

NORDIC NORTHWEST

Reviewed Financial Statements

For the one-month period ended
March 31, 2022 and the year
ended February 28, 2022



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 statements of financial position as of March 31, 2022 and February 28, 2022, and the related statements of activities, functional expenses, and cash flows for the one-month period ended March 31, 2022 and the year ended February 28, 2022, 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.

McDonald Jacobs, P.C.

Portland, Oregon
July 18, 2022

NORDIC NORTHWEST
STATEMENTS OF FINANCIAL POSITION
March 31, 2022 and February 28, 2022

	<u>March 31,</u> 2022	<u>February 28,</u> 2022
ASSETS		
Cash and cash equivalents	\$ 1,084,944	\$ 1,099,533
Pledges receivable	108,000	108,000
Accounts receivable	15,454	14,963
Cash value of life insurance policy, net	10,519	10,519
Investments	1,861,642	1,817,655
Property and equipment, net	4,970,423	4,981,929
Museum collection	<u>13,921</u>	<u>13,921</u>
 TOTAL ASSETS	 <u>\$ 8,064,903</u>	 <u>\$ 8,046,520</u>
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 56,973	\$ 65,789
Deferred revenue	<u>262,441</u>	<u>237,347</u>
Total liabilities	<u>319,414</u>	<u>303,136</u>
Net assets:		
Without donor restrictions:		
Undesignated	627,803	658,179
Board designated	1,313,881	1,285,016
Net property and equipment	<u>4,970,423</u>	<u>4,981,929</u>
Total without donor restrictions	6,912,107	6,925,124
With donor restrictions	<u>833,382</u>	<u>818,260</u>
Total net assets	<u>7,745,489</u>	<u>7,743,384</u>
 TOTAL LIABILITIES AND NET ASSETS	 <u>\$ 8,064,903</u>	 <u>\$ 8,046,520</u>

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

NORDIC NORTHWEST
STATEMENTS OF ACTIVITIES
For the one-month period ended March 31, 2022
and the year ended February 28, 2022

	March 31, 2022			February 28, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Support and Revenue:						
Contributions	\$ 8,361	\$ -	\$ 8,361	\$ 336,382	\$ 152,361	\$ 488,743
ScanFair, net of direct expenses of \$8,633 for February 28, 2022	-	-	-	19,269	-	19,269
Membership	5,710	-	5,710	93,270	-	93,270
Program fees	2,936	-	2,936	71,066	-	71,066
Rental income	12,867	-	12,867	201,211	-	201,211
Government sources	-	-	-	288,178	-	288,178
Donated materials and services	2,754	-	2,754	31,686	-	31,686
Other income	-	-	-	2,000	-	2,000
Net assets released from restrictions:						
Satisfaction of purpose restrictions	-	-	-	50,076	(50,076)	-
Total support and revenue	<u>32,628</u>	<u>-</u>	<u>32,628</u>	<u>1,093,138</u>	<u>102,285</u>	<u>1,195,423</u>
Expenses:						
Program services	60,129	-	60,129	681,258	-	681,258
Management and general	7,906	-	7,906	128,182	-	128,182
Fundraising	6,475	-	6,475	116,470	-	116,470
Total expenses	<u>74,510</u>	<u>-</u>	<u>74,510</u>	<u>925,910</u>	<u>-</u>	<u>925,910</u>
Change in net assets from operations	(41,882)	-	(41,882)	167,228	102,285	269,513
Nonoperating activities:						
Change in cash values of life insurance policies	-	-	-	-	257	257
Change in value of investments	28,865	15,122	43,987	110,203	62,476	172,679
Change in net assets	(13,017)	15,122	2,105	277,431	165,018	442,449
Net assets:						
Beginning of year	6,925,124	818,260	7,743,384	6,647,693	653,242	7,300,935
End of year	<u>\$ 6,912,107</u>	<u>\$ 833,382</u>	<u>\$ 7,745,489</u>	<u>\$ 6,925,124</u>	<u>\$ 818,260</u>	<u>\$ 7,743,384</u>

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

NORDIC NORTHWEST
STATEMENTS OF FUNCTIONAL EXPENSES
For the one-month period ended March 31, 2022
and the year ended February 28, 2022

	March 31, 2022				February 28, 2022			
	Program Services	Management and General	Fundraising	Total	Program Services	Management and General	Fundraising	Total
Salaries and related expenses	\$ 23,710	\$ 6,433	\$ 6,165	\$ 36,308	\$ 284,740	\$ 73,766	\$ 97,334	\$ 455,840
Building and other related expenses	7,613	-	-	7,613	85,948	2,940	2,471	91,359
Program expenses	3,649	-	-	3,649	42,613	-	500	43,113
Office expense	7,056	549	194	7,799	46,048	9,284	9,871	65,203
Insurance	-	-	-	-	14,150	4,717	-	18,867
Newsletter	-	-	-	-	1,206	-	1,137	2,343
Professional services	-	-	-	-	1,250	10,943	3,668	15,861
Marketing and events	3,886	-	-	3,886	18,268	835	8,708	27,811
Exhibits	45	-	-	45	11,724	18	112	11,854
Depreciation	13,820	727	-	14,547	162,594	8,558	-	171,152
Other costs	350	197	116	663	12,717	17,121	1,302	31,140
	<u>60,129</u>	<u>7,906</u>	<u>6,475</u>	<u>74,510</u>	<u>681,258</u>	<u>128,182</u>	<u>125,103</u>	<u>934,543</u>
Less event expenses netted with revenue on statement of activities	-	-	-	-	-	-	(8,633)	(8,633)
Total expenses	<u>\$ 60,129</u>	<u>\$ 7,906</u>	<u>\$ 6,475</u>	<u>\$ 74,510</u>	<u>\$ 681,258</u>	<u>\$ 128,182</u>	<u>\$ 116,470</u>	<u>\$ 925,910</u>

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

NORDIC NORTHWEST
 STATEMENTS OF CASH FLOWS
 For the one-month period ended March 31, 2022
 and the year ended February 28, 2022

	<u>March 31,</u> <u>2022</u>	<u>February 28,</u> <u>2022</u>
Cash flows from operating activities:		
Change in net assets	\$ 2,105	\$ 442,449
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation	14,547	171,152
Change in cash values of life insurance policies	-	(257)
Change in value of investments	(40,148)	(162,345)
(Increase) decrease:		
Pledges and accounts receivable	(491)	(20,669)
Increase (decrease):		
Accounts payable and accrued expenses	(8,816)	9,097
Deferred revenue	25,094	149,519
Refundable advance - Paycheck Protection Program	<u>-</u>	<u>(75,722)</u>
Net cash flows from operating activities	<u>(7,709)</u>	<u>513,224</u>
Cash flows from investing activities:		
Purchase of investments	(3,839)	8,048
Additions to property and equipment	<u>(3,041)</u>	<u>(75,651)</u>
Net cash flows from investing activities	<u>(6,880)</u>	<u>(67,603)</u>
Net change in cash and cash equivalents	(14,589)	445,621
Cash and cash equivalents - beginning of year	<u>1,099,533</u>	<u>653,912</u>
Cash and cash equivalents - end of year	<u><u>\$ 1,084,944</u></u>	<u><u>\$ 1,099,533</u></u>

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

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS
March 31, 2022 and February 28, 2022

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 highlight, honor, educate, communicate, promote and celebrate Nordic culture and traditions, ancestral, modern and contemporary; and to provide value and serve members by developing and making available and accessible Nordic cultural and educational programming that is rich, authentic and forward looking. The Organization is accomplishing this purpose with its cultural center and by sponsoring an educational outreach program and Nordic cultural events, as well as various functions such as lectures and performances. The Organization is supported by contributions, program services, rental income and memberships.

Effective March 1, 2022, the Organization changed its fiscal year end from February 28 to March 31.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

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

Pledges and Accounts Receivable

Pledges and accounts 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. Unconditional promises to give expected to be collected in future years, if material to the financial statements, are initially recorded at fair value using present value techniques incorporating risk-adjusted discount rates designed to reflect the assumptions market participants would use in pricing the asset. In subsequent years, amortization of the discounts is included in contribution revenue in the statements of activities.

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: Contributions, which include unconditional promises to give (pledges) 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. The Organization has received \$13,800 in contributions for which conditions have not been satisfied which are included in deferred revenue at March 31, 2022 and February 28, 2022.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

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

Revenue Recognition, Continued

Membership: Membership payments are considered equivalent to contributions without donor restrictions and are recognized as revenue when received.

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 when the service or rental is provided.

Government Sources: The Organization received funds from COVID Relief programs, the Paycheck Protection Program, Employee Retention Credits, and Shuttered Venue Operator Grants which are reported as revenue when the conditions of each program are satisfied. See Note II.

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. During the one-month period ended March 31, 2022, the Organization received approximately \$2,700 in donated marketing services related to programs. During the year ended February 28, 2022, the Organization received approximately \$23,700 in donated marketing services related to programs and \$400 in donated professional fees for management and general.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

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

Income Tax Status, Continued

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.

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.

Subsequent Events

The Organization has evaluated all subsequent events through July 18, 2022, the date the financial statements were available to be issued.

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.

Financial assets available for general expenditure consist of the following at March 31, 2022 and February 28, 2022:

	<u>2022</u>	<u>2022</u>
Cash and cash equivalents	\$ 1,084,944	\$ 1,099,533
Pledges receivable	108,000	108,000
Accounts receivable	15,454	14,963
Investments	<u>1,861,642</u>	<u>1,817,655</u>
	3,070,040	3,040,151
Less amounts unavailable for general expenditure:		
Net assets with donor restrictions	819,461	804,339
Net assets with board designations	<u>1,313,881</u>	<u>1,285,016</u>
Financial assets available for general expenditure	<u>\$ 2,250,579</u>	<u>\$ 2,235,812</u>

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

2. AVAILABLE RESOURCES AND LIQUIDITY, Continued

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.

3. PLEDGES RECEIVABLE

Pledges receivable at March 31, 2022 and February 28, 2022 represent unconditional pledges which are receivable as follows:

	2022	2022
Due within one year	\$ 33,000	\$ 33,000
Due within two to five years	75,000	75,000
Total pledges receivable	\$ 108,000	\$ 108,000

4. CASH VALUE OF LIFE INSURANCE POLICY

The Organization is the beneficiary of a life insurance policy. At March 31, 2022 and February 28, 2022, the remaining policy with a net death benefit of approximately \$12,900, is reflected at the guaranteed cash value of approximately \$10,500, net of an outstanding loan of \$2,800. 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.

5. INVESTMENTS

Investments consist of the following at March 31, 2022 and 2022:

	2022	2022
Money market funds	\$ 311,263	\$ 309,863
Mutual funds - equity	1,550,379	1,507,792
Total investments	\$ 1,861,642	\$ 1,817,655

Investments are held in an endowment (see Note 13).

See independent accountant's review report.

NORDIC NORTHWEST
 NOTES TO FINANCIAL STATEMENTS, Continued
 March 31, 2022 and February 28, 2022

6. PROPERTY AND EQUIPMENT

Property and equipment consists of the following at March 31, 2022 and February 28, 2022:

	2022	2022
Land and improvements	\$ 785,469	\$ 785,469
Building	4,952,259	4,952,259
Furniture and equipment	369,210	366,169
Total property and equipment	6,106,938	6,103,897
Less accumulated depreciation	1,136,515	1,121,968
Property and equipment, net	\$ 4,970,423	\$ 4,981,929

7. LINE OF CREDIT

The Organization had a \$75,000 line of credit from First Interstate Bank, secured by substantially all assets. Interest on outstanding advances accrued at prime rate plus 0.25%. The line matured November 28, 2021 and was not renewed.

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.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

9. NET ASSET WITH DONOR RESTRICTIONS

Net assets with donor restrictions include the following at March 31, 2022 and February 28, 2022:

	<u>2022</u>	<u>2022</u>
Expiring restrictions:		
Programs	\$ 261,181	\$ 261,181
Time restricted	10,519	10,519
Accumulated endowment earnings (Note 13)	<u>47,761</u>	<u>32,639</u>
Total expiring restrictions	<u>319,461</u>	<u>304,339</u>
Perpetual restrictions:		
Museum collection	13,921	13,921
Endowment (Note 13)	<u>500,000</u>	<u>500,000</u>
Total perpetual restrictions	<u>513,921</u>	<u>513,921</u>
Total net assets with donor restrictions	<u>\$ 833,382</u>	<u>\$ 818,260</u>

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.

	<u>March</u>	<u>February</u>
	<u>2022</u>	<u>2022</u>
Revenue by type:		
Revenue recognized at a point in time:		
Program fees	\$ 2,936	\$ 71,066
Rental income	<u>12,867</u>	<u>201,211</u>
Total contract revenue	<u>\$ 15,803</u>	<u>\$ 272,277</u>

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

10. REVENUE FROM CONTRACTS WITH CUSTOMERS, Continued

The beginning and ending contract balances are as follows:

	March 31, 2022	February 28,	
		2022	2021
Contract assets:			
Accounts receivable - rental	\$ 8,839	\$ 8,348	\$ 2,020
Contract liability:			
Deferred revenue - program	\$ 8,924	\$ 8,460	\$ 590
Deferred revenue - rental	128,539	103,909	65,498
	\$ 137,463	\$ 112,369	\$ 66,088

Revenue recognized during the one-month period ended March 31, 2022 and the year ended February 28, 2022 that was included in the contract liability balance at the beginning of each year was \$15,803 and \$66,088, respectively.

11. REVENUE FROM GOVERNMENT SOURCES

Paycheck Protection Program: 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 loan 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. The Organization received a PPP loan of \$75,722 during the year ended February 28, 2021 and satisfied the conditions during the year ended February 28, 2022 and recognized the advance as revenue.

Employee Retention Credit: The Employee Retention Credit (ERC), a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act and further amended by the Consolidated Appropriations Act (CAA) and the American Rescue Plan (ARP). The Organization recognizes revenue at the time the refund claim is submitted. The Organization recognized \$65,821 as government grant revenue from ERCs for the year ended February 28, 2022.

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

11. REVENUE FROM GOVERNMENT SOURCES, Continued

Shuttered Venue Operators Grant: During the year ended February 28, 2022, the Organization was awarded a \$257,813 Shuttered Venue Operators Grant (SVOG) by the Small Business Administration (SBA). The SVOG is conditioned upon certain performance requirements and/or incurring allowable qualifying expenses. Amounts received are recognized as revenue when the Organization has incurred expenditures in compliance with specific contract provisions. Amounts received prior to incurring qualifying expenditures are reported as a refundable advance and included in deferred revenue on the statement of financial position. Qualifying expenses incurred through February 28, 2022 total \$146,635 which represents approximately 11% of total revenue. Management expects to incur the remaining qualifying expenditures, and recognize the advance of \$111,178 as revenue during the year ending March 31, 2023.

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 one-month period ended March 31, 2022 and the year ended February 28, 2022. Employee contributions to the plan are voluntary.

During the one-month period ended March 31, 2022 the Organization made no contributions to the plan. During the year ended February 28, 2022, the Organization's contributions to the Plan totaled approximately \$6,800.

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.

See independent accountant's review report.

NORDIC NORTHWEST
 NOTES TO FINANCIAL STATEMENTS, Continued
 March 31, 2022 and February 28, 2022

13. ENDOWMENT, Continued

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.

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 March 31, 2022 and February 28, 2022:

	Without Donor Restrictions	With Donor Restrictions		
	<u>Expiring</u>	<u>Expiring</u>	<u>Perpetual</u>	<u>Total</u>
March 31, 2022				
Donor-restricted	\$ -	\$ 47,761	\$ 500,000	\$ 547,761
Board-designated	1,313,881	-	-	1,313,881
Endowment total	<u>\$ 1,313,881</u>	<u>\$ 47,761</u>	<u>\$ 500,000</u>	<u>\$ 1,861,642</u>
February 28, 2022				
Donor-restricted	\$ -	\$ 32,639	\$ 500,000	\$ 532,639
Board-designated	1,285,016	-	-	1,285,016
Endowment total	<u>\$ 1,285,016</u>	<u>\$ 32,639</u>	<u>\$ 500,000</u>	<u>\$ 1,817,655</u>

See independent accountant’s review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

13. ENDOWMENT, Continued

Changes in endowment net assets for the one-month period ended March 31, 2022 and the year ended February 28, 2022 are as follows:

	Without			Total
	Donor Restrictions	With Donor Restrictions Expiring		
Balance, February 28, 2021	\$ 1,174,813	\$ (11,455)	\$ 500,000	\$ 1,663,358
Investment income, net of fees	110,203	62,476		172,679
Appropriated for expenditure	-	(18,382)	-	(18,382)
Balance, February 28, 2022	\$ 1,285,016	\$ 32,639	\$ 500,000	\$ 1,817,655
Investment income, net of fees	28,865	15,122	-	43,987
Balance, March 31, 2022	<u>\$ 1,313,881</u>	<u>\$ 47,761</u>	<u>\$ 500,000</u>	<u>\$ 1,861,642</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. There were no such deficiencies at March 31, 2022 or February 28, 2022.

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 spending policy states that distributions will be permitted to the extent that such distributions do not exceed a level that would erode the Fund's real assets over time

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

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 \$856,000 and \$842,000 at March 31, 2022 and February 28, 2022, 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.

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 March 31, 2022 and February 28, 2022 are as follows:

	<u>Fair Value</u>	<u>Level 1</u>	<u>Level 2</u>
March 2022			
Money market funds	\$ 311,263	\$ 311,263	\$ -
Mutual funds - equity	1,550,379	1,550,379	-
Cash value of life insurance policy	10,519	-	10,519
Total	<u>\$ 1,872,161</u>	<u>\$ 1,861,642</u>	<u>\$ 10,519</u>
February 2022			
Money market funds	\$ 309,863	\$ 309,863	\$ -
Mutual funds - equity	1,507,792	1,507,792	-
Cash value of life insurance policy	10,519	-	10,519
Total	<u>\$ 1,828,174</u>	<u>\$ 1,817,655</u>	<u>\$ 10,519</u>

See independent accountant's review report.

NORDIC NORTHWEST
NOTES TO FINANCIAL STATEMENTS, Continued
March 31, 2022 and February 28, 2022

15. FAIR VALUE MEASUREMENTS, Continued

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 \$3,100 and \$15,400 during the one-month period ended March 31, 2022 and the year ended February 28, 2022, respectively. The Organization, at times, may receive donated services from Board members (See Note 1, Donated Assets and Services).

See independent accountant's review report.