

NORDIC NORTHWEST

Reviewed Financial Statements

For the Year Ended February 28, 2021



McDONALD JACOBS

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

To the Board of Directors
Nordic Northwest

We have reviewed the accompanying financial statements of Nordic Northwest (a nonprofit organization), which comprise the statement of financial position as of February 28, 2021, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

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.

Accountant's Responsibility

Our responsibility is to conduct the review engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the American Institute of Certified Public Accountants. Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with accounting principles generally accepted in the United States of America. We believe that the results of our procedures provide a reasonable basis for our conclusion.

Accountant's Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America.

Summarized Comparative Information

We previously reviewed Nordic Northwest's 2020 financial statements and in our report dated September 14, 2020, stated that based on our review, we were not aware of any material modifications that should be made to the 2020 financial statements in order for them to be in accordance with accounting principles generally accepted in the United States of America. We are not aware of any material modifications that should be made to the summarized comparative information presented herein as of and for the year ended February 29, 2020, for it to be consistent with the reviewed financial statements from which it has been derived.

McDonald Jacobson, P.C.

Portland, Oregon
July 13, 2021

NORDIC NORTHWEST
STATEMENT OF FINANCIAL POSITION
February 28, 2021
(With comparative totals for 2020)

	2021	2020
ASSETS		
Cash and cash equivalents	\$ 653,912	\$ 332,779
Pledges receivable	25,645	50,214
Other receivable	76,649	-
Property and equipment, net	5,077,430	5,241,167
Cash value of life insurance policy, net	10,262	10,030
Investments	1,663,358	-
Museum collection	13,921	13,921
 TOTAL ASSETS	 \$ 7,521,177	 \$ 5,648,111
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 56,692	\$ 59,623
Deferred revenue	87,828	110,170
Refundable advance - Paycheck Protection Program	75,722	-
Total liabilities	220,242	169,793
Net assets:		
Without donor restrictions:		
Undesignated	395,450	44,607
Board designated	1,174,813	-
Net property and equipment	5,077,430	5,241,167
Total without donor restrictions	6,647,693	5,285,774
With donor restrictions	653,242	192,544
Total net assets	7,300,935	5,478,318
 TOTAL LIABILITIES AND NET ASSETS	 \$ 7,521,177	 \$ 5,648,111

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF ACTIVITIES
For the year ended February 28, 2021
(With comparative totals for 2020)

	2021			2020
	Without Donor Restrictions	With Donor Restrictions	Total	
Support and Revenue:				
Contributions	\$ 571,478	\$ 28,373	\$ 599,851	\$ 405,568
Special events, net of direct expenses of \$2,030 in 2021 and \$95,353 in 2020	6,629	-	6,629	233,549
Membership	83,100	-	83,100	75,299
Program fees	12,014	-	12,014	118,018
Rental income	88,077	-	88,077	227,576
Government sources	160,637	-	160,637	-
Other income	2,000	-	2,000	20,363
Net assets released from restrictions:				
Satisfaction of purpose restrictions	56,452	(56,452)	-	-
Total support and revenue	980,387	(28,079)	952,308	1,080,373
Expenses:				
Program services	542,706	-	542,706	612,029
Management and general	142,282	-	142,282	112,777
Fundraising	92,770	-	92,770	164,999
Total expenses	777,758	-	777,758	889,805
Change in net assets from operations	202,629	(28,079)	174,550	190,568
Nonoperating activities:				
Bequest	1,171,612	500,000	1,671,612	
Change in cash values of life insurance policies	-	232	232	226
Investment earnings	4,168	-	4,168	-
Change in value of investments	(16,490)	(11,455)	(27,945)	-
Capital contributions	-	-	-	250,000
Change in net assets	1,361,919	460,698	1,822,617	440,794
Net assets:				
Beginning of year	5,285,774	192,544	5,478,318	5,037,524
End of year	\$ 6,647,693	\$ 653,242	\$ 7,300,935	\$ 5,478,318

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF FUNCTIONAL EXPENSES
For the year ended February 28, 2021
(With comparative totals for 2020)

	2021				2020 Total
	Program Services	Management and General	Fundraising	Total	
Salaries and related expenses	\$ 220,416	\$ 102,339	\$ 77,221	\$ 399,976	\$ 403,360
Building and other related expenses	66,622	3,671	2,744	73,037	99,703
Program expenses	25,327	-	972	26,299	48,070
Office expense	38,136	5,607	9,604	53,347	70,655
Insurance	13,833	4,573	-	18,406	17,452
Newsletter	-	-	-	-	5,061
Professional services	4,200	13,890	-	18,090	38,528
Fundraising and event expenses	403	-	2,081	2,484	99,294
Exhibits and other campaign expenses	7,648	-	-	7,648	20,596
Depreciation	162,004	8,527	-	170,531	167,692
Other costs	4,117	3,675	2,178	9,970	6,432
Interest expense	-	-	-	-	8,315
	<u>542,706</u>	<u>142,282</u>	<u>94,800</u>	<u>779,788</u>	<u>985,158</u>
Less event expenses netted with revenue on statement of activities	<u>-</u>	<u>-</u>	<u>(2,030)</u>	<u>(2,030)</u>	<u>(95,353)</u>
Total expenses	<u>\$ 542,706</u>	<u>\$ 142,282</u>	<u>\$ 92,770</u>	<u>\$ 777,758</u>	<u>\$ 889,805</u>

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
STATEMENT OF CASH FLOWS
For the year ended February 28, 2021
(With comparative totals for 2020)

	2021	2020
Cash flows from operating activities:		
Change in net assets	\$ 1,822,617	\$ 440,794
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	170,531	167,692
Change in cash values of life insurance policies	(232)	(226)
Change in value of investments	27,945	-
Contributions restricted for debt repayment, capital assets and endowment	(1,671,612)	(219,854)
Note payment forgiven as contribution	-	(241,000)
(Increase) decrease:		
Pledges and other receivable	(52,080)	(30,146)
Prepaid expenses	-	1,557
Increase (decrease):		
Accounts payable and accrued expenses	(2,931)	6,234
Deferred revenue	(22,342)	24,724
Refundable advance - Paycheck Protection Program	75,722	-
Net cash flows from operating activities	347,618	149,775
Cash flows from investing activities:		
Purchase of investments	(1,691,303)	-
Additions to property and equipment	(6,794)	(59,094)
Net cash flows from investing activities	(1,698,097)	(59,094)
Cash flows from financing activities:		
Contributions restricted for debt repayment, capital assets and endowment	1,671,612	219,854
Payments on notes payable	-	(252,188)
Net cash flows from financing activities	1,671,612	(32,334)
Net change in cash and cash equivalents	321,133	58,347
Cash and cash equivalents - beginning of year	332,779	274,432
Cash and cash equivalents - end of year	\$ 653,912	\$ 332,779
Supplemental cash flow information:		
Cash paid during the year for interest	\$ -	\$ 8,315

See independent accountant's review report and notes to the financial statements.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS
February 28, 2021

I. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nordic Northwest (the Organization) was incorporated under the laws of the State of Oregon on June 4, 1985 as a nonprofit corporation. The Organization is organized and operated exclusively for its tax exempt purpose, which is to preserve, communicate and celebrate Nordic heritage and culture. The Organization is accomplishing this purpose with its cultural center and by sponsoring an educational outreach program and Nordic cultural events, Nordic Nights and ScanFair, as well as various functions such as lectures and performances.

The Organization is supported by contributions, program services, rental income and memberships. Additionally, the Organization's support from one estate distribution approximated 65% of total revenue for the year ended February 28, 2021 (25% from one donor in 2020).

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor imposed restrictions. 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) restrictions.
- *Net Assets With Donor Restrictions* - Net assets subject to donor- (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. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with maturities of three months or less at the time of purchase to be cash equivalents. Cash equivalents included in investments are considered investments.

Pledges and Other Receivable

Pledges and other receivable are reported at the amount management expects to collect on balances outstanding at year-end. Management believes receivables are fully collectible; therefore, no allowance for uncollectible amounts is reflected.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

I. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Investments

Investments are carried at fair value. Investment income earned on donor-restricted endowment is reported as an increase in net assets with donor restrictions until appropriated for expenditure by the Board of Directors and released to net assets without donor restrictions.

Property and Equipment

Additions to property and equipment greater than \$1,000 are capitalized. Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the various assets.

Museum Collection Items

Museum collection items are recorded at cost if purchased and at appraised or fair value at date of accession if donated. Gains and losses from deaccessions are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

Revenue Recognition

Revenues from various sources are recognized as follows:

Contributions and Membership: Contributions, which include unconditional promises to give (pledges) and membership fees, are recognized as revenues in the period the Organization is notified of the commitment. Bequests are recorded as revenue at the time the Organization has an established right to the bequest and the proceeds are measurable. Conditional promises to give, that is, those with a measurable performance or other barrier, and a right of return, are not recognized until the conditions on which they depend have been substantially met.

Special Events: The Organization records special events revenue equal to the fair value of direct benefits to donors, and contribution income for the excess received when the event takes place.

Program Fees and Rental Income: Program fees and rental income are recognized as revenue in the period that services are provided. Advance payments are recorded as deferred revenue and are recognized as income when the conditions on which they depend have been substantially met. As of February 28, 2021, program fees and rental income of \$87,828 (\$110,170 as of February 29, 2020) have not been recognized in the accompanying statement of activities because the conditions on which they depend have not been met.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

I. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

Revenue Recognition, Continued

Government Sources: The Organization received funds from two COVID Relief programs, the Paycheck Protection Program (first draw) and Employee Retention Tax Credits, which are reported as revenue when the conditions of each program are satisfied. See below for additional information on the Paycheck Protection Program.

Donated Assets and Services: Donations of property, equipment, materials and other assets are recorded as support at their estimated fair value at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose.

The Organization recognizes donated services that create or enhance nonfinancial assets or that require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation.

Refundable Advance

The Paycheck Protection Program (PPP) loan guaranteed by the Small Business Administration (SBA) is accounted for as a conditional advance and accrues interest at 1%. The advance may be forgiven partially or in its entirety if certain conditions are met, including incurrence of allowable qualifying expenses (mostly personnel and occupancy costs) and acceptance and approval of the forgiveness application by the lender. Upon satisfaction of the conditions, the advance will be recognized as revenue.

Functional Expenses

The costs of providing various programs and other activities have been summarized on a functional basis in the statement of activities and in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited. The expenses that are allocated include salaries and related costs, building expenses, insurance, depreciation and office expenses, which are allocated on the basis of estimates of time and effort.

Income Tax Status

The Organization is a nonprofit corporation exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code and applicable state law. No provision for income taxes is made in the accompanying financial statements, as the Organization has no activities subject to unrelated business income tax. The Organization is not a private foundation.

The Organization follows the provisions of FASB ASC Topic 740 *Accounting for Uncertainty in Income Taxes*. Management has evaluated the Organization's tax positions and concluded that there are no uncertain tax positions that require adjustment to the financial statements to comply with provisions of this Topic.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

1. DESCRIPTION OF THE ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Change in Accounting Principle

The Organization has implemented Accounting Standards Update 2014-09, *Revenue from Contracts with Customers* beginning with the year ended February 28, 2021. This standard establishes a new contract and control-based revenue recognition model, changes the basis for deciding when revenue is recognized over time or at a point in time, and expands disclosures about revenue. The various provisions of this standard resulted in no significant changes in the way the Organization recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis.

Subsequent Events

The Organization has evaluated all subsequent events through July 13, 2021, the date the financial statements were available to be issued.

Summarized Financial Information for 2020

The financial information as of February 29, 2020 and for the year then ended is presented for comparative purposes and is not intended to be a complete financial statement presentation.

2. AVAILABLE RESOURCES AND LIQUIDITY

The Organization regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the Organization considers all expenditures related to its primary operations to be general expenditures. It excludes financial assets with donor or other restrictions limiting their use.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

Financial assets of the Organization consist of the following at February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Cash and cash equivalents	\$ 653,912	\$ 332,779
Pledges receivable	25,645	50,214
Other receivable	76,649	-
Investments	<u>1,663,358</u>	<u>-</u>
	2,419,564	382,993
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	639,321	178,623
Net assets with board designations	<u>1,174,813</u>	<u>-</u>
Financial assets available for general expenditure	<u>\$ 1,780,243</u>	<u>\$ 204,370</u>

The Organization's endowment consists of donor-restricted endowment funds and funds designated by the Board as endowment. The board-designated endowment may be spent with approval of the Board of Directors. See Note 8 regarding board designated net assets. See Note 13 regarding endowment. See Note 7 for information on resources available from a line of credit.

3. PLEDGES RECEIVABLE

Pledges receivable at February 28, 2021 and February 29, 2020 represent unconditional pledges which are receivable as follows:

	<u>2021</u>	<u>2020</u>
Due within one year	\$ 15,645	\$ 29,789
Due within two to five years	10,000	17,400
Due in more than five years	<u>-</u>	<u>3,025</u>
Total pledges receivable	<u>\$ 25,645</u>	<u>\$ 50,214</u>

See independent accountant's review report.

NORDIC NORTHWEST
 NOTES TO FINANCIAL STATEMENTS, Continued
 February 28, 2021

4. INVESTMENTS

Investments consist of the following at February 28, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Money market funds	\$ 68,259	\$ -
Certificate of deposit	255,732	-
Mutual funds - equity	<u>1,339,367</u>	<u>-</u>
Total investments	<u>\$ 1,663,358</u>	<u>\$ -</u>

The certificate of deposit earns interest at 3.25% per annum and matures November 15, 2021. Investments are held in an endowment (see Note 13).

5. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Land and improvements	\$ 785,469	\$ 785,469
Building	4,947,324	4,947,324
Furniture and equipment	<u>295,453</u>	<u>288,659</u>
Total property and equipment	6,028,246	6,021,452
Less accumulated depreciation	<u>950,816</u>	<u>780,285</u>
Property and equipment, net	<u>\$ 5,077,430</u>	<u>\$ 5,241,167</u>

6. CASH VALUE OF LIFE INSURANCE POLICY

The Organization is the beneficiary of a life insurance policy. At February 28, 2021, the remaining policy with a net death benefit of approximately \$12,900, is reflected at the guaranteed cash value of approximately \$10,300, net of an outstanding loan of \$2,600. The proceeds from the net cash value or death benefits under this policy will be available for use in accordance with restrictions stipulated by the donor. Changes in the cash value of the policy are reflected on the statement of activities.

At February 29, 2020, the policy has a cash value (net of outstanding loan of \$2,500) of approximately \$10,000.

See independent accountant's review report.

NORDIC NORTHWEST
 NOTES TO FINANCIAL STATEMENTS, Continued
 February 28, 2021

7. LINE OF CREDIT

The Organization has a \$75,000 line of credit from First Interstate Bank, secured by substantially all assets and guaranteed by a members of the Board of Directors. Interest on outstanding advances accrues at prime rate (3.25% and 4.75% at February 28, 2021 and 2020, respectively) plus 0.25% and the line matures November 28, 2021. There were no outstanding advances at February 28, 2021 and February 29, 2020.

8. BOARD-DESIGNATED NET ASSETS

The Organization's board-designated net assets consist of net assets without donor restrictions designated to be treated as an endowment to support long-term operations. See Note 13, Endowment.

9. NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following at February 28, 2021 and February 29, 2020:

	<u>2021</u>	<u>2020</u>
Expiring restrictions:		
Programs	\$ 140,514	\$ 168,593
Time restricted	10,262	10,030
Accumulated earnings (loss) on endowment (Note 13)	<u>(11,455)</u>	<u>-</u>
Total expiring restrictions	<u>139,321</u>	<u>178,623</u>
Perpetual restrictions:		
Museum collection	13,921	13,921
Endowment (Note 13)	<u>500,000</u>	<u>-</u>
Total perpetual restrictions	<u>513,921</u>	<u>13,921</u>
Total net assets with donor restrictions	<u>\$ 653,242</u>	<u>\$ 192,544</u>

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

10. REVENUE FROM CONTRACTS WITH CUSTOMERS

For revenue from contracts with customers, the timing of revenue recognition, billings, and cash collections may result in billed accounts receivable and unbilled receivables (contract assets) and customer advances and deposits (contract liabilities) on the balance sheet.

Revenue from customers is recognized at the time services are performed.

Revenue by type:	<u>2021</u>	<u>2020</u>
Revenue recognized at a point in time:		
Program fees	\$ 12,014	\$ 118,018
Rental income	<u>88,077</u>	<u>227,576</u>
Total contract revenue	<u>\$ 100,091</u>	<u>\$ 345,594</u>

The beginning and ending contract balances are as follows:

	<u>February 28,</u>		
	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contract liability:			
Deferred rental income	<u>\$ 87,828</u>	<u>\$ 110,170</u>	<u>\$ 85,446</u>

Revenue recognized during 2021 and 2020 that was included in the contract liability balance at the beginning of each year was \$22,342 and \$85,446, respectively. Generally, deferred revenue is recognized in the following year. For fiscal year 2021, the Organization had limitations on facility usage and rentals due to restrictions caused by the world-wide pandemic resulting in \$87,828 of deferred revenue carried to fiscal year 2022. There were no contract assets for the years ended in 2021, 2020 or 2019.

II. SPECIAL EVENTS

Special events included the following for the years ended February 28, 2021 and February 29, 2020:

	<u>2021</u>			<u>2020</u>		
	Gross	Direct	Net	Gross	Direct	Net
	<u>Revenue</u>	<u>Benefit</u>	<u>Revenue</u>	<u>Revenue</u>	<u>Benefit</u>	<u>Revenue</u>
		<u>Expenses</u>			<u>Expenses</u>	
Nordic Nights	\$ -	\$ -	\$ -	\$ 221,063	\$ 45,591	\$ 175,472
ScanFair	<u>8,659</u>	<u>2,030</u>	<u>6,629</u>	<u>107,839</u>	<u>49,762</u>	<u>58,077</u>
Special events, net	<u>\$ 8,659</u>	<u>\$ 2,030</u>	<u>\$ 6,629</u>	<u>\$ 328,902</u>	<u>\$ 95,353</u>	<u>\$ 233,549</u>

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

12. RETIREMENT PLAN

The Organization has a SIMPLE IRA plan (the Plan) that is available to all employees. Participants are eligible for an employer match of their contribution up to 3% of their gross wages or a nonelective employer contribution of 2% of gross compensation for employees with at least \$5,000 in compensation. The employer contribution is established annually by the Board of Directors. The matching percentage established by the Board was 2% for the years ended February 28, 2021 and February 29, 2020. Employee contributions to the plan are voluntary.

For the years ended February 28, 2021 and February 29, 2020, the Organization's contributions to the Plan totaled approximately \$6,800 and \$9,600, respectively.

13. ENDOWMENT

Nordic Northwest's endowment funds consists of funds established for long-term support of the Organization. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Directors to function as endowments. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the Board of Directors to function as an endowment, are classified and reported based on the existence or absence of donor-imposed restrictions or board designations.

Interpretation of Relevant Law

The Board of Directors of the Organization has interpreted Oregon's Uniform Prudent Management of Institutional Funds Act (UPMIFA or the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with perpetual restrictions, (a) the original value of gifts donated to the permanent endowment (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified as net assets with perpetual restrictions is classified as net assets with expiring restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

13. ENDOWMENTS, Continued

Interpretation of Relevant Law, Continued

In accordance with UPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- (1) The duration and preservation of the fund
- (2) Organization and the donor-restricted endowment fund purposes
- (3) General economic conditions
- (4) The possible effect of inflation and deflation
- (5) The expected total return from income and investment appreciation
- (6) Other resources of the Organization
- (7) The investment policies of the Organization

Endowment net asset composition consists of the following at February 28, 2021:

	Without Donor Restrictions	With Donor Restrictions		Total
		Expiring	Perpetual	
February 28, 2021				
Donor-restricted	\$ -	\$ (11,455)	\$ 500,000	\$ 488,545
Board-designated	1,174,813	-	-	1,174,813
Endowment total	<u>\$ 1,174,813</u>	<u>\$ (11,455)</u>	<u>\$ 500,000</u>	<u>\$ 1,663,358</u>

Changes in endowment net assets for the year ended February 28, 2021 are as follows:

	Without Donor Restrictions	With Donor Restrictions		Total
		Expiring	Perpetual	
Balance, February 29, 2020	\$ -	\$ -	\$ -	\$ -
Contributions	1,171,612	-	500,000	1,671,612
Investment income, net of fees	4,168	-	-	4,168
Net depreciation	(967)	(11,455)	-	(12,422)
Balance, February 28, 2021	<u>\$ 1,174,813</u>	<u>\$ (11,455)</u>	<u>\$ 500,000</u>	<u>\$ 1,663,358</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the Foundation to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature that are reported in net assets with donor restrictions. At February 28, 2021, funds with deficiencies totaled \$11,455 which resulted from changes in the market value.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
February 28, 2021

13. ENDOWMENTS, Continued

Return Objectives and Risk Parameters

The Organization 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 purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Organization must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results while assuming a moderate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy

The Organization's endowment was initially established during the year ended February 28, 2021 and is currently in the process of developing a spending policy.

14. CONCENTRATIONS OF CREDIT RISK

The Organization maintains its cash balances in a financial institution located in Portland. Balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Uninsured balances totaled approximately \$411,000 and \$95,000 at February 28, 2021 and February 29, 2020, respectively.

15. FAIR VALUE MEASUREMENTS

Assets and liabilities recorded at fair value in the statement of financial position are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are defined as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2: Observable inputs other than those included in Level 1, such as quoted market prices for similar assets or liabilities in active markets, or quoted market prices for identical assets or liabilities in inactive markets.

See independent accountant's review report.

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15. FAIR VALUE MEASUREMENTS, Continued

Level 3: Unobservable inputs reflecting management’s own assumptions about the inputs used in pricing the asset or liability. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair values requires significant management judgment or estimation.

Fair values of assets measured on a recurring basis at February 28, 2021 and February 29, 2020 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
2021			
Money market funds	\$ 68,259	\$ 68,259	\$ -
Mutual funds - equity	1,339,367	1,339,367	-
Cash value of life insurance policy	10,262	-	10,262
2020			
Cash value of life insurance policy	10,030	-	10,030

Fair values for money market and mutual funds are determined by reference to quoted market prices and other relevant information generated by market transactions.

Fair values of life insurance policies are determined using an income approach in accordance with contract terms using published life expectancy tables and applicable discount rates and net of outstanding loans.

16. RELATED PARTY DISCLOSURE

The Organization purchased services from a company owned by an officer of the Board approximating \$12,300 and \$29,500 during the years ended February 28, 2021 and 2020, respectively. The Organization, at times, may receive donated services from Board members (See Note 1, Donated Assets and Services).

During the year ended February 29, 2020, the Organization received debt forgiveness in the amount of \$241,000 as a contribution from a Board member.

See independent accountant’s review report.