u>34,658,072</u>	<u>16,721,149</u>
Total liabilities and net assets	<u>\$ 36,392,537</u>	<u>\$ 17,571,807</u>

Partnership With Native Americans
Statements of Activities
Years Ended December 31, 2020 and 2019

	2020	2019
Changes in Net Assets Without Donor Restriction		
Unrestricted revenues, gains and other support		
Direct contributions	\$ 14,843,919	\$ 13,471,689
In-kind donations	28,359,572	9,794,768
Other income	208,610	239,816
Gain on sale of asset	21,200	-
Net assets released from restrictions	1,769,622	761,885
Total revenue and support	45,202,923	24,268,158
Expenses and Losses		
Program services		
Northern Plains Reservation Aid	8,695,187	7,884,455
Southwest Reservation Aid	9,550,369	8,145,351
Long-Term Solutions	1,226,769	1,072,132
Total program services	19,472,325	17,101,938
Supporting services		
Management and general	1,758,222	1,600,822
Fundraising	6,952,499	6,262,555
Total supporting services	8,710,721	7,863,377
Total expenses	28,183,046	24,965,315
Increase (decrease) in net assets without donor restriction	17,019,877	(697,157)
Changes in Net Assets With Donor Restriction		
Direct contributions	2,686,668	571,163
Net assets released from restrictions	(1,769,622)	(761,885)
Increase (decrease) in net assets with donor restriction	917,046	(190,722)
Change in Net Assets	17,936,923	(887,879)
Net Assets, Beginning of Year	16,721,149	17,609,028
Net Assets, End of Year	\$ 34,658,072	\$ 16,721,149

Partnership With Native Americans
Statement of Functional Expenses
Year Ended December 31, 2020

	Program Services			Supporting Services			Total Supporting Services	Total Expenses
	Northern Plains Reservation Aid	Southwest Reservation Aid	Long-Term Solutions	Total Program Services	Management and General	Fundraising		
Cost of goods distributed	\$ 7,007,886	\$ 6,919,878	\$ 264,490	\$ 14,192,254	\$ -	\$ -	\$ -	\$ 14,192,254
Grants	91,954	170,300	210,308	472,562	1,000	-	1,000	473,562
Advertising and list rentals	-	30	-	30	3,523	1,668,089	1,671,612	1,671,642
Mailing and shipping	695,124	1,333,263	66,675	2,095,062	1,878	1,476,398	1,478,276	3,573,338
Meetings and travel	1,016	736	14,447	16,199	7,728	9,728	17,456	33,655
Office supplies	14,715	30,434	30,261	75,410	2,278	12,488	14,766	90,176
Payroll and benefits	532,807	740,471	311,727	1,585,005	1,332,465	1,283,633	2,616,098	4,201,103
Printing	422	1,272	348	2,042	4,573	1,270,566	1,275,139	1,277,181
Professional fees	7,025	15,359	103,950	126,334	219,029	497,244	716,273	842,607
Rent and utilities	39,081	44,461	29,415	112,957	94,021	180,112	274,133	387,090
Computers and technology	29,569	28,260	21,549	79,378	41,184	148,422	189,606	268,984
Repairs and maintenance	78,117	67,261	6,290	151,668	221	1,526	1,747	153,415
Credit card processing and fees	-	-	-	-	2,726	49,173	51,899	51,899
Miscellaneous	9,417	5,653	104,474	119,544	6,626	5,030	11,656	131,200
Depreciation	110,756	123,412	40,706	274,874	26,661	267,480	294,141	569,015
Corporate insurance	67,892	58,604	22,111	148,607	9,858	23,665	33,523	182,130
Dues and fees	9,406	10,975	18	20,399	4,451	58,945	63,396	83,795
Total	\$ 8,695,187	\$ 9,550,369	\$ 1,226,769	\$ 19,472,325	\$ 1,758,222	\$ 6,952,499	\$ 8,710,721	\$ 28,183,046

Partnership With Native Americans
Statement of Functional Expenses
Year Ended December 31, 2019

	<u>Program Services</u>			<u>Supporting Services</u>			Total Supporting Services	Total Expenses
	Northern Plains Reservation Aid	Southwest Reservation Aid	Long-Term Solutions	Total Program Services	Management and General	Fundraising		
Cost of goods distributed	\$ 5,774,586	\$ 5,563,479	\$ 58,272	\$ 11,396,337	\$ -	\$ -	\$ -	\$ 11,396,337
Grants	44,350	48,810	133,027	226,187	-	-	-	226,187
Advertising and list rentals	86,041	-	-	86,041	3,026	1,142,005	1,145,031	1,231,072
Mailing and shipping	1,107,343	1,350,291	124,027	2,581,661	3,076	1,049,186	1,052,262	3,633,923
Meetings and travel	3,733	11,423	110,761	125,917	18,527	10,656	29,183	155,100
Office supplies	16,611	16,359	58,230	91,200	2,449	6,377	8,826	100,026
Payroll and benefits	513,184	758,048	210,107	1,481,339	1,130,402	1,077,419	2,207,821	3,689,160
Printing	818	2,684	497	3,999	492	1,680,277	1,680,769	1,684,768
Professional fees	978	982	229,332	231,292	209,187	599,538	808,725	1,040,017
Rent and utilities	44,495	46,348	26,865	117,708	96,553	187,737	284,290	401,998
Computers and technology	18,064	19,273	5,001	42,338	17,667	129,795	147,462	189,800
Repairs and maintenance	55,334	98,860	11,190	165,384	444	858	1,302	166,686
Credit card processing and fees	15	15	-	30	2,500	49,196	51,696	51,726
Miscellaneous	67,537	58,949	80,870	207,356	76,673	11,695	88,368	295,724
Depreciation	128,347	146,805	21,166	296,318	25,743	246,546	272,289	568,607
Corporate insurance	13,405	11,486	2,682	27,573	7,224	26,043	33,267	60,840
Dues and fees	9,614	11,539	105	21,258	6,859	45,227	52,086	73,344
Total	\$ 7,884,455	\$ 8,145,351	\$ 1,072,132	\$ 17,101,938	\$ 1,600,822	\$ 6,262,555	\$ 7,863,377	\$ 24,965,315

Partnership With Native Americans
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Activities		
Change in net assets	\$ 17,936,923	\$ (887,879)
Items not requiring (providing) operating cash		
Depreciation	569,015	568,607
Gain on sale of property and equipment	(21,200)	-
Net realized and unrealized (gain) loss on investments	404	(449)
Changes in		
Accounts/bequests receivable	(168,360)	10,273
Inventories	(14,686,817)	1,559,504
Prepaid expenses and other assets	(45,056)	12,013
Accounts payable and accrued liabilities	(79,887)	(112,441)
Deferred revenue	285,068	(20,434)
Annuities payable	(994)	(1,130)
Paycheck Protection Program loan	679,620	-
	<u>4,468,716</u>	<u>1,128,064</u>
Net cash provided by operating activities		
Investing Activities		
Proceeds from sale of property and equipment	21,200	-
Purchases of property and equipment	(347,611)	(113,765)
Purchases of investments	(13,093)	(54,843)
	<u>(339,504)</u>	<u>(168,608)</u>
Net cash used in investing activities		
Increase in Cash and Cash Equivalents	4,129,212	959,456
Cash and Cash Equivalents, Beginning of Year	<u>2,732,504</u>	<u>1,773,048</u>
Cash and Cash Equivalents, End of Year	<u>\$ 6,861,716</u>	<u>\$ 2,732,504</u>

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Partnership With Native Americans (PWNA) is a 501(c)3 nonprofit committed to championing hope for a brighter future for Native Americans living on remote, geographically isolated and impoverished reservations. Collaborating for nearly 30 years with our reservation partners, PWNA provides immediate relief and supports long-term solutions for strong, self-sufficient Native American communities.

PWNA believes that Native American peoples have the power within themselves to build strong communities. The tribal community members who PWNA partners with know the challenges that exist and are finding solutions to them. PWNA is a consistent, reliable resource to lift up their efforts to provide hope and support for their success today and tomorrow. Using a dual approach, PWNA responds to immediate needs in tribal communities by providing food, water and other critical materials, and supports community-led projects that sustainably address the core symptoms of poverty and contribute to self-sufficiency.

PWNA cares about quality of life for Native Americans and respects their self-determined goals for their tribes. Working year-round through their reservation partnerships; distribution network; and passionate staff, Board members and volunteers, PWNA benefits approximately 250,000 Native Americans each year.

First incorporated as National Relief Charities in North Carolina in 1990, PWNA's mission and principal activities are:

- a) to focus public attention upon the challenges, needs, concerns and conditions of Native Americans;
- b) to provide goods, equipment, services and funds to relieve the challenges and meet the needs of Native Americans living on impoverished reservations, to make gifts and grants for such purposes to other charitable and educational organizations, and to assist governmental and administrative bodies in alleviating the problems and conditions of Native Americans; and
- c) to focus public attention upon the needs of animals living on reservations in the Plains and Southwest and provide goods, equipment, services and funds to support the alleviation of their suffering.

PWNA, formerly National Relief Charities, officially changed its name with the Internal Revenue Service and incorporated in the state of Texas, on January 28, 2015.

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

Cash and Cash Equivalents

PWNA considers all liquid investments with original maturities of three months or less to be cash equivalents. At December 31, 2020 and 2019, cash equivalents consisted primarily of money market accounts with brokers.

PWNA maintains its cash and cash equivalents with what it considers to be quality financial institutions. At December 31, 2020, PWNA's cash accounts exceeded federally insured limits by \$6,304,742, which may constitute a credit risk.

Investments and Net Investment Return

Investments in equity securities having a readily determinable fair value and in all debt securities are carried at fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external investment expenses.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restriction. Other investment return is reflected in the statements of activities with or without donor restriction based upon the existence and nature of any donor or legally imposed restrictions.

Property and Equipment

PWNA capitalizes those items in excess of \$5,000 which have a useful life greater than one year. Property and equipment are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful life of each asset. Leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings	39 years
Building - improvements and leasehold improvements	3 – 39 years
Furniture and equipment	3 – 7 years
Vehicles	5 years

Long-lived Asset Impairment

PWNA evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No material asset impairment was recognized during the years ended December 31, 2020 and 2019.

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some 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 restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Bequests and Contributions

Bequests are recorded as contribution revenue when it has exited probate and the amount is determinable in accordance with accounting principles generally accepted in the United States of America. At December 31, 2020 and 2019, \$0 and \$393,613, respectively, of bequests had exited probate with a determinable amount and were recorded as a receivable in the accompanying statements of financial position.

Contributions are provided to PWNA either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the PWNA overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor 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. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

Conditional Gifts and Deferred Revenue

Conditional contributions for which the cash has been received are recorded as deferred revenue in the accompanying statements of financial position until the conditions have been met and the contribution is recognized. At December 31, 2020 and 2019, \$419,083 and \$134,015 in conditional gifts is recorded as deferred revenue in the accompanying statements of financial position and is expected to be recognized within the next year.

Additionally, at December 31, 2020 and 2019 PWNA had received \$600,000 and \$313,744, respectively, in conditional contributions not recognized in the accompanying financial statements to be recognized upon satisfying barriers outlined within the corresponding agreements.

In-kind Contributions

In addition to receiving cash contributions, PWNA receives in-kind contributions of clothing, medical supplies, toiletries, food, educational products and other items from various donors. It is the policy of PWNA to record the estimated fair value of certain in-kind donations as an expense in its financial statements, and similarly increase contribution revenue by a like amount. For the years ended December 31, 2020 and 2019, \$28,359,572 and \$9,794,768, respectively, was received in in-kind contributions. Approximately 70% and 77% of all in-kind contributions were received from three donors in 2020 and 2019, respectively.

Inventory

Inventories consist of donated and purchased supplies and are usually acquired through major retailer and not-for-profit organizations donations. Purchased inventories are stated at the lower of cost or net realizable value.

- **Donated Supplies Other Than Food** – Donated supplies are recorded at their fair value based upon the estimated price paid by the donor. PWNA values items by identifying the gross profit margin of the retailer and researching the average retailer price for the item via retailer websites. Once the average price is determined, it is reduced by a percentage equal to the gross profit margin of the retailer. This values the donated item at the approximate price paid by the retailer.

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

- **Donated Food** – PWNA values food items at the average wholesale price per pound of food as determined by a price study commissioned by Feeding America, the largest food charity in the U.S. This rate applies to all food regardless of type or packaging. For both the years ended December 31, 2020 and 2019, the average wholesale price per pound of food was \$1.68.

Income Taxes

PWNA is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, PWNA is subject to federal income tax on any unrelated business taxable income. PWNA files tax returns in the U.S. federal jurisdiction

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the program, management and general and fundraising categories based on direct salaries, full time equivalents, revenue percentages and other methods.

Advertising Expenses

Advertising costs are expensed as incurred. Total advertising costs for the years ended December 31, 2020 and 2019, were \$660,574 and \$268,902, respectively, and are included in advertising and list rentals in the accompanying statements of functional expenses.

Fundraising Expenses

All costs attributable to the production, printing and mailing of literature to the public that have both educational and fundraising appeal, have been allocated between fundraising and program expenses in the financial statements as they meet the requirements for the allocation of joint costs as provided by Accounting Standards Codification (ASC) Topic 958-720-50, *Accounting for Costs of Activities that Include Fundraising*.

Note 2: Investments and Net Investment Return

Investments at December 31 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 4,155	\$ 4,929
Certificates of deposit (non-negotiable)	15,000	67,638
Fixed income securities	<u>66,101</u>	<u>-</u>
	<u>\$ 85,256</u>	<u>\$ 72,567</u>

Partnership With Native Americans
Notes to Financial Statements
December 31, 2020 and 2019

Total net investment return (loss), recorded in other income, is comprised of the following:

	<u>2020</u>	<u>2019</u>
Net realized and unrealized gain (loss) on investments reported at fair value	\$ (404)	\$ 449
Interest and dividends, net of investment expenses	<u>2,680</u>	<u>2,680</u>
	<u>\$ 2,276</u>	<u>\$ 3,129</u>

Note 3: Property and Equipment

Property and equipment at December 31 consists of:

	<u>2020</u>	<u>2019</u>
Land	\$ 657,863	\$ 657,863
Buildings	5,175,495	5,175,495
Building and leasehold improvements	242,768	242,768
Vehicles	1,629,313	1,558,915
Furniture and equipment	<u>2,891,611</u>	<u>2,885,331</u>
	10,597,050	10,520,372
Less accumulated depreciation and amortization	<u>5,404,246</u>	<u>5,106,164</u>
	<u>\$ 5,192,804</u>	<u>\$ 5,414,208</u>

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

Note 4: Net Assets With Donor Restrictions

Net Assets With Donor Restrictions

Net assets with donor restrictions at December 31 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose, passage of time or both		
Education services	\$ 224,170	\$ -
Healthy living	20,500	75,951
Emergency services	1,178,908	507,321
Other	<u>152,516</u>	<u>75,776</u>
	1,576,094	659,048
Subject to PWNA endowment spending policy and appropriation		
Healthy living	<u>66,325</u>	<u>66,325</u>
	<u>\$ 1,642,419</u>	<u>\$ 725,373</u>

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	<u>2020</u>	<u>2019</u>
Education services	\$ 75,937	\$ 44,564
Healthy living	44,694	116,243
Emergency services	1,601,326	144,155
Other	<u>47,665</u>	<u>456,923</u>
	<u>\$ 1,769,622</u>	<u>\$ 761,885</u>

Partnership With Native Americans
Notes to Financial Statements
December 31, 2020 and 2019

Note 5: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of December 31, 2020 and 2019, comprise the following:

	2020	2019
Financial assets		
Cash and cash equivalents	\$ 6,861,716	\$ 2,732,504
Bequests and accounts receivable	894,063	725,703
Investments	85,256	72,567
	7,841,035	3,530,774
Donor imposed restrictions		
Deferred revenue	419,083	134,015
Restricted as to use	1,576,094	659,048
Perpetual endowments	66,325	66,325
	2,061,502	859,388
Financial assets available to meet cash needs for general expenditure within one year	\$ 5,779,533	\$ 2,671,386

PWNA receives contributions which are unrestricted by donors and such contributions are available to meet cash needs for general expenditures which are ongoing, major and central to its annual operations. For the years ended December 31, 2020 and 2019, financial assets of \$5,779,533 and \$2,671,386, respectively, were available to meet cash needs for general expenditures within one year.

Bequests and contributions receivable are subject to implied time restrictions but are expected to be collected within one year.

PWNA's temporarily restricted funds consist of grant funds, bequests and other gifts received with specific donor-imposed purpose restrictions. Funds are available for specific program usage and are released when donor-imposed restrictions are met.

PWNA has a liquidity policy to maintain financial assets available to meet cash needs for general expenditures at a minimum of 30 days of operating expenses, which are, on average, \$1,000,000. PWNA has long-term target of a year-end balance of reserves without donor restriction and which are undesignated by the Board to meet 60 to 120 days of expected expenditures and has a Cash Reserve Policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. To achieve these targets, PWNA forecasts its future cash flows and monitors its liquidity monthly and monitors its reserves annually.

PWNA has a committed line of credit in the amounts of \$1,000,000, which it could draw upon in the event of an unanticipated liquidity need; however, has elected to not draw upon the line. See *Note 10*.

Partnership With Native Americans

Notes to Financial Statements

December 31, 2020 and 2019

Note 6: Operating Leases

Noncancelable operating leases for office space expire in various years through 2025. These leases require PWNA to pay all executory costs (maintenance and insurance).

Future minimum lease payments under operating leases are:

2021	\$	222,942
2022		230,830
2023		180,968
2024		197,149
2025		<u>133,605</u>
Total minimum lease payments	\$	<u>965,494</u>

Rent expense for 2020 and 2019, was approximately \$195,000 and \$211,000, respectively.

In April 2018, PWNA entered into a contract to extend the lease for the Addison, Texas, office to August 31, 2025.

Note 7: Pension and Other Postretirement Benefit Plans

PWNA has a 401(k)-plan covering substantially all employees. PWNA contributions to the plan are 3% of annual compensation of all eligible employees. Contributions to the plan were \$79,015 and \$82,946, for 2020 and 2019, respectively.

Note 8: Allocation of Joint Costs

PWNA conducted activities that included requests for contributions, as well as program components. Those activities included direct mail, planned giving and telemarketing campaigns. The costs of conducting those activities included a total of \$4,232,960 and \$4,714,481, in 2020 and 2019, respectively, of joint costs, which are not specifically attributable to particular components of the activities. These joint costs were allocated as follows:

	<u>2020</u>	<u>2019</u>
Fundraising	\$ 2,666,623	\$ 2,567,691
Northern Plains Reservation Aid	467,602	882,211
Southwest Reservation Aid	1,044,989	1,146,891
Long-Term Solutions	<u>53,746</u>	<u>117,688</u>
	<u>\$ 4,232,960</u>	<u>\$ 4,714,481</u>

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Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at December 31, 2020 and 2019:

	Fair Value Measurements Using			
	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2020				
Certificates of deposit (non-negotiable)	\$ 15,000	\$ 15,000	\$ -	\$ -
Fixed income securities	66,101	66,101	-	-
Total investments included in fair value table	<u>\$ 81,101</u>	<u>\$ 81,101</u>	<u>\$ -</u>	<u>\$ -</u>
December 31, 2019				
Certificates of deposit (non-negotiable)	\$ 67,638	\$ 67,638	\$ -	\$ -

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended December 31, 2020.

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December 31, 2020 and 2019

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. PWNA did not have any investments that are classified as Level 3.

Note 10: Line of Credit

In July 2019, PWNA entered into a \$1,500,000 revolving line of credit agreement. The line of credit was renewed July 2, 2019, and expired July 7, 2020. At December 31, 2019, there was no outstanding borrowing against this line. The line was collateralized by substantially all of PWNA's assets. Interest varies with the bank's prime rate plus three percent, which approximated 5.84 percent at December 31, 2019.

In July 2020, PWNA entered into a \$1,000,000 revolving line of credit agreement which expires July 17, 2021. At December 31, 2020 there was no outstanding borrowing against this line. The line was collateralized by substantially all of PWNA's assets. Interest rate varies with the bank's prime rate plus three percent, which approximated 4.58 percent at December 31, 2020.

Note 11: CARES Act

PWNA received a Payroll Protection Program (PPP) loan established by the CARES Act in April 2020 totaling \$679,620, which is subject to forgiveness if certain conditions were satisfied. PWNA has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting full-time equivalent employee and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration (SBA), or lender; as a result of such audit, adjustments could be required to the recognition of revenue.

PWNA has not received formal notification of forgiveness for the full amount of the loan by the SBA. Therefore, the loan is included in liabilities in the accompanying statements of financial position.

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Notes to Financial Statements

December 31, 2020 and 2019

Note 12: Future Change in Accounting Principle

Accounting for Leases

The Financial Accounting Standards Board (FASB) amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the statements of financial position as both a right-of-use asset and a liability. The standard has two types of leases for statements of activities recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating, or finance will be done in a manner similar to existing standards. The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and nonlease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. PWNA is evaluating the effect the standard will have on the financial statements; however, the standard is expected to have a material effect on the financial statements due to the recognition of additional assets and liabilities for operating leases.

Presentation and Disclosure for Contributed Nonfinancial Assets

On September 17, 2020, the FASB issued Accounting Standards Update 2020-07, *Topic 958: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, to increase the transparency of contributed nonfinancial assets through enhancements to presentation and disclosure. The standard requires contributed nonfinancial assets to be presented on a separate line item in the statement of activities, segregated apart from contributions of cash and other financial assets. Additionally, disclosure requirements have been amended to require a disaggregation of the amount of contributed nonfinancial assets recognized within the statement of activities by category that depicts the type of contributed nonfinancial assets, as well as specific disclosure requirements for each category recognized. The amendments in this update should be applied on a retrospective basis and are effective for annual periods beginning after June 15, 2021, and interim periods within annual periods beginning after June 15, 2022. Early adoption is permitted.

Note 13: Subsequent Event

Subsequent events have been evaluated through May 24, 2021, which is the date the financial statements were available to be issued.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of PWNA. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Supplementary Information

Partnership With Native Americans
Schedule of Changes in Net Assets
Year Ended December 31, 2020

	Other Without Donor Restriction	In-kind Without Donor Restriction	Total Without Donor Restriction	With Donor Restriction	Total
Revenues and Support					
Direct contributions	\$ 14,843,919	\$ -	\$ 14,843,919	\$ 2,686,668	\$ 17,530,587
In-kind donations	-	28,359,572	28,359,572	-	28,359,572
Other income	208,610	-	208,610	-	208,610
Gain on sale of asset	21,200	-	21,200	-	21,200
Net assets released from restrictions	1,769,622	-	1,769,622	(1,769,622)	-
	<u>16,843,351</u>	<u>28,359,572</u>	<u>45,202,923</u>	<u>917,046</u>	<u>46,119,969</u>
Expenses					
Program services					
Northern Plains Reservation Aid	3,483,972	5,410,931	8,894,903	-	8,894,903
Southwest Reservation Aid	5,794,253	3,756,192	9,550,445	-	9,550,445
Long-Term Solutions	1,226,769	-	1,226,769	-	1,226,769
	<u>10,504,994</u>	<u>9,167,123</u>	<u>19,672,117</u>	<u>-</u>	<u>19,672,117</u>
Supporting services					
Management and general	1,753,033	-	1,753,033	-	1,753,033
Fundraising	6,757,782	114	6,757,896	-	6,757,896
	<u>8,510,815</u>	<u>114</u>	<u>8,510,929</u>	<u>-</u>	<u>8,510,929</u>
	<u>19,015,809</u>	<u>9,167,237</u>	<u>28,183,046</u>	<u>-</u>	<u>28,183,046</u>
Change in Net Assets	<u>\$ (2,172,458)</u>	<u>\$ 19,192,335</u>	<u>\$ 17,019,877</u>	<u>\$ 917,046</u>	<u>\$ 17,936,923</u>

Partnership With Native Americans
Schedule of Changes in Net Assets
Year Ended December 31, 2019

	Other Without Donor Restriction	In-kind Without Donor Restriction	Total Without Donor Restriction	With Donor Restriction	Total
Revenues and Support					
Direct contributions	\$ 13,471,689	\$ -	\$ 13,471,689	\$ 571,163	\$ 14,042,852
In-kind donations	-	9,794,768	9,794,768	-	9,794,768
Other income	239,816	-	239,816	-	239,816
Net assets released from restrictions	761,885	-	761,885	(761,885)	-
	<u>14,473,390</u>	<u>9,794,768</u>	<u>24,268,158</u>	<u>(190,722)</u>	<u>24,077,436</u>
Expenses					
Program services					
Northern Plains Reservation Aid	2,933,677	4,950,778	7,884,455	-	7,884,455
Southwest Reservation Aid	2,743,859	5,401,492	8,145,351	-	8,145,351
Long-Term Solutions	1,072,132	-	1,072,132	-	1,072,132
	<u>6,749,668</u>	<u>10,352,270</u>	<u>17,101,938</u>	<u>-</u>	<u>17,101,938</u>
Supporting services					
Management and general	1,600,822	-	1,600,822	-	1,600,822
Fundraising	6,262,485	70	6,262,555	-	6,262,555
	<u>7,863,307</u>	<u>70</u>	<u>7,863,377</u>	<u>-</u>	<u>7,863,377</u>
Total expenses	<u>14,612,975</u>	<u>10,352,340</u>	<u>24,965,315</u>	<u>-</u>	<u>24,965,315</u>
Change in Net Assets	<u>\$ (139,585)</u>	<u>\$ (557,572)</u>	<u>\$ (697,157)</u>	<u>\$ (190,722)</u>	<u>\$ (887,879)</u>