

**CULTURAL SURVIVAL, INC.**  
**AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

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**CULTURAL SURVIVAL, INC.**

**AUGUST 31, 2016 AND 2015**

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**Independent Auditor's Report**

To the Board of Directors  
Cultural Survival Inc.  
Cambridge, Massachusetts

I have audited the accompanying financial statements of the Cultural Survival, Inc. (a non-profit organization) which comprise the statement of financial position as of August 31, 2016 and 2015, and the related statement of Revenues, Expenses and changes in net assets, cash flows and functional expenses 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 of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion of these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit.

**Opinion**

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Cultural Survival, Inc. as of August 31, 2016, and 2015, 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.

A handwritten signature in black ink, appearing to read "John M. Montuori". The signature is fluid and cursive, with the first name "John" and middle initial "M" being more distinct than the last name "Montuori".

Medford, Massachusetts  
January 20, 2017

**CULTURAL SURVIVAL, INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**AUGUST 31, 2016 AND 2015**

|                                       | 2016               |                        |                  |                   | 2015              |                        |                  |                   |
|---------------------------------------|--------------------|------------------------|------------------|-------------------|-------------------|------------------------|------------------|-------------------|
|                                       | Unrestricted       | Temporarily Restricted | Endowment Fund   | Total             | Unrestricted      | Temporarily Restricted | Endowment Fund   | Total             |
| <b>ASSETS</b>                         |                    |                        |                  |                   |                   |                        |                  |                   |
| <b>CURRENT ASSETS:</b>                |                    |                        |                  |                   |                   |                        |                  |                   |
| Cash and Cash Equivalents             | \$ 3,095           | \$ 204,767             | \$ -             | \$ 207,862        | \$ 154,851        | \$ 55,193              | \$ -             | \$ 210,044        |
| Investments                           | -                  | 4,000                  | 21,001           | 25,001            | -                 | 2,597                  | 11,001           | 13,598            |
| Other Assets                          | 4,120              |                        |                  | 4,120             | 4,120             |                        |                  | 4,120             |
| <b>Total Assets</b>                   | <b>\$ 7,215</b>    | <b>\$ 208,767</b>      | <b>\$ 21,001</b> | <b>\$ 236,983</b> | <b>\$ 158,971</b> | <b>\$ 57,790</b>       | <b>\$ 11,001</b> | <b>\$ 227,762</b> |
| <b>PROPERTY AND EQUIPMENT:</b>        |                    |                        |                  |                   |                   |                        |                  |                   |
| Equipment and Furniture               | 23,752             |                        |                  | 23,752            | 23,752            |                        |                  | 23,752            |
| Software                              | 19,720             |                        |                  | 19,720            | 19,720            |                        |                  | 19,720            |
|                                       | 43,472             |                        |                  | 43,472            | 43,472            |                        |                  | 43,472            |
| Less: Accumulated Depreciation        | 43,472             | -                      | -                | 43,472            | 43,472            | -                      | -                | 43,472            |
|                                       | -                  |                        |                  | -                 | -                 |                        |                  | -                 |
|                                       | <b>\$ 7,215</b>    | <b>\$ 208,767</b>      | <b>\$ 21,001</b> | <b>\$ 236,983</b> | <b>\$ 158,971</b> | <b>\$ 57,790</b>       | <b>\$ 11,001</b> | <b>\$ 227,762</b> |
| <b>LIABILITIES AND NET ASSETS</b>     |                    |                        |                  |                   |                   |                        |                  |                   |
| <b>LIABILITIES</b>                    |                    |                        |                  |                   |                   |                        |                  |                   |
| Accounts Payable and Accrued Expense: | \$ 33,799          | \$ -                   | \$ -             | \$ 33,799         | \$ 20,753         | \$ -                   | \$ -             | \$ 20,753         |
| <b>Total Current Liabilities</b>      | <b>33,799</b>      | <b>-</b>               | <b>-</b>         | <b>33,799</b>     | <b>20,753</b>     | <b>-</b>               | <b>-</b>         | <b>20,753</b>     |
| <b>NET ASSETS</b>                     |                    |                        |                  |                   |                   |                        |                  |                   |
| Unrestricted Funds                    | (26,585)           | -                      | -                | (26,585)          | 138,218           | -                      | -                | 138,218           |
| Temporarily Restricted                | -                  | 208,767                | -                | 208,767           | -                 | 57,790                 | -                | 57,790            |
| Endowment Fund                        |                    | -                      | 21,001           | 21,001            |                   | -                      | 11,001           | 11,001            |
| <b>Total Net Assets</b>               | <b>\$ (26,585)</b> | <b>\$ 208,767</b>      | <b>\$ 21,001</b> | <b>\$ 203,183</b> | <b>\$ 138,218</b> | <b>\$ 57,790</b>       | <b>\$ 11,001</b> | <b>\$ 207,009</b> |
| <b>Total Liabilities and Net</b>      | <b>\$ 7,214</b>    | <b>\$ 208,767</b>      | <b>\$ 21,001</b> | <b>\$ 236,982</b> | <b>\$ 158,971</b> | <b>\$ 57,790</b>       | <b>\$ 11,001</b> | <b>\$ 227,762</b> |

The accompanying notes are an integral part of these financial statements

**CULTURAL SURVIVAL, INC.**  
**STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

|                                                    | 2016         |                        |                | 2015       |              |                        |                |            |
|----------------------------------------------------|--------------|------------------------|----------------|------------|--------------|------------------------|----------------|------------|
|                                                    | Unrestricted | Temporarily Restricted | Endowment Fund | Total      | Unrestricted | Temporarily Restricted | Endowment Fund | Total      |
| REVENUES                                           |              |                        |                |            |              |                        |                |            |
| Contributions and Subscriptions                    | \$ 680,415   | \$ 135,446             | \$ 10,000      | \$ 825,861 | \$ 795,415   | \$ 99,604              | \$ -           | \$ 895,019 |
| Grant Revenue                                      | 127,500      | 355,541                | -              | 483,041    | 88,300       | 126,458                | -              | 214,758    |
| Indigenous Crafts Bazaar Income                    | 372,695      |                        |                | 372,695    | 393,289      |                        |                | 393,289    |
| Investment Income                                  | 316          |                        |                | 316        | 7,198        |                        |                | 7,198      |
| Realized and Unrealized Gain (Loss) on Investments | 179          | -                      | -              | 179        | (1,345)      | -                      | -              | (1,345)    |
| Sales of Publications                              | 2,201        |                        |                | 2,201      | 6,268        |                        |                | 6,268      |
| Total Support and Other Income                     | 1,183,306    | 490,987                | 10,000         | 1,684,293  | 1,289,125    | 226,062                | -              | 1,515,187  |
| Net Assets Released from Restrictions              | 340,010      | (340,010)              | -              | -          | 262,165      | (262,165)              | -              | -          |
| Total Revenues                                     | 1,523,316    | 150,977                | 10,000         | 1,684,293  | 1,551,290    | (36,103)               | -              | 1,515,187  |
| EXPENSES                                           |              |                        |                |            |              |                        |                |            |
| Programs and Publications                          | 1,387,958    |                        |                | 1,387,958  | 1,180,158    |                        |                | 1,180,158  |
| Fundraising                                        | 178,828      |                        |                | 178,828    | 146,464      |                        |                | 146,464    |
| General Administrative                             | 121,332      |                        |                | 121,332    | 145,935      |                        |                | 145,935    |
| Total Operating Expenses                           | 1,688,119    | -                      | -              | 1,688,119  | 1,472,557    | -                      | -              | 1,472,557  |
| INCREASE IN NET ASSETS BEFORE TRANSFERS            | (164,803)    | 150,977                | 10,000         | (3,826)    | 78,733       | (36,103)               | -              | 42,630     |
| TRANSFERS                                          |              |                        |                |            |              |                        |                |            |
|                                                    |              | -                      | -              |            |              | (11,001)               | 11,001         |            |
| NET ASSETS, BEGINNING OF YEAR                      | 138,218      | 57,790                 | 11,001         | 207,009    | 59,485       | 104,894                | -              | 164,379    |
| NET ASSETS, END OF YEAR                            | \$ (26,585)  | \$ 208,767             | \$ 21,001      | \$ 203,183 | \$ 138,218   | \$ 57,790              | \$ 11,001      | \$ 207,009 |

The accompanying notes are an integral part of these financial statements

**CULTURAL SURVIVAL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED AUGUST 31, 2016**

|                                  | <u>Programs<br/>and</u> |                   | <u>Fundraising</u> | <u>General and<br/>Administrative</u> | <u>Total</u>        |
|----------------------------------|-------------------------|-------------------|--------------------|---------------------------------------|---------------------|
|                                  | <u>Publications</u>     |                   |                    |                                       |                     |
| Direct Support, including Grants | \$ 200,248              | \$ -              | \$ -               | \$ -                                  | \$ 200,248          |
| Indigenous Crafts Bazaar         | 365,645                 | -                 | -                  | -                                     | 365,645             |
| Payroll                          | 395,017                 | 93,268            | 60,350             | 60,350                                | 548,635             |
| Payroll Taxes and Benefits       | 114,395                 | 27,010            | 17,477             | 17,477                                | 158,882             |
| Consultants                      | 137,603                 | -                 | 17,368             | 17,368                                | 154,971             |
| Postages and Shipping            | 9,158                   | 592               | 3,254              | 3,254                                 | 13,004              |
| Printing and Copying             | 23,117                  | 3,462             | 1,767              | 1,767                                 | 28,346              |
| Bank and Credit Card Fees        | 6,190                   | 1,461             | 946                | 946                                   | 8,597               |
| Dues and Subscriptions           | 2,267                   | 535               | 346                | 346                                   | 3,149               |
| Office Expenses                  | 14,967                  | 3,808             | 2,287              | 2,287                                 | 21,061              |
| Professional Fees                | 2,880                   | 680               | 440                | 440                                   | 4,000               |
| Equipment Lease Expense          | 4,502                   | 1,063             | 688                | 688                                   | 6,253               |
| Repairs and Maintenance          | 4,694                   | 1,108             | 717                | 717                                   | 6,520               |
| Telephone                        | 10,851                  | 2,562             | 1,658              | 1,658                                 | 15,071              |
| Marketing Expenses               |                         | 3,346             |                    |                                       | 3,346               |
| Travel, Meals and Entertainment  | 49,280                  | 28,801            | 6,832              | 6,832                                 | 84,913              |
| Utilities and Internet           | 2,472                   | 584               | 378                | 378                                   | 3,433               |
| Insurance                        | 7,941                   | 1,875             | 1,213              | 1,213                                 | 11,029              |
| Rent expense                     | 36,731                  | 8,673             | 5,612              | 5,612                                 | 51,015              |
|                                  | \$ -                    | \$ -              | \$ -               | \$ -                                  | \$ -                |
|                                  | <u>\$ 1,387,958</u>     | <u>\$ 178,828</u> | <u>\$ 121,332</u>  | <u>\$ 121,332</u>                     | <u>\$ 1,688,118</u> |
| Percentage of Total Expenses     | 82.22%                  | 10.59%            | 7.19%              | 7.19%                                 | 100.00%             |

*The accompanying notes are an integral part of these financial statements*

**CULTURAL SURVIVAL, INC.**  
**STATEMENTS OF FUNCTIONAL EXPENSES**  
**FOR THE YEARS ENDED AUGUST 31, 2015**

|                                  | <u>Programs<br/>and</u> |    | <u>Fundraising</u> | <u>General and<br/>Administrative</u> | <u>Total</u> |
|----------------------------------|-------------------------|----|--------------------|---------------------------------------|--------------|
|                                  | <u>Publications</u>     |    |                    |                                       |              |
| Direct Support, including Grants | \$ 84,246               | \$ | 602                | \$                                    | \$ 84,848    |
| Indigenous Crafts Bazaar         | 376,080                 |    | -                  | -                                     | 376,080      |
| Payroll                          | 317,614                 |    | 74,992             | 48,524                                | 441,130      |
| Payroll Taxes and Benefits       | 92,633                  |    | 21,872             | 14,152                                | 128,657      |
| Consultants                      | 131,065                 |    | -                  | 56,814                                | 187,879      |
| Postages and Shipping            | 8,870                   |    | 1,684              | 3,401                                 | 13,955       |
| Printing and Copying             | 16,364                  |    | 5,636              | 791                                   | 22,791       |
| Bank and Credit Card Fees        | 6,790                   |    | 1,603              | 1,037                                 | 9,431        |
| Dues and Subscriptions           |                         |    | 1,777              |                                       | 1,777        |
| Office Expenses                  | 14,746                  |    | 3,482              | 2,253                                 | 20,480       |
| Professional Fees                | 2,880                   |    | 680                | 440                                   | 4,000        |
| Equipment Lease Expense          | 4,681                   |    | 1,105              | 715                                   | 6,502        |
| Repairs and Maintenance          | 6,879                   |    | 1,624              | 1,051                                 | 9,554        |
| Telephone                        | 12,679                  |    | 2,994              | 1,937                                 | 17,610       |
| Marketing Expenses               |                         |    | 4,103              |                                       | 4,103        |
| Travel, Meals and Entertainment  | 59,601                  |    | 13,678             | 7,940                                 | 81,219       |
| Utilities and Internet           | 2,226                   |    | 525                | 340                                   | 3,091        |
| Insurance                        | 7,206                   |    | 1,701              | 1,100                                 | 10,008       |
| Rent expense                     | 35,598                  |    | 8,405              | 5,439                                 | 49,442       |
|                                  | \$ 1,180,158            | \$ | 146,464            | \$ 145,935                            | \$ 1,472,557 |
| Percentage of Total Expenses     | 80.14%                  |    | 9.95%              | 9.91%                                 | 100.00%      |

*The accompanying notes are an integral part of these financial statements*

**CULTURAL SURVIVAL, INC.**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2016 AND 2015**

|                                                                                              | <u>2016</u>              | <u>2015</u>              |
|----------------------------------------------------------------------------------------------|--------------------------|--------------------------|
| <b>OPERATING ACTIVITIES</b>                                                                  |                          |                          |
| Decrease in Net Assets                                                                       | \$ (3,826)               | \$ 42,630                |
| Adjustments to reconcile decrease in net assets to<br>net cash used in operating activities: |                          |                          |
| Unrealized (Gain) Loss on Investments                                                        | -                        | 1,345                    |
| (Gain) Loss on sale of investment                                                            | (179)                    | (5,507)                  |
| Increase (Decrease) in:                                                                      |                          |                          |
| Accrued Expenses                                                                             | 13,047                   | (9,117)                  |
| Net Cash Used In Operating Activities:                                                       | <u>9,042</u>             | <u>29,351</u>            |
| <b>INVESTING ACTIVITIES</b>                                                                  |                          |                          |
| Proceeds from Sale of Investments                                                            | -                        | 234,850                  |
| Purchases of Investments                                                                     | (11,225)                 | (126,044)                |
| Net Cash Provided by Investing Activities                                                    | <u>(11,225)</u>          | <u>108,806</u>           |
| <b>DECREASE IN NET ASSETS</b>                                                                | (2,183)                  | 138,157                  |
| <b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>                                          | 210,044                  | 71,887                   |
| <b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>                                                | \$ <u><u>207,862</u></u> | \$ <u><u>210,044</u></u> |

*The accompanying notes are an integral part of these financial statements.*

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**Note 1 - Organization and Nature of Activities**

Cultural Survival, Inc., (the "Organization") is a non-profit 501(c) (3) non-governmental organization that was founded in 1972 to promote the rights, voices, and visions of Indigenous Peoples around the world. Through education forums, cutting-edge and widely read publications, research, projects, advocacy, partnerships and an interactive web site. The Organization works towards a world in which Indigenous Peoples are able to determine their own futures on their own lands. It further works as a medium through which Indigenous Peoples can network with other groups facing similar problems and with other organizations that can help to ensure that their human rights, including their right to self-determination, are protected and promoted.

**Note 2 - Summary of Significant Accounting Policies**

**Basis of Accounting**

These financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America.

**Basis of Presentation**

Net assets are classified as permanently restricted, temporarily restricted and unrestricted when appropriate to properly disclose the nature and amount of significant resources that have been restricted in accordance with specified objectives of donors and grantors. The Organization has temporarily restricted net assets from its projects activities and unrestricted net assets that are available to be used and designated by the Board of Directors for general purposes.

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**Note 2 - Summary of Significant Accounting Policies (Continued)**

Cash and Cash Equivalents

The Organization considers all highly liquid instruments with an initial maturity of three months or less to be cash equivalents.

Investments

Short-term investments in marketable securities with readily determinable fair values are carried at their fair value in the statement of financial position based on quoted market prices. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities.

Accounts Receivable

Accounts receivables are stated at the amount management expect to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Accounts are considered collectible. Interest is not charged on overdue accounts. The organization does not reflect multi-year pledges in accounts receivable beyond the current year. The balance of the outstanding five year pledges amounted to £400,000, equivalent to \$525,560 at the exchange rate as of August 31, 2016.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Tax Exempt Status

The Organization is a not-for-profit corporation as described in Section 501 (c) (3) of the United States Internal Revenue Code and is determined to be an Organization which is not a private foundation and, accordingly, does not provide for state and federal income taxes. The Internal Revenue Service classifies the organization as a public charity.

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

Recognition of Donor Restrictions

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method. Major additions are capitalized, while repairs and maintenance are charged to expense as incurred. Depreciation expense for the years ending August 31, 2016 and 2015 was \$-0-.

The estimated useful lives for purposes of computing depreciation are as follows:

| <u>Assets</u>           | <u>Life in Years</u> |
|-------------------------|----------------------|
| Furniture and equipment | 5 years              |
| Software                | 3 years              |

Use of Estimates and Assumptions

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 vary from the estimates that were used.

*See Auditors' Report.*

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

Contributed Goods and Services

The Organization records various types of in-kind support including professional services, volunteer labor, and materials. Contributed professional services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. Additionally, the Organization received a significant amount of skilled, contributed time, which does not meet the two (2) recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements.

**Note 3 - Investments**

Investments consisted of the following at August 31, 2016:

|                       | <u><b>Fair<br/>Value</b></u> | <u><b>Cost</b></u> | <u><b>Unrealized<br/>Gain (Loss)</b></u> |
|-----------------------|------------------------------|--------------------|------------------------------------------|
| Marketable Securities | <u>\$ 25,001</u>             | <u>\$21,561</u>    | <u>\$ 3,440</u>                          |

Investments consisted of the following at August 31, 2015:

|                       | <u><b>Fair<br/>Value</b></u> | <u><b>Cost</b></u> | <u><b>Unrealized<br/>Gain (Loss)</b></u> |
|-----------------------|------------------------------|--------------------|------------------------------------------|
| Marketable Securities | <u>\$ 13,598</u>             | <u>\$ 10,337</u>   | <u>\$ 3,261</u>                          |

Investment return is summarized as follows:

|                                      | <u><b>2016</b></u> | <u><b>2015</b></u> |
|--------------------------------------|--------------------|--------------------|
| Dividend and interest income         | \$ 316             | \$ 1,691           |
| Realized gains on investments        | -0-                | 5,507              |
| Net unrealized gain (loss)           | <u>( 179)</u>      | <u>( 1,345)</u>    |
| Total unrestricted investment income | <u>\$ 495</u>      | <u>\$ 5,853</u>    |

Marketable Securities are subject to market fluctuations.

*See Auditor's Report*

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**Note 4 - Donated Services, Goods, and Facilities**

The Organization receives donated services from a variety of unpaid volunteers assisting the Organization with administering its indigenous advocacy programs. During the years ended August 31, 2016 and 2015 there were approximately 5,900 and 6,500 total volunteer hours, which the Organization valued at \$88,500 and \$97,500, respectively. None of this has been recognized in the accompanying statement of activities because the volunteer activities do not meet the criteria for recognition of such volunteer effort under auditing standards generally accepted in the United States of America.

**Note 5 - Endowment and Temporarily Restricted Funds**

The Organization's endowment and Temporarily Restricted Funds includes donor-restricted funds. As required by generally accepted accounting principles, net assets associated with the Endowment Fund and Temporarily Restricted Funds are classified and reported on the existence or absence of donor-imposed restrictions.

As of August 31, 2016 and 2015, the Organization had the following endowment and Temporarily Restricted Funds:

|                             | <b>2016</b>      | <b>2015</b>     |
|-----------------------------|------------------|-----------------|
| Temporarily Restricted Fund | \$208,767        | \$57,790        |
| Endowment Fund              | <u>21,001</u>    | <u>11,001</u>   |
| Total                       | <u>\$229,768</u> | <u>\$68,791</u> |

The Organization has interpreted the Uniform Prudent Management of Institutional Funds Act of 2006 ("UPMIFA") 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 classified as permanently restricted net assets (a) the original value gifts donated to the permanent endowment, (b) the original value of subsequent gifts donated 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 in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for

**CULTURAL SURVIVAL, INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2016 AND 2015**

**Note 5 - Endowment and Temporarily Restricted Funds (Continued)**

expenditure by the Organization in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

- a) The duration and preservation of the fund
- b) The purposes of the Organization and the donor-restricted endowment fund
- c) General economic conditions
- d) The possible effect of inflation and deflation
- e) The expected total return from income and the appreciation of investments
- f) Other resources of the organization
- g) The investment policies of the Organization

For the fiscal year ended August 31, 2016, the Board of Directors has adopted a policy not to use endowment income (interest, dividends, realized gains and losses and changes in unrealized appreciation) for the current fiscal year. Appropriations for operating use are subject to Board approval each year.

**Note 6 - Retirement Arrangement with Staff Employees**

The Organization offers staff employees the opportunity for participation in a Simple IRA contributory retirement plan approved by the Internal Revenue Service. The Organization matches employees' contributions at 3% of their regular salary, up to the amount of their contribution. The expense to the Organization under this Plan for the year ended August 31, 2016 and 2015 was \$16,029 and \$13,949, respectively.

**Note 7 - Concentration of Credit Risk**

Financial Instruments that potentially subject the Organization to significant concentrations of credit risk consists primarily of cash and cash equivalents and short-term investments.

The Organization maintains its cash and cash equivalents in banks and investment brokerage deposit and money market accounts which, at times, may exceed federally insured limits. The Organization believes it is not exposed to any significant credit risk on cash and cash equivalents.

*See Auditors' Report.*

**CULTURAL SURVIVAL, INC.**  
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**Note 8 - Property and Equipment**

Property and Equipment consisted of the following at August 31, 2016 and 2015:

|                                         | <u>2016</u>     | <u>2015</u>     |
|-----------------------------------------|-----------------|-----------------|
| Furniture & Equipment                   | \$ 23,752       | \$ 23,752       |
| Software                                | <u>19,720</u>   | <u>19,720</u>   |
|                                         | 43,472          | 43,472          |
| Accumulated Depreciation & Amortization | <u>(43,472)</u> | <u>(43,472)</u> |
|                                         | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |

**Note 9 - Line of Credit**

As of August 31, 2016, and 2015, the Organization had available unsecured line of credit with American Express Company to be drawn down upon as needed, with interest rates of 13.24% and 21.24% for purchases and cash advances, respectively. At August 31, 2016 and 2015, no amount has been drawn down. Credit available August 31, 2016 and 2015 was \$38,000.

During the year ended August 31, 2015, the organization acquired a new credit card with Capital One, with an interest rate of 13.9% and 24.9% for purchases and cash advances, respectively. At August 31, 2015, no amount has been drawn down. Credit available August 31, 2015 was \$20,000.

**Note 10 - Commitments**

The organization currently leases some of its office equipment. Equipment lease expense under these leases are \$6,253 and \$6,502 for the years ended August 31, 2016 and 2015, respectively.

Future minimum lease payments required as of August 31, 2016:

| Year ended | Amount:          |
|------------|------------------|
| August 31, |                  |
| 2017       | 5,939            |
| 2018       | 3,228            |
| 2019       | 3,228            |
| 2020       | <u>1,345</u>     |
|            | <u>\$ 13,740</u> |

*See Auditors' Report.*

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**Note 11 - Leases**

On January 6, 2015, the Organization signed a new lease for its office with expiration date April 27, 2017. The current annual basic rent is \$30,336, payable in monthly installments of \$2,528.

Also, on February 1<sup>st</sup>, 2013, the Organization signed a new lease for its storage space with expiration date April 30, 2018. The lease includes annual base rent plus Common Area Maintenance (CAM) escalator of \$1,010 a month.

Minimum rental payments for both leases are as follows:

| <u>Year ended Aug 31,</u> | <u>Amount</u>   |
|---------------------------|-----------------|
| 2017                      | \$19,820        |
| 2018                      | <u>7,680</u>    |
| Total                     | <u>\$27,500</u> |

For the years ended August 31, 2016 and 2015, the total rent expense was \$51,015 and \$49,442, respectively.

**Note 15 - Assets Measured at Fair Value on a Recurring Basis**

In accordance with the Fair Value Measurement and Disclosure topic of the FASB Accounting Standards Codification, the Organization is required to disclose, for its assets and liabilities measured at fair value on a recurring basis, the sources and types of information, known as inputs, used to determine those fair value measurements. The guidance establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair values into levels 1, 2, and 3.

Level 1: Level 1 inputs are quoted prices in active markets for identical assets and liabilities that an entity has the ability to access at a measurement date.

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**Note 15 - Assets Measured at Fair Value on a Recurring Basis (continued)**

Level 2: Level 2 inputs are inputs other than quoted prices that are observable for the specific asset or liability, either directly or indirectly.

Level 3: Level 3 inputs are unobservable inputs for the assets or liabilities in which little or no market activity is available for the asset or liability at the measurement date.

For purposes of financial reporting, the Organization has determined that the fair values of its financial instruments, which include cash and cash equivalents, publicly traded domestic mutual funds, approximate the carrying values under Level 1 at August 31, 2016 and 2015, based on their short maturities and/or the terms available to the Organization in financial markets.

**Note 13 – Subsequent Events**

The Organization evaluated subsequent events through January 20, 2017, which is the date the financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the financial statements.

**Note 14 - Uncertain Tax Positions**

Management has evaluated the tax positions taken on returns for open years and those expected to be taken on returns for the year ended August 31, 2016. It is management's belief that such tax positions are more likely than not to be sustained upon examination by tax authorities. Accordingly, no liability for uncertain tax positions has been reflected in these financial statements. Returns for tax years beginning with those filed for the year ended August 31, 2013 are open to examination.