

CULTURAL SURVIVAL, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010**

CULTURAL SURVIVAL, INC.

AUGUST 31, 2011 AND 2010

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Cultural Survival, Inc.:

I have audited the accompanying statements of financial position of Cultural Survival, Inc. (a Massachusetts corporation, not for profit corporation) as of August 31, 2011 and 2010, and the related statements of activities, functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on 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 we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cultural Survival, Inc. as of August 31, 2011 and 2010 and the changes in its net assets and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Medford, Massachusetts
November 21, 2011

CULTURAL SURVIVAL, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents (Note 13)	\$ 1,976	\$ 85,325	\$ 87,301	\$ 30,717	\$ 70,203	\$ 100,920
Investments	1,110	25,367	26,477	887		887
Other Assets	7,890		7,890	8,774		8,774
Total Assets	\$ 10,976	\$ 110,692	\$ 121,668	\$ 40,378	\$ 70,203	\$ 110,581
GRANTS AND PLEDGES RECEIVABLE	\$ 100,000	\$ 78,192	\$ 178,192	\$ 100,000	\$ 92,013	\$ 192,013
PROPERTY AND EQUIPMENT:						
Building and Improvements	482,823		482,823	482,823		482,823
Equipment and Furniture	23,752		23,752	23,752		23,752
Software	19,720		19,720	19,720		19,720
	526,295		526,295	526,295		526,295
Less: Accumulated Depreciation	192,227	-	192,227	179,764	-	179,764
	334,068		334,068	346,531		346,531
	445,044	\$ 188,884	\$ 633,928	\$ 486,909	\$ 162,216	\$ 649,125
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 41,417	\$ -	\$ 41,417	\$ 54,850	\$ -	\$ 54,850
Current Portion of Long Term Debt (Note 12)	10,002	-	10,002	9,379	-	9,379
Total Current Liabilities	51,419	-	51,419	64,229	-	64,229
Long Term Debt (Note 12)	355,967	-	355,967	365,603	-	365,603
	407,386	-	407,386	429,832	-	429,832
NET ASSETS						
Unrestricted Funds (Note 13)	37,658	-	37,658	57,077	-	57,077
Temporarily Restricted	-	188,884	188,884	-	162,216	162,216
Total Net Assets	37,658	188,884	226,542	57,077	162,216	219,293
Total Liabilities and Net Assets	\$ 445,044	\$ 188,884	\$ 633,928	\$ 486,909	\$ 162,216	\$ 649,125

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	2011			2010		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions and Subscriptions	\$ 645,374	\$ 130,159	\$ 775,533	\$ 604,357	\$ 52,505	\$ 656,862
Grant Revenue	145,950	194,235	340,185	121,238	278,718	399,956
Indigenous Crafts Bazaar Income	465,768		465,768	472,844		472,844
Investment Income	307		307	13,711		13,711
Unrealized Gain (Loss) on Investments	(1,799)		(1,799)	(151)		(151)
Sales of Publications	15,109		15,109	22,178		22,178
Other Income	24,904		24,904	22,958		22,958
Total Support and Other Income	1,295,613	324,394	1,620,007	1,257,135	331,223	1,588,358
Net Assets Released from Restrictions	297,726	(297,726)	-	301,227	(301,227)	-
Total Revenues	1,593,339	26,668	1,620,007	1,558,362	29,996	1,588,358
EXPENSES						
Publications	363,163		363,163	395,586		395,586
Projects (Note 13)	1,014,094		1,014,094	1,079,286		1,079,286
Fundraising	129,867		129,867	108,653		108,653
General Administrative	105,634		105,634	124,615		124,615
Total Operating Expenses	1,612,758	-	1,612,758	1,708,139	-	1,708,139
Changes in net assets from operations	(19,419)	26,668	7,249	(149,777)		(119,781)
GAIN ON SALE OF LEASE INVESTMENT	-		-	27,429		27,429
INCREASE (DECREASE) IN NET ASSETS	(19,419)	26,668	7,249	(122,348)	29,996	(92,352)
NET ASSETS, BEGINNING OF YEAR	57,077	162,216	219,293	179,425	132,220	311,645
NET ASSETS, END OF YEAR	\$ 37,658	\$ 188,884	\$ 226,542	\$ 57,077	\$ 162,216	\$ 219,293

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2011

	Programs		Fundraising	General and Administrative		Total
	Publications	Projects		Administrative		
Direct Support (Note 13)	\$ -	\$ 158,053	\$ -	\$ -	\$	158,053
Indigenous Crafts Bazaar	-	397,851	-	-		397,851
Payroll	199,159	220,023	42,149	65,543		526,875
Payroll Taxes and Benefits	51,809	57,236	10,965	17,050		137,060
Consultants	160	77,622	31,499	-		109,281
Postages and Shipping	24,044	699	7,293	4,053		36,089
Printing and Copying	38,173	8,459	9,701	2,592		58,925
Amortization	335	370	71	110		885
Depreciation	4,711	5,205	997	1,550		12,463
Bank and Credit Card Fees	2,633	2,909	557	866		6,965
Interest Expenses	9,169	10,129	1,940	3,017		24,256
Dues and Subscriptions	-	-	1,670	-		1,670
Office Expenses	11,202	12,375	2,371	3,686		29,634
Professional Fees	1,890	2,088	400	622		5,000
Equipment Lease Expense	2,640	2,917	559	869		6,985
Repairs and Maintenance	4,680	5,171	991	1,540		12,382
Telephone	5,763	6,366	1,220	1,896		15,245
Marketing Expenses	-	-	5,737	-		5,737
Travel, Meals and Entertainment	-	39,113	10,310	-		49,423
Utilities and Internet	2,066	2,282	437	680		5,465
Insurance	3,541	3,912	749	1,165		9,368
Real Estate Taxes	1,189	1,314	252	391		3,146
	<u>\$ 363,163</u>	<u>\$ 1,014,094</u>	<u>\$ 129,867</u>	<u>\$ 105,634</u>	<u>\$</u>	<u>1,612,758</u>
Percentage of Total Expenses	<u>22.52%</u>	<u>62.88%</u>	<u>8.05%</u>	<u>6.55%</u>		<u>100.00%</u>

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2010

	<u>Programs</u>				<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
	<u>Publications</u>	<u>Projects</u>					
Direct Support (Note 13)	\$ -	\$ 155,952	\$				\$ 155,952
Indigenous Crafts Bazaar	-	389,525					389,525
Payroll	220,031	243,082					582,092
Payroll Taxes and Benefits	62,149	68,660			46,567	72,412	164,416
Consultants	2,000	112,460			4,089	-	118,549
Postages and Shipping	7,311	3,894			14,580	5,977	31,762
Printing and Copying	47,064	16,887			7,996	2,837	74,784
Amortization	335	370			71	110	885
Depreciation	4,711	5,205			997	1,550	12,463
Bank and Credit Card Fees	2,283	2,522			483	751	6,039
Interest Expenses	9,384	10,367			1,986	3,088	24,825
Dues and Subscriptions	-	-			2,287	-	2,287
Office Expenses	9,102	10,055			1,926	2,995	24,079
Professional Fees	1,890	2,088			400	622	5,000
Equipment Lease Expense	2,462	2,719			521	810	6,512
Repairs and Maintenance	4,951	5,470			1,048	1,630	13,099
Telephone	6,111	6,751			1,293	2,011	16,166
Marketing Expenses	7,400	-			-	-	7,400
Travel, Meals and Entertainment	240	34,262			9,528	6,681	50,711
Utilities and Internet	3,546	3,918			750	1,167	9,381
Insurance	3,496	3,862			740	1,150	9,248
Real Estate Taxes	1,120	1,238			237	369	2,964
	<u>\$ 395,586</u>	<u>\$ 1,079,286</u>	<u>\$</u>	<u>\$</u>	<u>108,653</u>	<u>124,615</u>	<u>\$ 1,708,139</u>
Percentage of Total Expenses	<u>23.16%</u>	<u>63.18%</u>			<u>6.36%</u>	<u>7.30%</u>	<u>100.00%</u>

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
OPERATING ACTIVITIES		
Decrease in Net Assets (Note 13)	\$ 7,249	\$ (92,352)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	885	885
Depreciation	12,463	12,463
Unrealized (Gain) Loss on Investments	1,799	151
(Gain) Loss on sale of investment	-	(27,429)
(Increased) Decrease in:		
Accounts Receivable	13,820	(192,013)
Increase (Decrease) in:		
Accrued Expenses	(13,433)	13,604
Net Cash Used In Operating Activities:	<u>22,783</u>	<u>(284,691)</u>
INVESTING ACTIVITIES		
Proceeds from Sales-Type Lease	-	5,581
Proceeds from Sale of Investments	-	88,361
Purchases of Investments	(27,389)	
Net Cash Provided by Investing Activities	<u>(27,389)</u>	<u>93,942</u>
FINANCING ACTIVITIES		
Principal Payments on Note Payable	(9,013)	(8,443)
Net Cash Used in Investing Activities	<u>(9,013)</u>	<u>(8,443)</u>
DECREASE IN NET ASSETS (Note 13)	(13,619)	(199,192)
CASH AND CASH EQUIVALENTS, BEGINNIG OF YEAR	100,920	300,112
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>87,301</u>	\$ <u>100,920</u>
OTHER DISCLOSURES:		
Interest Paid on Note Payable	\$ <u>24,256</u>	\$ <u>24,825</u>

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

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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, 2011 AND 2010

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.

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.

Net Investment in Sales-Type Lease

Net investment in sales-type lease is carried at the net present value of the future expected cash flows under the lease agreement discounted at the appropriate discount rate at the time of sale. The carrying value of the investment is reduced if its market value declines are considered permanent. This lease was sold during the year ended August 31, 2010.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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.

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, 2011 and 2010 are \$12,463 and \$12,463, respectively.

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
Building and Improvements	39 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, 2011 AND 2010

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, 2011:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Marketable Securities	\$ 26,477	\$27,389	\$ (912.)

Investments consisted of the following at August 31, 2010:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Marketable Securities	\$ 887	\$ -0-	\$ 887

Investment return is summarized as follows:

	<u>2011</u>	<u>2010</u>
Dividend income	\$ 307	\$ 23
Net unrealized gain (loss)	(1,799)	(151)
Total unrestricted investment income	\$(1,492)	\$ (128)

Marketable Securities are subject to market fluctuations.

See Auditor's Report

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

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, 2011 and 2010 there were approximately 6,460 and 7,760 total volunteer hours, which the Organization valued at \$96,900 and \$116,400, 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 - Restrictions on Net Assets

Temporarily restricted assets consists of cash at August 31, 2011 and 2010 and are available for the following purposes and periods:

	<u>2011</u>	<u>2010</u>
Future expenditures on programs	<u>\$ 188,884</u>	<u>\$ 162,216</u>

Note 6 - Retirement Arrangement with Staff Employees

The Organization offers staff employees the opportunity for participation in a contributory retirement plan. The Organization matches employees' contributions at 3% of their regular salary. The expense to the Organization under this Plan for the year ended August 31, 2011 and 2010 was \$10,230 and \$10,822 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, notes receivable, 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.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

Note 8 - Property and Equipment

Property and Equipment consisted of the following at August 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Furniture & Equipment	\$ 23,752	\$ 23,752
Building and Improvements	482,823	482,823
Software	19,720	19,720
	<u>526,295</u>	<u>526,295</u>
Accumulated Depreciation & Amortization	<u>(192,227)</u>	<u>(179,764)</u>
	<u>\$ 334,068</u>	<u>\$ 346,531</u>

Note 9 - Line of Credit

As of August 31, 2011 and 2010, the Organization had available unsecured line of credit with American Express Company to be drawn down upon as needed, with interest rates of 12.24% and 21.24% for purchases and cash advances, respectively. At August 31, 2011 and 2010, no amount has been drawn down. Credit available August 31, 2011 and 2010 was \$38,000.

As of August 31, 2011 and 2010, the organization had available an unsecured line of credit with Chase to be drawn down upon as needed, with an interest rate of 15.99% and 19.24% for purchases and cash advances, respectively. At August 31, 2011 and 2010, no amount has been drawn down. Credit available August 31, 2011 and 2010 was \$31,600.

Note 10 - Commitments

The organization currently leases some of its office equipment. Equipment lease expense under these leases are \$6,985 and \$6,512 for the years ended August 31, 2011 and 2010, respectively.

Future minimum lease payments required as of August 31, 2011:

2012	6,187
2013	4,250
2014	4,250
2015 and after	<u>8,500</u>
	<u>\$ 23,187</u>

See Auditors' Report.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

Note 11 - Note Payable

The Organization has a note payable to a bank in the original amount of \$412,500, dated August 18, 2005. The note is payable in monthly installments of \$2,772, inclusive of interest at 6.45% and is secured by real estate and rights to revenue of the property. The note matures in August 2025.

The Total actual amount of the note payable as of August 31, 2011 is \$365,969 which includes a current portion of \$10,002 and a Long Term portion of \$355,967.

Approximate annual maturities over the remaining periods are as follows:

2012	10,002
2013	10,561
2014	11,359
2015	12,131
2016	12,937
Thereafter	<u>308,979</u>
	<u>\$365,969</u>

Note 12 - Board Designated Cash

During the year that ended on August 31, 2005, Cultural Survival, Inc., discontinued certain activities to benefit indigenous peoples that involved aspects of commerce. The Board of Directors designated the residual cash resulting from these activities to be expended in direct support of the programs for which it originally was intended. For years ended August 31, 2011 and 2010 the designated cash expended was \$ -0-. As of August 31, 2011 and 2010, the remaining residual cash designated for these programs was \$ 2,703.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

Note 13 - Adquisition of Global Response, Inc.

On September 1, 2009, Cultural Survival, Inc., acquired all the assets and assumed all the liabilities of Global Response, Inc., a Colorado nonprofit corporation. The assets acquired exceed the assumed liabilities.

Note 14 - Related Party Transactions

A member of the Organization's Board of Directors is related to the president of a Recruitment Firm, which provided services to Cultural Survival Inc., totaling \$5,000 for the year ended August 31, 2011 and \$20,000 for year ended August 31, 2011.