

CULTURAL SURVIVAL, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009**

CULTURAL SURVIVAL, INC.

AUGUST 31, 2010 AND 2009

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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, 2010 and 2009, 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, 2010 and 2009 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
January 5, 2011

CULTURAL SURVIVAL, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2010 AND 2009

ASSETS	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
CURRENT ASSETS:						
Cash and Cash Equivalents (Note 13)	\$ 30,717	\$ 70,203	\$ 100,920	\$ 167,892	\$ 132,220	\$ 300,112
Investments	887		887	1,037		1,037
Current Portion of Net Investment in Sales-Type Lease	-		-	5,581		5,581
Other Assets	8,774		8,774	9,659		9,659
Total Assets	\$ 40,378	\$ 70,203	\$ 110,581	\$ 184,169	\$ 132,220	\$ 316,389
GRANTS AND PLEDGES RECEIVABLE	\$ 100,000	\$ 92,013	\$ 192,013	\$	\$	\$
LONG TERM PORTION OF NET INVESTMENT IN SALES-TYPE LEASE	-	\$	-	60,932	\$	60,932
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	179,764	-	179,764	167,300		167,300
	346,531		346,531	358,995		358,995
	\$ 486,909	\$ 162,216	\$ 649,125	\$ 604,096	\$ 132,220	\$ 736,316
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 54,850	\$ -	\$ 54,850	\$ 41,246	\$ -	\$ 41,246
Current Portion of Long Term Debt (Note 12)	9,379	-	9,379	8,782	-	8,782
Total Current Liabilities	64,229	-	64,229	50,028	-	50,028
Long Term Debt (Note 12)	365,603	-	365,603	374,643	-	374,643
	429,832	-	429,832	424,671	-	424,671
NET ASSETS						
Unrestricted Funds (Note 13)	57,077	-	57,077	179,425	-	179,425
Temporarily Restricted	-	162,216	162,216	-	132,220	132,220
Total Net Assets	57,077	162,216	219,293	179,425	132,220	311,645
Total Liabilities and Net Assets	\$ 486,909	\$ 162,216	\$ 649,125	\$ 604,096	\$ 132,220	\$ 736,316

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2010 AND 2009

	2010			2009		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions and Subscriptions	\$ 604,357	\$ 52,505	\$ 656,862	\$ 508,575	\$ 37,024	\$ 545,599
Grant Revenue	121,238	278,718	399,956	133,444	94,186	227,630
Indigenous Crafts Bazaar Income	472,844		472,844	420,634		420,634
Investment Income	13,711		13,711	16,918		16,918
Unrealized Gain (Loss) on Investments	(151)		(151)	139		139
Sales of Publications	22,178		22,178	17,555		17,555
Other Income	22,958		22,958	20,678		20,678
Total Support and Other Income	1,257,135	331,223	1,588,358	1,117,943	131,210	1,249,153
Net Assets Released from Restrictions	301,227	(301,227)	-	195,702	(195,702)	
Total Revenues	1,558,362	29,996	1,588,358	1,313,645	(64,492)	1,249,153
EXPENSES						
Publications	395,586		395,586	311,540		311,540
Projects (Note 13)	1,079,286		1,079,286	820,012		820,012
Fundraising	108,653		108,653	70,127		70,127
General Administrative	124,615		124,615	104,777		104,777
Total Operating Expenses	1,708,139	-	1,708,139	1,306,456	-	1,306,456
Changes in net assets from operations	(149,777)		(119,781)			(57,303)
GAIN ON SALE OF LEASE INVESTMENT	27,429		27,429	-		-
INCREASE (DECREASE) IN NET ASSETS	(122,348)	29,996	(92,352)	7,189	(64,492)	(57,303)
NET ASSETS, BEGINNING OF YEAR	179,425	132,220	311,645	172,236	196,712	368,948
NET ASSETS, END OF YEAR	\$ 57,077	\$ 162,216	\$ 219,293	\$ 179,425	\$ 132,220	\$ 311,645

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	46,567	72,412	582,092
Payroll Taxes and Benefits	62,149	68,660	13,153	20,453	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>\$ 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 FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2009

	<u>Programs</u>		<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
	<u>Publications</u>	<u>Projects</u>			
Direct Support (Note 13)	\$ -	\$ 68,410	\$ -	\$ -	\$ 68,410
Indigenous Crafts Bazaar	-	336,836	-	-	336,836
Payroll	167,126	184,634	35,370	55,001	442,131
Payroll Taxes and Benefits	44,142	48,766	9,343	14,527	116,778
Consultants	4,879	47,410	2,444	10,888	65,621
Postages and Shipping	8,143	17,069	1,799	863	27,874
Printing and Copying	29,667	9,156	5,350	1,104	45,277
Amortization	335	370	71	110	886
Depreciation	4,711	5,204	998	1,550	12,463
Bank and Credit Card Fees	2,141	2,365	453	704	5,663
Interest Expenses	9,585	10,589	2,029	3,155	25,358
Dues and Subscriptions	-	285	1,700	150	2,135
Office Expenses	3,744	4,137	793	1,232	9,906
Professional Fees	760	6,460	380	1,900	9,500
Equipment Lease Expense	2,409	2,661	509	793	6,372
Repairs and Maintenance	7,453	8,234	1,578	2,453	19,718
Telephone	5,417	5,984	1,147	1,783	14,331
Marketing Expenses	11,041	-	-	-	11,041
Travel, Meals and Entertainment	246	50,680	4,100	3,204	58,230
Utilities and Internet	3,741	4,133	792	1,231	9,897
Insurance	3,702	4,090	784	1,218	9,794
Bad Debts Expenses	-	-	-	2,155	2,155
Real Estate Taxes	2,298	2,539	487	756	6,080
	<u>\$ 311,540</u>	<u>\$ 820,012</u>	<u>\$ 70,127</u>	<u>\$ 104,777</u>	<u>\$ 1,306,456</u>
Percentage of Total Expenses	<u>23.85%</u>	<u>62.77%</u>	<u>5.37%</u>	<u>8.02%</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, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
OPERATING ACTIVITIES		
Decrease in Net Assets (Note 13)	\$ (92,352)	\$ (57,303)
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	151	(140)
(Gain) Loss on sale of investment	(27,429)	-
(Increased) Decrease in:		
Accounts Receivable	(192,013)	102,155
Increase (Decrease) in:		
Accounts Payable	-	-
Accrued Expenses	13,604	4,527
Net Cash Used In Operating Activities:	<u>(284,691)</u>	<u>62,587</u>
INVESTING ACTIVITIES		
Proceeds from Sales-Type Lease	5,581	5,581
Proceeds from Sale of Investments	88,361	-
Net Cash Provided by Investing Activities	<u>93,942</u>	<u>5,581</u>
FINANCING ACTIVITIES		
Principal Payments on Note Payable	(8,443)	(7,910)
Net Cash Used in Investing Activities	<u>(8,443)</u>	<u>(7,910)</u>
DECREASE IN NET ASSETS (Note 13)	(199,192)	60,258
CASH AND CASH EQUIVALENTS, BEGINNIG OF YEAR	300,112	239,854
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u><u>100,920</u></u>	\$ <u><u>300,112</u></u>
OTHER DISCLOSURES:		
Interest Paid on Note Payable	\$ <u><u>24,825</u></u>	\$ <u><u>25,358</u></u>

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

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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, 2010 AND 2009

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, 2010 AND 2009

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, 2010 and 2009 are \$12,463 and \$13,098, 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.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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, 2010:

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

Investments consisted of the following at August 31, 2009:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Stocks	\$ <u>1,037</u>	\$ <u>-0-</u>	\$ <u>1,037</u>

Investment return is summarized as follows:

	<u>2010</u>	<u>2009</u>
Dividend income	\$ 23	\$ 22
Net unrealized gain (loss)	<u>(151)</u>	<u>139</u>
Total unrestricted investment income	<u>\$ (128)</u>	<u>\$ 161</u>

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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, 2010 and 2009 there were approximately 7,760 and 3,000 total volunteer hours, which the Organization valued at \$116,400 and \$45,000, 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, 2010 and 2009 and are available for the following purposes and periods:

	<u>2010</u>	<u>2009</u>
Future expenditures on programs	<u>\$ 162,216</u>	<u>\$ 132,220</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, 2010 and 2009 was \$10,822 and \$8,750 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, 2010 AND 2009

Note 8 - Property and Equipment

Property and Equipment consisted of the following at August 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Furniture & Equipment	\$ 23,752	\$ 23,752
Building and Improvements	482,823	482,823
Software	<u>19,720</u>	<u>19,720</u>
	526,295	526,295
Accumulated Depreciation & Amortization	<u>(179,764)</u>	<u>(167,300)</u>
	<u>\$ 346,531</u>	<u>\$ 358,995</u>

Note 9 - Line of Credit

As of August 31, 2010 and 2009, 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, 2010 and 2009, no amount has been drawn down. Credit available August 31, 2010 and 2009 was \$38,000.

As of August 31, 2010 and 2009, 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, 2010 and 2009, no amount has been drawn down. Credit available August 31, 2010 and 2009 was \$31,600.

Note 10 - Commitments

On August 3, 2009 the Organization entered into an office equipment lease that expires August 2012. Equipment lease expense under these leases are \$6,512 and \$5,546 for the years ended August 31, 2010 and 2009, respectively.

Future minimum lease payments required as of August 31, 2010:

2011	5,564
2012	5,564
2013	5,564
2014 and after	<u>7,624</u>
	<u>\$ 24,316</u>

See Auditors' Report.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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, 2010 is \$374,982 which includes a current portion of \$9,379 and a Long Term portion of \$365,603.

Approximate annual maturities over the remaining periods are as follows:

2011	\$ 9,379
2012	9,987
2013	10,561
2014	11,359
Thereafter	<u>333,281</u>
	<u>\$374,982</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. As of August 31, 2010 the designated cash expended was \$ -0- ; as of August 31, 2009 it was \$1,385. As of August 31, 2010 and 2009, the remaining residual cash designated for these programs was \$ 2,703.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2010 AND 2009

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.