

Oweesta Corporation

Financial Statements and Single Audit Reports

June 30, 2021 and 2020

(With Independent Auditor's Report Thereon)

Kundinger, Corder & Engle, P.C.

Certified Public Accountants

Oweesta Corporation

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Independent Auditor's Report

Board of Directors Oweesta Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of Oweesta Corporation (Oweesta), which comprise the statements of financial position as of June 30, 2021 and 2020, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Oweesta Corporation as of June 30, 2021 and 2020, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America

**Board of Directors
Oweesta Corporation**

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards, as required by Title 2, U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2021, on our consideration of Oweesta's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oweesta's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oweesta's internal control over financial reporting and compliance.

Kuendinger, Cordia & Gogle, P.C.

December 14, 2021

Oweesta Corporation
Statements of Financial Position
June 30, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 11,935,582	9,820,943
Short-term investments (note 4)	5,672,785	646,869
Grants receivable	750,000	200,000
Current notes receivable, net of allowance of \$80,936 and \$251,846, respectively (note 3)	2,759,806	2,320,654
Government grants receivable (note 10)	625,000	521,333
Other current receivables, net of allowance	190,982	2,075
Prepaid expenses	966	7,306
Total current assets	<u>21,935,121</u>	<u>13,519,180</u>
Property and equipment, net (note 5)	<u>–</u>	<u>4,950</u>
Other assets		
Long-term notes receivable, net of allowance of \$723,230 and \$544,478, respectively (note 3)	23,731,120	15,261,548
Long-term government grants receivable (note 10)	–	625,000
Long-term grants receivable	750,000	–
Investments (note 4)	264,553	81,156
Total other assets	<u>24,745,673</u>	<u>15,967,704</u>
Total assets	<u>\$ 46,680,794</u>	<u>29,491,834</u>
Liabilities and Net Assets		
Current liabilities		
Accounts payable and accrued liabilities	\$ 157,039	243,622
Due to affiliate	–	1,250
Deferred revenue	434,500	594,591
Refundable advances	662,500	500,000
Paycheck Protection Program loan (note 6)	–	163,000
Current maturities of long-term debt (note 7)	1,631,796	1,833,125
Total current liabilities	<u>2,885,835</u>	<u>3,335,588</u>
Noncurrent liabilities		
Long-term debt, net of current maturities (note 7)	<u>25,427,954</u>	<u>16,251,875</u>
Total liabilities	<u>28,313,789</u>	<u>19,587,463</u>
Net assets		
Without donor restrictions	14,771,362	6,996,591
With donor restrictions (note 8)	<u>3,595,643</u>	<u>2,907,780</u>
Total net assets	18,367,005	9,904,371
Commitments and contingencies (notes 3, 7, 10, and 11)		
Total liabilities and net assets	<u>\$ 46,680,794</u>	<u>29,491,834</u>

See the accompanying notes to the financial statements.

Oweesta Corporation
Statement of Activities
Year Ended June 30, 2021

	Without donor restrictions	With donor restrictions	Total
Operating Revenue, Gains and Support			
Public support			
Grants	\$ 2,222,750	8,986,927	11,209,677
Government grants	237,500	–	237,500
Contributions	53,755	–	53,755
Total public support	<u>2,514,005</u>	<u>8,986,927</u>	<u>11,500,932</u>
Other revenue			
Program service fees	930,591	–	930,591
Interest income on notes receivable	243,368	–	243,368
Investment return	13,762	–	13,762
Other income	29,223	–	29,223
Total other revenue	<u>1,216,944</u>	<u>–</u>	<u>1,216,944</u>
Net assets released from restrictions (note 8)	<u>8,299,064</u>	<u>(8,299,064)</u>	<u>–</u>
Total operating revenue, gains and support	<u>12,030,013</u>	<u>687,863</u>	<u>12,717,876</u>
Operating Expenses			
Institutional and lending services			
Institutional development	1,282,895	–	1,282,895
Lending and other	463,915	–	463,915
Total institutional and lending services	<u>1,746,810</u>	<u>–</u>	<u>1,746,810</u>
Supporting services			
Administration	378,169	–	378,169
Development	22,004	–	22,004
Total supporting services	<u>400,173</u>	<u>–</u>	<u>400,173</u>
Total operating expenses	<u>2,146,983</u>	<u>–</u>	<u>2,146,983</u>
Net gain from operations	<u>9,883,030</u>	<u>687,863</u>	<u>10,570,893</u>
Non-operating Expenses			
Grants and stipends	<u>2,108,259</u>	<u>–</u>	<u>2,108,259</u>
Total non-operating expenses	<u>2,108,259</u>	<u>–</u>	<u>2,108,259</u>
Change in net assets	7,774,771	687,863	8,462,634
Net assets at beginning of year	<u>6,996,591</u>	<u>2,907,780</u>	<u>9,904,371</u>
Net assets at end of year	<u>\$ 14,771,362</u>	<u>3,595,643</u>	<u>18,367,005</u>

See the accompanying notes to the financial statements.

Oweesta Corporation
Statement of Activities
Year Ended June 30, 2020

	Without donor restrictions	With donor restrictions	Total
Operating Revenue, Gains and Support			
Public support			
Grants	\$ 200,000	2,605,554	2,805,554
Government grants	265,266	–	265,266
Contributions	11,167	–	11,167
Total public support	<u>476,433</u>	<u>2,605,554</u>	<u>3,081,987</u>
Other revenue			
Program service fees	552,747	–	552,747
Interest income on notes receivable	322,162	–	322,162
Investment return	92,411	–	92,411
Other income	54,887	–	54,887
Total other revenue	<u>1,022,207</u>	<u>–</u>	<u>1,022,207</u>
Net assets released from restrictions (note 8)	2,419,167	(2,419,167)	–
Total operating revenue, gains and support	<u>3,917,807</u>	<u>186,387</u>	<u>4,104,194</u>
Operating Expenses			
Institutional and lending services			
Institutional development	1,248,210	–	1,248,210
Lending and other	734,409	–	734,409
Total institutional and lending services	<u>1,982,619</u>	<u>–</u>	<u>1,982,619</u>
Supporting services			
Administration	279,953	–	279,953
Development	42,321	–	42,321
Total supporting services	<u>322,274</u>	<u>–</u>	<u>322,274</u>
Total operating expenses	<u>2,304,893</u>	<u>–</u>	<u>2,304,893</u>
Net gain from operations	<u>1,612,914</u>	<u>186,387</u>	<u>1,799,301</u>
Non-operating Expenses			
Grants and stipends	648,569	–	648,569
Total non-operating expenses	<u>648,569</u>	<u>–</u>	<u>648,569</u>
Change in net assets	964,345	186,387	1,150,732
Net assets at beginning of year	<u>6,032,246</u>	<u>2,721,393</u>	<u>8,753,639</u>
Net assets at end of year	<u>\$ 6,996,591</u>	<u>2,907,780</u>	<u>9,904,371</u>

See the accompanying notes to the financial statements.

Oweesta Corporation
Statement of Functional Expenses
Year Ended June 30, 2021

	Program services			Supporting services			Total
	Institutional develop- ment	Lending and other	Total program services	Admini- stration	Develop- ment	Total supporting services	
Salaries, payroll taxes and benefits	\$ 894,819	253,062	1,147,881	300,689	16,073	316,762	1,464,643
Grants and stipends (note 9)	783,391	1,324,868	2,108,259	-	-	-	2,108,259
Professional and consulting fees	200,649	56,579	257,228	11,367	3,065	14,432	271,660
Travel	1,628	-	1,628	-	-	-	1,628
Printing and publications	13,934	3,941	17,875	4,683	250	4,933	22,808
Conferences and meetings	20,450	-	20,450	1,500	-	1,500	21,950
Interest expense	232	114,754	114,986	689	-	689	115,675
Rent and occupancy	17,340	4,904	22,244	5,827	311	6,138	28,382
Postage and delivery	1,461	413	1,874	491	26	517	2,391
Supplies and small equipment	21,628	1,215	22,843	15,785	290	16,075	38,918
Telephone	18,095	5,117	23,212	6,081	325	6,406	29,618
Other expenses	29,172	8,234	37,406	9,725	523	10,248	47,654
Equipment and software maintenance	46,077	13,031	59,108	15,483	828	16,311	75,419
Provision for loan losses	-	7,742	7,742	-	-	-	7,742
Provision for doubtful accounts	-	(10,000)	(10,000)	-	-	-	(10,000)
Insurance	14,385	4,068	18,453	4,834	258	5,092	23,545
Subtotals	2,063,261	1,787,928	3,851,189	377,154	21,949	399,103	4,250,292
Depreciation and amortization	3,025	855	3,880	1,015	55	1,070	4,950
Total functional expenses	\$ 2,066,286	1,788,783	3,855,069	378,169	22,004	400,173	4,255,242

See the accompanying notes to the financial statements.

Oweesta Corporation
Statement of Functional Expenses
Year Ended June 30, 2020

	Program services			Supporting services			Total
	Institutional develop- ment	Lending and other	Total program services	Admini- stration	Develop- ment	Total supporting services	
Salaries, payroll taxes and benefits	\$ 836,302	85,484	921,786	224,418	12,834	237,252	1,159,038
Grants and stipends (note 9)	223,569	425,000	648,569	–	–	–	648,569
Professional and consulting fees	174,605	12,939	187,544	7,942	8,241	16,183	203,727
Operating fees	20,520	2,646	23,166	6,477	357	6,834	30,000
Travel	88,444	–	88,444	1,720	10,129	11,849	100,293
Printing and publications	7,967	1,027	8,994	2,515	139	2,654	11,648
Conferences and meetings	20,222	–	20,222	–	9,099	9,099	29,321
Interest expense	–	218,589	218,589	–	–	–	218,589
Rent and occupancy	32,033	4,131	36,164	10,111	557	10,668	46,832
Postage and delivery	5,888	759	6,647	1,858	102	1,960	8,607
Supplies and small equipment	12,587	–	12,587	9,245	–	9,245	21,832
Telephone	11,147	1,437	12,584	3,519	194	3,713	16,297
Other expenses	5,964	770	6,734	1,881	103	1,984	8,718
Equipment and software maintenance	26,720	3,445	30,165	8,434	465	8,899	39,064
Provision for loan losses	–	402,433	402,433	–	–	–	402,433
Insurance	2,116	273	2,389	667	37	704	3,093
Subtotals	1,468,084	1,158,933	2,627,017	278,787	42,257	321,044	2,948,061
Depreciation and amortization	3,695	476	4,171	1,166	64	1,230	5,401
Total functional expenses	\$ 1,471,779	1,159,409	2,631,188	279,953	42,321	322,274	2,953,462

See the accompanying notes to the financial statements.

Oweesta Corporation
Statements of Cash Flows
Years Ended June 30, 2021 and 2020

	2021	2020
Cash flows from operating activities		
Change in net assets	\$ 8,462,634	1,150,732
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	4,950	5,401
Net realized and unrealized loss on investments	6,446	16,877
Provision for loan losses	7,742	402,433
Provision for doubtful accounts	10,000	–
Forgiveness of Paycheck Protection Program loan	(163,000)	–
Change in operating assets and liabilities		
Grants receivable	(1,300,000)	(200,000)
Government grants receivable	521,333	155,172
Other receivables	(198,907)	232,665
Prepaid expenses and other assets	6,340	1,336
Accounts payable and accrued liabilities	(86,583)	(63,679)
Due to affiliate	(1,250)	(1,766)
Deferred revenue	(160,091)	331,416
Refundable advances	162,500	–
Net cash provided by operating activities	<u>7,272,114</u>	<u>2,030,587</u>
Cash flows from investing activities		
Net (purchases) sales of investments	(5,215,759)	1,726,197
Net disbursements of notes receivable	(8,916,466)	(4,709,001)
Net cash used in investing activities	<u>(14,132,225)</u>	<u>(2,982,804)</u>
Cash flows from financing activities		
Net proceeds of debt	8,974,750	3,556,520
Proceeds from Paycheck Protection Program loan	–	163,000
Net cash provided by financing activities	<u>8,974,750</u>	<u>3,719,520</u>
Net increase in cash and cash equivalents	2,114,639	2,767,303
Cash and cash equivalents at beginning of year	<u>9,820,943</u>	<u>7,053,640</u>
Cash and cash equivalents at end of year	<u>\$ 11,935,582</u>	<u>9,820,943</u>
Supplemental cash flow information		
Cash paid during the year for interest	<u>\$ 115,675</u>	<u>218,589</u>

See the accompanying notes to the financial statements.

Oweesta Corporation

Notes to Financial Statements

(1) Summary of Significant Accounting Policies

(a) Organization

Oweesta Corporation (Oweesta) enhances the capacity of Native tribes, communities and peoples to access, control, create, leverage, utilize, and retain financial assets and to provide appropriate financial capital for Native development efforts. Oweesta has been certified as a Native Community Development Financial Institution (CDFI) by the United States Department of the Treasury. Oweesta was incorporated December 23, 1999.

Effective July 1, 2020, Oweesta and First Nations Development Institute (FNFI) signed a separation agreement, removing FNFI as the sole voting member and parent company of Oweesta. Also, all shared board members resigned from the board of directors of Oweesta. Oweesta's bylaws and articles of incorporation were amended to reflect this activity. As a result, FNFI no longer has control nor an economic interest in Oweesta as of July 1, 2020. Therefore, effective with fiscal year ending June 30, 2021, Oweesta's activities are no longer consolidated in the financial statements of FNFI. Also, as part of the separation, Oweesta's name was changed to Oweesta Corporation.

(b) Summary of Program Activities

Institutional Development - The primary goal of Oweesta is to help create, develop, expand, and strengthen Native CDFIs. Activities in this area reflect the provision of regional and local CDFI workshops, participation and attendance at other industry conferences, participation on the CDFI Coalition, and follow-up outreach, technical assistance and training to tribes who have expressed an interest in or are in the process of forming a CDFI.

Lending – The other primary, and critical goal, is to provide qualified Native CDFIs with loan capital. The main objective is to provide initial start-up capital or to leverage additional loan capital for new or expanding community-based financial institutions serving Native communities. Activities in this area reflect technical assistance to potential and existing loan recipients, performance of due diligence on loan applications, and monitoring of the loan portfolio.

Other program activities include the following:

Financial Education and Asset Building - In addition to its work with Native CDFIs, Oweesta also strives to enhance, through training, technical assistance and development of educational materials, the capacity of tribes, Native organizations, and individuals to better manage their financial assets. Activities in this area reflect the provision of instructor training workshops and follow-up technical assistance in asset building strategies and programs, participation in the Native Financial Education Coalition and its activities and the development and distribution of new educational resources.

Advocacy, Policy, and Research – Oweesta collaborates on research studies that focus on identifying and mitigating barriers to Native control of and access to financial assets. Oweesta's national voice works to create and retain the integrity of policy favorable to building assets in Native communities.

Oweesta Corporation
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(b) Summary of Program Activities, Continued

Public Education - Through the use of print, electronic, and personal contact methods, the public education program develops and implements strategies to increase public awareness about Oweesta and the current challenges facing community development financial institutions in rural and reservation-based Native American communities. The public education program leverages this awareness to increase support and provide information to educate the public on Native Community Development Financial Institutions for the benefit of native peoples throughout the nation.

(c) Basis of Accounting

The accompanying financial statements have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

(d) Financial Statement Presentation

Oweesta is required to present information regarding its financial position and activities according to the following net asset classifications:

Net assets without donor restrictions - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of Oweesta. These net assets may be used at the discretion of Oweesta's management and the board of directors.

Net assets with donor restrictions - Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of Oweesta or by the passage of time. Other donor restrictions are perpetual in nature, whereby the donor has stipulated the funds be maintained in perpetuity. At June 30, 2021 and 2020, there are no net assets with perpetual donor restrictions.

The statements of activities report all changes in net assets, including changes resulting from both operating and non-operating activities. Oweesta considers non-operating activities to consist of grants and stipends paid to other organizations.

(e) Cash and Cash Equivalents

Oweesta considers all highly liquid instruments with original maturities of three months or less to be cash equivalents. Oweesta continually monitors its positions with, and the credit quality of, the financial institutions with which it invests. Throughout the year, Oweesta held balances of cash and cash equivalents in excess of the federally insured limit.

(f) Concentrations of Credit Risk

Financial instruments that potentially subject Oweesta to credit risk include cash and cash equivalents, investments, notes receivable, and grants receivable. Oweesta places its cash and money market accounts with creditworthy, high-quality financial institutions. Oweesta provides financing to Native Tribal Governments and not-for-profit organizations. Concentrations of credit risk with respect to loans receivable is limited due to Oweesta's loan policies which set a maximum loan size and also limit the total amount loaned to a borrower.

Oweesta Corporation
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(f) Concentrations of Credit Risk, Continued

Credit risk with respect to grants receivable is limited due to the credit-worthiness of the organizations from whom the amounts are due. Oweesta is subject to the risk of loss from certain government receivables if the government determines that certain amounts are unallowable reimbursements, although this has not happened to date.

(g) Investments

Investments are recorded at cost, if purchased, or at fair value, if donated. Thereafter, investments are reported at their fair values in the statements of financial position. Fair value is more fully described below. Management is responsible for the fair value measurement of investments reported in the financial statements and believes that the reported values are reasonable. Investment return consists of Oweesta's distributive share of interest, dividends, and capital gains and losses generated from sales of investments. Gains and losses attributable to investments are realized and reported upon a sale or disposition of the investment. Unrealized gains and losses are included in the change in net assets in the statements of activities.

(h) Fair Value Measurements

Fair value is defined as 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. Generally accepted accounting principles in the U.S. establishes a fair value hierarchy that prioritizes investments based on the assumptions market participants would use when pricing an asset. The fair value hierarchy gives the highest priority to quoted prices in active markets (observable inputs) and the lowest priority to an entity's assumptions (unobservable inputs).

Assets are grouped at fair value in three levels based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets as of the measurement date.
- Level 2 Inputs other than quoted market prices that are observable for the asset/liability, either directly or indirectly.
- Level 3 Unobservable inputs that cannot be corroborated by observable market data.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an investment's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. These classifications (Level 1, 2 and 3) are intended to reflect the observability of inputs used in the valuation of investments and are not necessarily an indication of risk or liquidity.

Investments in marketable equity and fixed income securities with readily determinable market values are reported at fair value based on quoted prices in active markets.

Oweesta Corporation
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(i) Notes Receivable

Notes receivable are recorded at the principal balance outstanding. A loan is considered to be impaired if, based on current information, it is probable Oweesta will not receive all amounts due in accordance with the contractual terms of a loan agreement. When the ultimate collectability of the principal balance of an impaired loan is in doubt, all cash receipts are applied to principal. Once the recorded principal balance has been reduced to zero, future cash receipts are applied to interest income, to the extent any interest has been foregone, and then they are recorded as recoveries of any amounts previously charged off.

Management provides an allowance for loan losses based upon estimated collectability of loans. Management's determination of the adequacy of the allowance is based upon past loss experience, economic conditions, and other relevant factors that in management's judgment deserve recognition. All loans are unsecured.

(j) Property and Equipment

Property and equipment purchased by Oweesta are recorded at cost. Donated fixed assets are capitalized at fair value at the date of donation. Oweesta capitalizes property and equipment in excess of \$3,000 with a useful life of at least one year. Depreciation and amortization is provided on the straight-line method based upon the estimated useful lives of the assets, which range from three to five years.

(k) Revenue Recognition

Public Support

Public support on the statements of activities consists of revenue from contributions and grants. Contributions and grants are recognized when cash, securities or other assets, and unconditional promises to give, or notification of a beneficial interest is received. 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. Should Oweesta substantially meet the conditions in the same period that the contribution was received, and barring any further donor-imposed restrictions, Oweesta has elected to recognize the revenue in net assets without donor restrictions. Payments received in advance of conditions being met are recorded as refundable advances in the statements of financial position.

Government grants are treated as contributions that are conditioned upon certain performance requirements and the incurrence of allowable qualifying expenses. Consequently, at June 30, 2021, conditional contributions related to these grants, totaling \$1,550,000, have not been recognized in the accompanying financial statements. At June 30, 2021, amounts received in advance from these grants total \$162,500 and are included in refundable advances.

Contribution and grants received are recorded as net assets without donor restrictions or net assets with donor restrictions, depending on the existence and/or nature of any donor-imposed restrictions. When a donor restriction expires, (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Oweesta Corporation
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition, Continued

Public Support, Continued

Contributions and grants receivable are recorded at net realizable value if expected to be collected in one year and at fair value if expected to be collected in more than one year. Oweesta uses the allowance method to determine uncollectible contributions and grants receivable. The allowance is based on past collection experience and management's analysis of specific promises made. There was no allowance for uncollectible contributions and grants receivable at June 30, 2021 and 2020.

As part of certain loan agreements, borrowers were required to make contributions to fund a loan loss reserve. In the event that the borrower goes into default on their loan, the reserve will be applied to the loan principal. After the borrower has paid the loan in full, any balance remaining on the loan loss reserve will be refunded to the borrower. Any amounts received to fund the loan loss reserve have been recognized as a refundable advance in the statements of financial position. At June 30, 2021 and 2020, the refundable advances for these agreements total \$500,000.

Donated Goods and Services

Donated goods are recorded at fair value at the date of the donation. Contributed services are recognized as contributions if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by Oweesta. There were no in-kind contributions recognized for the years ended June 30, 2021 and 2020. A number of volunteers have donated time in connection with Oweesta's activities. No amounts have been reflected in the accompanying financial statements because the services do not meet the recognition criteria under generally accepted accounting standards.

Program Service Fees

Program service fees mainly consist of earned revenue from contracts to provide development, research and financial education services and products to other organizations. Revenue from exchange transactions is recorded as performance obligations are met under the contracts. Amounts received in advance are deferred until such time as they are earned. At June 30, 2021 and 2020, deferred revenue under these agreements totaled \$434,500 and \$594,591, respectively.

Receivables relate to amounts due from customers for fees for program services provided and accrued interest receivable. An allowance for uncollectible receivables is provided based upon prior years' experience and management's analysis of specific balances. The allowance for doubtful accounts of other receivables totaled \$0 and \$10,000 for the years ended June 30, 2021 and 2020.

Interest income on notes receivable

Interest income on notes receivable is recognized when earned, over the term of the loan. The accrual of interest is generally discontinued on loans that become 90 days past due as to principal or interest. When borrowers demonstrate over an extended period the ability to repay a loan in accordance with the contractual terms of a loan classified as nonaccrual, the loan is returned to accrual status, and interest revenue is recognized. There were no loans over 90 days past due and on non-accrual status at June 30, 2021 and 2020.

Oweesta Corporation
Notes to Financial Statements

(1) Summary of Significant Accounting Policies, Continued

(k) Revenue Recognition, Continued

Interest income on notes receivable, Continued

As a result of the COVID-19 pandemic, Oweesta provided for an interest forgiveness period to its borrowers, effective April 1, 2020 through December 31, 2020, during which time interest payments were not required and interest did not accrue on any loans.

(l) Functional Expense Allocations

The costs of providing program and supporting services have been summarized on a functional basis in the accompanying statements of functional expenses. Oweesta incurs expenses that directly relate to, and can be assigned to, a specific program or supporting activity. Oweesta also conducts a number of activities which benefit both its program objectives as well as supporting services (i.e. fund raising and general and administrative activities). These costs, which are not specifically attributable to a specific program or supporting activity, are allocated by management on a consistent basis among program and supporting services benefited, based on either financial or nonfinancial data, such as headcount, square-footage, or estimates of time and effort incurred by personnel.

(m) Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

(n) Income Taxes

Oweesta is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and qualifies for the charitable contribution deduction. However, income from activities not directly related to its tax-exempt purpose is subject to taxation as unrelated business income. Oweesta had no unrelated business income in 2021 or 2020.

Management is required to evaluate tax positions taken by Oweesta, and to recognize a tax liability if Oweesta has taken an uncertain position that probably would not be sustained upon examination by taxing authorities. Oweesta believes it has appropriate support for any positions taken and that none would require recognition of a liability or disclosure in the financial statements. Oweesta is subject to routine audits by tax jurisdictions; however, there are currently no audits for any tax periods in progress. The three previous tax years remain subject to examination by the IRS.

(o) Subsequent Events

Oweesta has evaluated all subsequent events through December 14, 2021, the date the financial statements were available to be issued.

Oweesta Corporation
Notes to Financial Statements

(2) Availability and Liquidity of Financial Assets

The following table reflects Oweesta's financial assets that are available for general and specific expenditures within one year as of June 30:

	<u>2021</u>	<u>2020</u>
Financial assets at year-end		
Cash and cash equivalents	\$ 11,935,582	9,820,943
Short-term investments	5,672,785	646,869
Grants receivable within one year	750,000	200,000
Notes receivable within one year	2,759,806	2,320,654
Government grants receivable within one year	625,000	521,333
Other current receivables	<u>190,982</u>	<u>2,075</u>
Total financial assets at year-end	21,934,155	13,511,874
Less net assets with purpose restrictions not expected to be met in one year	(2,583,568)	(331,607)
Less cash limited in use	<u>(4,621,802)</u>	<u>(3,605,284)</u>
Financial assets available to meet general and specific expenditures within one year	\$ <u>14,728,785</u>	<u>9,574,983</u>

As part of Oweesta's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, Oweesta invests cash in excess of daily requirements in short-term investments.

Oweesta considers net assets with donor restrictions expected to be met within one year to be available for general expenditure. Oweesta is substantially supported by restricted grants and contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, Oweesta must maintain sufficient resources to meet those responsibilities to its donors. Thus, certain financial assets may not be available for general expenditure within one year. Management has estimated that net assets with purpose restrictions not expected to be met within one year as of June 30, 2021 and 2020 total \$2,583,568 and \$331,607, respectively.

Limited in use cash consists of cash received for loan capital that has not been disbursed, repayments from borrowers under loan capital agreements that require principal payments be redeployed as loan capital, and repayments from borrowers from certain loan funding sources that will be used by Oweesta to pay off debt owed to those specific lenders.

(3) Notes Receivable

Notes receivable consist of loans made to qualified CDFIs and other Native controlled entities. There are five types of loans issued by Oweesta:

- First In loans are available to Native CDFIs in amounts up to \$100,000 for up to three years. Interest rates range from 3.5% to 4.5%. The proceeds of First In loans must be used to make loans in the borrower's target market, as defined in their loan policies and other organizational documents.
- Capital loans are available to Native CDFIs in amounts up to \$500,000, for a term of three months to two years. Interest rates range from 3% to 4%. The proceeds of Capital loans must be used to make loans in the borrower's target market, as defined in their loan policies and other organizational documents.

Oweesta Corporation
Notes to Financial Statements

(3) Notes Receivable, Continued

- Native Fresh Food Fund (NF3) loans are available to Native CDFIs for amounts \$50,000 and over, and up to \$250,000, for up to ten years. Interest rates are 3%. Loan proceeds must be used to finance healthy food projects.
- The Native CDFI Capital Pool is intended to leverage larger amounts of lending capital for Native CDFIs. The pool relies on a membership-based model in which Native CDFI members must invest 5% of their overall loan request in the pool as a cash reserve. Members then receive up to \$1,000,000 in capital, and then have a choice between a low-interest loan or a higher-interest loan with a 10% grant combination. These loans carry a targeted 10-year term with an interest-only period (two years), then amortized over the remaining term of the loan. Interest rates range from 1.70% to 4.08%.
- Agriculture loans are available to Native CDFIs for amounts up to \$1,000,000, for up to ten years. Interest rates are the cost of capital plus 1.5 to 2.5%. Loan proceeds must be used to support the production, processing, marketing, and/or distribution of agriculture products, including food, fiber, forest products, and horticultural crops.

Annual maturities of notes receivable at June 30, 2021 are as follows for the years ending June 30:

2022	\$ 2,840,742
2023	3,231,684
2024	2,927,811
2025	2,868,629
2026 and thereafter	<u>15,426,226</u>
Total notes receivable	27,295,092
Less allowance for loan losses	<u>(804,166)</u>
Net notes receivable	\$ <u>26,490,926</u>

The following is an aging of Oweesta's notes receivable at June 30, 2021:

	<u>Current</u>	<u>Over 30 days</u>	<u>Over 60 days</u>	<u>Over 90 days</u>	<u>Total</u>
Loan type					
Capital pool	\$ 17,191,784	-	-	-	17,191,784
Capital loans	6,658,308	-	-	-	6,658,308
Agriculture	2,100,000	-	-	-	2,100,000
NF3 loans	210,000	-	-	-	210,000
First In loans	<u>1,135,000</u>	-	-	-	<u>1,135,000</u>
Total	\$ <u>27,295,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,295,092</u>

Oweesta Corporation
Notes to Financial Statements

(3) Notes Receivable, Continued

The following is an aging of the Oweesta's notes receivable at June 30, 2020:

Loan type	<u>Current</u>	<u>Over 30 days</u>	<u>Over 60 days</u>	<u>Over 90 days</u>	<u>Total</u>
Capital pool	\$ 9,780,000	–	–	–	9,780,000
Capital loans	6,428,626	–	–	–	6,428,626
Agriculture	1,600,000	–	–	–	1,600,000
NF3 loans	210,000	–	–	–	210,000
First In loans	360,000	–	–	–	360,000
Total	\$ <u>18,378,626</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>18,378,626</u>

Loans for which no payments are due are considered current.

Oweesta has accounted for the doubtful collection of notes receivable by providing an allowance for loan losses of \$804,166 and \$796,424 at June 30, 2021 and 2020, respectively. A summary of the activity in the allowance for loan losses for the years ended June 30 is as follows:

	<u>Capital Pool</u>	<u>Capital loans</u>	<u>NF3 loans</u>	<u>First In loans</u>	<u>Agri- culture</u>	<u>Total</u>
Balance at June 30, 2019	\$ 201,000	175,991	10,500	6,500	–	393,991
(Reversal of) provisions for loan losses	<u>–</u>	<u>366,133</u>	<u>(4,050)</u>	<u>8,350</u>	<u>32,000</u>	<u>402,433</u>
Balance at June 30, 2020	201,000	542,124	6,450	14,850	32,000	796,424
(Reversal of) provisions for loan losses	<u>6,000</u>	<u>(79,883)</u>	<u>–</u>	<u>56,625</u>	<u>25,000</u>	<u>7,742</u>
Balance at June 30, 2021	\$ <u>207,000</u>	<u>462,241</u>	<u>6,450</u>	<u>71,475</u>	<u>57,000</u>	<u>804,166</u>

Credit Quality

At least quarterly, the loan loss reserve is adjusted to reflect the loan rating updates for the borrowers' delinquency status. Credit quality of loans is adjusted based on the following assessments:

<u>Payment Status</u>	<u>Loan Downgrade</u>	<u>Loan Rating Recovery</u>
30 days delinquent	Reduce loan rating by one category	60 days of on-time payments
60 days delinquent	Reduce loan rating by two categories	90 days of on-time payments
90 days delinquent	Reduce loan rating by three categories	120 days of on-time payments

Oweesta Corporation
Notes to Financial Statements

(3) Notes Receivable, Continued

The following is the credit quality classification of the notes receivable by loan type at June 30, 2021:

	<u>Capital pool</u>	<u>Capital loans</u>	<u>NF3 loans</u>	<u>First In loans</u>	<u>Agriculture</u>	<u>Total</u>
Non-delinquent	\$ 17,191,784	6,658,308	210,000	1,135,000	2,100,000	27,295,092
30 days delinquent	-	-	-	-	-	-
60 days delinquent	-	-	-	-	-	-
90 days delinquent	-	-	-	-	-	-
Total	\$ <u>17,191,784</u>	<u>6,658,308</u>	<u>210,000</u>	<u>1,135,000</u>	<u>2,100,000</u>	<u>27,295,092</u>

The following is the credit quality classification of the notes receivable by loan type at June 30, 2020:

	<u>Capital pool</u>	<u>Capital loans</u>	<u>NF3 loans</u>	<u>First In loans</u>	<u>Agriculture</u>	<u>Total</u>
Non-delinquent	\$ 9,780,000	6,428,626	210,000	360,000	1,600,000	18,378,626
30 days delinquent	-	-	-	-	-	-
60 days delinquent	-	-	-	-	-	-
90 days delinquent	-	-	-	-	-	-
Total	\$ <u>9,780,000</u>	<u>6,428,626</u>	<u>210,000</u>	<u>360,000</u>	<u>1,600,000</u>	<u>18,378,626</u>

In response to the COVID-19 pandemic, Oweesta held meetings with its borrowers to see what assistance could be provided to help them best weather the pandemic. The end result of the meetings was a temporary interest forgiveness period granted to all of Oweesta's borrowers for the period April 1, 2020 to December 31, 2020, which resulted in interest forgiven totaling \$237,121 and \$110,830 for the years ended June 30, 2021 and 2020, respectively. Oweesta then asked its borrowers to pass the same forgiveness on to their underlying borrowers in an effort for both organizations to maintain a current loan portfolio.

At June 30, 2021, Oweesta has \$675,000 in outstanding loan commitments and undisbursed loans.

(4) Investments

Investments are presented in the statements of financial position as follows at June 30:

	<u>2021</u>	<u>2020</u>
Short-term investments	\$ 5,672,785	646,869
Investments	<u>264,553</u>	<u>81,156</u>
Total	\$ <u>5,937,338</u>	<u>728,025</u>

Short-term investments consist of certificates of deposit with maturities of less than one year. The following table summarizes the valuation of investments by the fair value hierarchy levels as of June 30, 2021:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 5,931,548	5,931,548	-
Corporate bonds	<u>5,790</u>	<u>-</u>	<u>5,790</u>
Total	\$ <u>5,937,338</u>	<u>5,931,548</u>	<u>5,790</u>

Oweesta Corporation
Notes to Financial Statements

(4) Investments, Continued

The following table summarizes the valuation of investments by the fair value hierarchy levels as of June 30, 2020:

	<u>Fair value</u>	<u>Level 1</u>	<u>Level 2</u>
Certificates of deposit	\$ 672,301	672,301	–
Corporate bonds	<u>55,724</u>	<u>–</u>	<u>55,724</u>
Total	\$ <u>728,025</u>	<u>672,301</u>	<u>55,724</u>

(5) Property and Equipment

Property and equipment consist of the following at June 30:

	<u>2021</u>	<u>2020</u>
Furniture, equipment, and software	\$ 97,625	97,625
Less accumulated depreciation and amortization	<u>(97,625)</u>	<u>(92,675)</u>
Total	\$ <u>–</u>	<u>4,950</u>

(6) Paycheck Protection Program Loan

In April 2020, Oweesta received a \$163,000 loan under the U.S. Small Business Administration's (SBA) Paycheck Protection Program (PPP) authorized under the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act). Under the program, the loan may be fully or partially forgiven if certain eligibility requirements are met. During the year ended June 30, 2021 these requirements were met and the loan was fully forgiven. Therefore, contribution revenue totaling \$163,000 was recognized.

(7) Short-Term and Long-Term Debt

Oweesta maintains short and long-term debt for capital for its loan portfolio. Long-term debt consists of the following at June 30:

<u>Lender</u>	<u>Maturity</u>	<u>Rate</u>	<u>2021</u>	<u>2020</u>
Abby Goodman	12/15/2023	0.00%	\$ 250,000	–
Adam C. Roberts	5/1/2025	1.50%	20,000	–
Alexandra Agrafiotis & Carl Pehrson	12/23/2022	0.50%	25,000	–
Alison Mann	9/1/2023	0.00%	250,000	–
Alison Mann	3/30/2028	1.25%	250,000	–
AMERIND Risk	7/31/2028	2.00%	812,500	3,000,000
Andrice S. Arp	4/14/2026	1.00%	45,000	–
Anna Cornelia Bonsey	1/2/2024	0.75%	75,000	–
Anne Gomez	4/30/2024	0.75%	50,000	–
Anne Louise Moss Trust	4/26/2026	1.00%	50,000	–
Anne Posel	8/17/2022	0.00%	100,000	–
Anne Posel	2/1/2026	0.00%	100,000	–
Arch Community Fund	6/1/2024	0.00%	100,000	–
Bank of America	9/21/2028	2.00%	812,500	3,000,000
Ben Victor Weintraud Irrevocable Trust	1/20/2023	0.25%	120,000	–
Benjamin Rushakoff	8/1/2023	1.00%	55,000	–
Beth Jacobs	7/1/2023	0.00%	250,000	–
Better Way Foundation	5/31/2024	2.00%	\$ 500,000	500,000

(continued)

Oweesta Corporation
Notes to Financial Statements

(7) Short-Term and Long-Term Debt, Continued

<u>Lender</u>	<u>Maturity</u>	<u>Rate</u>	<u>2021</u>	<u>2020</u>
Blythe Reis	4/27/2026	1.00%	\$ 100,000	–
Brett Yates	12/1/2030	1.50%	25,000	–
Brienne Ellis	6/15/2024	0.00%	100,000	–
Bryna Cofrin-Shaw	10/15/2030	0.50%	30,000	–
Bush Foundat	7/31/2028	1.00%	937,500	1,000,000
Calder Lewis	5/11/2026	1.00%	10,000	–
CDFI Fund 141NA012511	1/6/2028	1.95%	380,000	380,000
Ceniarth Wales Interest LP	9/30/2026	2.00%	1,500,000	1,500,000
Cerest Trust	5/31/2024	0.00%	500,000	500,000
Chiller/Vejlupkova Living Trust	6/1/2023	2.00%	250,000	250,000
Chinook Fund	11/23/2023	0.50%	25,000	–
Chris R. Newton	1/1/2024	0.00%	100,000	–
Client of Hall Capital Partners	5/15/2022	1.00%	25,000	25,000
Client of Natural Investments	7/15/2023	1.00%	–	50,000
Client of Natural Investments	10/1/2022	2.00%	30,000	30,000
Client of Natural Investments	11/1/2020	1.00%	–	100,000
Client of Natural Investments	7/1/2022	2.00%	25,000	25,000
Client of Natural Investments	7/1/2022	1.00%	50,000	50,000
Client of Natural Investments	12/15/2022	2.00%	50,000	50,000
Client of Natural Investments	6/15/2023	1.00%	20,000	20,000
Client of Natural Investments	10/1/2020	1.00%	–	30,000
Client of Natural Investments	12/1/2023	1.00%	120,000	120,000
Client of Natural Investments	1/1/2024	2.00%	20,000	20,000
Client of Natural Investments	2/1/2024	2.00%	50,000	50,000
Client of Natural Investments	12/1/2023	1.00%	150,000	150,000
Client of Natural Investments	2/1/2022	0.00%	–	100,000
Client of Natural Investments	5/30/2024	2.00%	25,000	25,000
Client of Natural Investments	4/28/2022	0.00%	150,000	150,000
Client of Natural Investments	12/1/2022	0.00%	100,000	100,000
Client of Natural Investments	2/1/2022	0.00%	25,000	25,000
Client of Natural Investments	2/1/2023	0.00%	100,000	100,000
Client of Natural Investments	2/1/2023	0.00%	100,000	100,000
Client of Natural Investments	5/1/2023	0.00%	175,000	175,000
Client of Natural Investments	6/1/2023	0.00%	100,000	100,000
Colin Kinniburgh	3/1/2023	0.25%	25,000	–
Common Counsel Foundation	2/1/2022	0.00%	100,000	–
Congregations of St. Joseph	7/1/2023	1.50%	100,000	100,000
Congregations of the Sisters of Charity of Incarnate Word	2/27/2024	1.00%	200,000	200,000
Dirk R. Nelson Revocable Trust	7/15/2026	1.00%	50,000	–
Ed Brown	3/1/2023	0.50%	75,000	–
Edith Phippen	2/1/2022	1.00%	100,000	100,000
Eliana Leilani Yoneda	11/1/2023	0.75%	50,000	–
Eliana Leilani Yoneda	11/1/2024	1.00%	50,000	–
Eliana Leilani Yoneda	11/1/2025	1.00%	50,000	–
Elizabeth Power	4/14/2022	0.50%	120,000	–
Elizabeth Thomas	12/1/2023	0.00%	250,000	–
Enterprise Community Loan Fund	7/31/2028	2.00%	500,000	500,000
Evan P. Quirk-Garvan	9/30/2030	1.00%	\$ 25,000	–

(continued)

Oweesta Corporation
Notes to Financial Statements

(7) Short-Term and Long-Term Debt, Continued

<u>Lender</u>	<u>Maturity</u>	<u>Rate</u>	<u>2021</u>	<u>2020</u>
First Nations Development Institute	7/31/2028	2.00%	\$ —	250,000
Florence Caplow	1/21/2023	0.50%	50,000	—
Foundation for Louisiana	11/1/2023	0.00%	100,000	—
Hannah Roush	6/17/2024	0.00%	1,000,000	—
HWR Charitable Foundation	10/15/2023	0.75%	150,000	—
HWR Charitable Foundation	10/15/2024	1.00%	150,000	—
HWR Charitable Foundation	10/15/2025	1.00%	200,000	—
Impact Assets, Inc.	8/7/2025	1.00%	25,000	—
Impact Assets, Inc.	5/24/2028	0.00%	1,000,000	—
James A. Babson Revocable Trust	8/1/2021	2.00%	—	20,000
Joelle Chase and Peter Knipper	6/8/2031	1.50%	50,000	—
Johanna Rosen	5/15/2023	0.50%	50,000	50,000
John C. Kuehn and Christine M. Mulvey	3/1/2024	0.75%	325,000	—
John David Alley	6/22/2025	1.00%	23,000	—
Jonathan Lewis and Alison Goldberg	5/11/2026	1.00%	50,000	—
Josiah Bonsey	12/15/2023	0.75%	70,000	—
Joy Clendenning and Michael Scott	12/23/2023	0.75%	100,000	—
Joy Clendenning and Michael Scott	6/18/2022	0.00%	100,000	—
Kalliopeia Foundation	8/1/2023	1.00%	500,000	500,000
Ladybug Foundation	9/1/2023	0.75%	1,375,000	—
Larry Dansinger and Karen Marysdaughter	4/1/2022	0.00%	—	20,000
Larry Dansinger and Karen Marysdaughter	4/1/2022	0.00%	25,000	—
Leo Farbman	6/1/2023	0.00%	250,000	250,000
Lindsay Shea	4/2024	0.75%	50,000	—
Lisa Renstrom Revocable Trust	3/1/2024	0.75%	100,000	—
Mabel Lewis	5/11/2026	1.00%	10,000	—
Madelyn S. Pitts	7/15/2025	1.00%	65,000	—
Margaret Moran and Simon Shapiro	11/1/2024	1.00%	20,000	—
Margot Seigle Trust	2/28/2028	1.25%	50,000	—
Marjorie O. Coward Trust	4/22/2026	1.00%	25,000	—
Mary Gentile	12/15/2022	0.00%	25,000	—
Mercy Investment Services, Inc.	6/30/2028	2.00%	1,500,000	—
Michael Cobb	11/1/2023	0.75%	100,000	—
Morgan Wilson Trust	9/18/2030	1.50%	25,000	—
Nancy Cohen	5/19/2024	0.75%	600,000	—
Northwest Area Foundation	11/30/2027	1.00%	500,000	500,000
Ocone Family Trust	10/15/2024	1.00%	100,000	—
Olamina Fund	9/30/2026	2.00%	2,000,000	2,000,000
Orly Stampfer	10/15/2024	1.00%	30,000	—
Paige and Michael Henchen	9/7/2022	0.50%	38,000	—
Pakhi Chaudhri	5/17/2023	0.50%	25,000	—
Peter and Sharon Moller	6/1/2022	0.00%	5,000	5,000
Pierce Delahunt	12/1/2023	0.00%	125,000	—
Rachel Isreeli	3/8/2026	0.00%	25,000	—
Ralph E. Ogden Foundation, Inc.	12/15/2023	0.75%	250,000	—
Rebecca L. Polk Trust	7/15/2025	1.50%	50,000	—
Riff Foundation	10/1/2022	1.80%	150,000	150,000
Roundhouse Foundation	12/14/2022	0.50%	1,000,000	—
Roundhouse Foundation	12/14/2023	0.75%	\$ 1,000,000	—

(continued)

Oweesta Corporation
Notes to Financial Statements

(7) Short-Term and Long-Term Debt, Continued

<u>Lender</u>	<u>Maturity</u>	<u>Rate</u>	<u>2021</u>	<u>2020</u>
Sam Vinal	11/1/2023	0.00%	\$ 100,000	–
Samuel Bonsey	3/1/2024	0.75%	25,000	–
Sarah Rose	11/1/2023	0.00%	25,000	–
Savory Institute	4/5/2026	0.50%	47,500	–
Sophie Duba	5/3/2026	1.00%	25,000	–
Steve Daniels	4/29/2023	0.50%	100,000	–
Steven and Mary Anne Cobb	11/1/2023	0.75%	60,000	–
Susan Hagedorn Irrevocable Trust	11/1/2023	0.75%	50,000	–
Susan Hagedorn Irrevocable Trust	11/1/2024	1.00%	75,000	–
Susan Hagedorn Irrevocable Trust	11/1/2025	1.00%	75,000	–
Swift Foundation	3/1/2022	1.00%	500,000	500,000
Tamalpais Trust	1/15/2021	1.00%	–	500,000
Tamalpais Trust	7/31/2028	1.00%	468,750	500,000
TDH Family Holdings	9/1/2023	0.75%	225,000	–
The Indigo Revocable Trust	6/16/2026	1.00%	175,000	–
The Reis Foundation	2/1/2026	1.00%	250,000	–
The Vervane Trust	5/1/2025	1.50%	90,000	90,000
Thomas J. Abood	4/1/2022	1.75%	25,000	25,000
Tides Foundation	6/10/2026	1.00%	100,000	–
Transjustice Funding Project Trust	12/1/2025	1.00%	100,000	–
Trilby Galen DuPunt Turst	8/17/2027	0.00%	250,000	–
Triskeles Foundation	9/1/2022	0.00%	–	100,000
Total			27,059,750	18,085,000
Less current maturities			<u>(1,631,796)</u>	<u>(1,833,125)</u>
Long-term debt less current maturities			\$ <u>25,427,954</u>	<u>16,251,875</u>

Interest only payments are paid annually, quarterly, or monthly. Principal payments are due at maturity, unless otherwise noted below.

In response to the COVID-19 pandemic and Oweesta providing a temporary interest forgiveness period to its borrowers for the period April 1, 2020 to December 31, 2020, Oweesta reached out to its lenders and asked for an interest forgiveness period to match what was provided to its borrowers. This resulted in an interest forgiveness period granted to Oweesta from some of its lenders which helped to offset the loss of interest income from its borrowers. This resulted in interest savings totaling \$85,669 and \$25,335 for the years ended June 30, 2021 and 2020, respectively

Oweesta Corporation
Notes to Financial Statements

(7) Short-Term and Long-Term Debt, Continued

Oweesta is required to meet certain covenants as specified in particular debt agreements. At June 30, 2021, these covenants were met. None of the notes are collateralized. At June 30, 2021, aggregate maturities of principal under long-term debt obligations are as follows for the years ending June 30:

2022	\$ 1,631,796
2023	3,790,868
2024	8,858,963
2025	1,818,061
2026 and thereafter	<u>10,960,062</u>
	<u>\$ 27,059,750</u>

(8) Net Assets with Donor Restrictions

Net assets with donor restrictions consist of the following as of June 30:

	<u>2021</u>	<u>2020</u>
CDFI government grants receivable	\$ 625,000	1,146,333
Future operations	2,000,000	-
Native Fresh Food Fund (Keepseagle)	-	89,698
Loan loss reserve	150,000	150,000
Institutional capacity building	667,043	839,127
Lending	-	350,140
Financial education and asset building	<u>153,600</u>	<u>332,482</u>
	<u>\$ 3,595,643</u>	<u>2,907,780</u>

Net assets with donor restrictions were released from restrictions for the following purposes:

	<u>2021</u>	<u>2020</u>
CDFI government grants receivable	\$ 521,333	-
Lending	5,476,764	1,118,622
Institutional capacity building	1,809,584	1,022,585
Financial education and asset building	<u>491,383</u>	<u>277,960</u>
	<u>\$ 8,299,064</u>	<u>2,419,167</u>

(9) Re grants

Regranting funds are not used for the program operations of Oweesta, but are instead regranted to other Native non-profits, tribal projects, and individual participants in their projects. Re grants and related stipends for the years ended June 30, 2021 and 2020 totaled \$2,108,259 and \$648,569, respectively.

Oweesta Corporation
Notes to Financial Statements

(10) Commitments and Contingencies

Operating Leases

Oweesta rents office space under a month-to-month lease agreement in an office building purchased by FNDI in Longmont. Rent is charged at \$3,250 per month, including utilities and cleaning. Additionally, Oweesta rents office space in Washington, D.C. under a lease agreement that terminated June 2021. Rent is charged at \$7,400 per year. Rent expense for the years ended June 30, 2021 and 2020 was \$28,382 and \$46,832, respectively.

Government Grants

Oweesta earns revenue under grants received from various governmental agencies. Funds received under these grants generally require compliance with the terms and conditions specified in the grant contracts and are subject to audits by the governmental agencies. Management believes the amount of grant charges that may be disallowed, if any, by such audits would not have a significant impact on the financial statements, and accordingly, no provision has been made in the financial statements for any liability that may result. Government grants receivable total \$625,000 and \$1,146,333 at June 30, 2021 and June 30, 2020, respectively.

(11) Retirement Plan

Oweesta has a Simple IRA pension plan (the Plan). Under the Plan, Oweesta matches up to 3% of employee salary contributions. Contributions to the Plan totaled \$22,785 and \$21,372 during the years ended June 30, 2021 and 2020, respectively.

(12) Related Party Transactions

Oweesta makes loans and grants to tribal groups as part of its programmatic mission. It also has a policy of investing in Native American businesses. As a result, Oweesta may have lender and business relationships with groups headed by members of its board of directors. All loans and grants are made in accordance with long-standing procedures in which board members do not participate. All business dealings are conducted at market rates on terms consistent with those available to similar organizations or from similar businesses.

Oweesta Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2021

Federal grantor/pass-through grantor/program or cluster title	Pass-through entity identifying number	Grant award year	Assistance listing number	Federal expenditures	Expenditures to subrecipients
U.S. Department of the Treasury					
Direct Programs					
<i>Community Development Financial Institution (CDFI) Fund</i>					
Native American CDFI Award-2017	N/A		21.020	657,749	-
Native American CDFI Award-2018	N/A		21.020	141,822	-
Native American CDFI Award-2020	N/A		21.020	237,500	-
Total CDFI Program			Total 21.020	<u>1,037,071</u>	<u>-</u>
Total Direct Programs				<u>1,037,071</u>	<u>-</u>
Indirect Programs					
<i>Neighborhood Reinvestment Corporations, dba NeighborWorks America (NWA)</i>					
Public Law #116-94	R-NONEXT-2020-59366	6/20/20-9/30/21	21.U01	18,919	15,000
Public Law #116-260	R-SUPEXT-2021-63757	6/20/20-9/30/21	21.U01	5,000	-
Total Program			21.U01	<u>23,919</u>	<u>15,000</u>
Total Indirect Programs				<u>23,919</u>	<u>15,000</u>
Total U.S. Department of Treasury				<u>1,060,990</u>	<u>15,000</u>
Total Expenditures of Federal Awards				<u>\$ 1,060,990</u>	<u>15,000</u>

Notes to the Schedule of Expenditures of Federal Awards

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Oweesta Corporation (Oweesta) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit requirements of Federal Awards* (Uniform Guidance). Because this Schedule presents only a select portion of the operations of Oweesta, it is not intended and does not present the financial position, changes in net assets, or cash flows of Oweesta.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3: Indirect Cost Rate

Oweesta has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor’s Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

**Board of Directors
Oweesta Corporation**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Oweesta Corporation (Oweesta), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 14, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Oweesta’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Oweesta’s internal control. Accordingly, we do not express an opinion on the effectiveness of Oweesta’s internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oweesta’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Board of Directors
Oweesta Corporation**

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Oweesta's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Oweesta's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Kundinger, Cordia & Congle, P.C.

December 14, 2021

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

**Board of Directors
Oweesta Corporation**

Report on Compliance for Each Major Federal Program

We have audited Oweesta Corporation's (Oweesta's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Oweesta's major federal programs for the year ended June 30, 2021. Oweesta's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Oweesta's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oweesta's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Oweesta's compliance.

Opinion on Each Major Federal Program

In our opinion, Oweesta complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

**Board of Directors
Oweesta Corporation**

Report on Internal Control over Compliance

Management of Oweesta is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Oweesta's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Oweesta's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Kundinger, Cordia & Congle, P.C.

December 14, 2021

Oweesta Corporation
Schedule of Findings and Questioned Costs
Year Ended June 30, 2021

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Oweesta Corporation (Oweesta) were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Oweesta, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs are reported in the *Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance*.
5. The auditor's report on compliance for the major federal award programs for Oweesta expresses an unmodified opinion on all major federal programs.
6. The audit disclosed no audit findings relating to major programs that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The major program tested was Community Development Financial Institution (CDFI) Fund (Assistance Listing No. 21.020).
8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. Oweesta was determined to be a low-risk auditee.

B. Findings—Financial Statement Audit

None.

C. Findings and Questioned Costs—Major Federal Award Programs Audit

None.

Oweesta Corporation
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2021

There were no findings reported in the audit for the year ended June 30, 2020.