

CULTURAL SURVIVAL, INC.
AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

CULTURAL SURVIVAL, INC.

AUGUST 31, 2012 AND 2011

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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, 2012 and 2011, 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, 2012 and 2011 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, 2012

CULTURAL SURVIVAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	2012			2011		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions and Subscriptions	\$ 732,776	\$ 72,838	\$ 805,614	\$ 645,374	\$ 130,159	\$ 775,533
Grant Revenue	4,700	123,429	128,129	145,950	194,235	340,185
Indigenous Crafts Bazaar Income	477,348		477,348	465,768		465,768
Investment Income	1,995		1,995	307		307
Unrealized Gain (Loss) on Investments	471		471	(1,799)		(1,799)
Sales of Publications	6,188		6,188	15,109		15,109
Other Income	23,418		23,418	24,904		24,904
Total Support and Other Income	<u>1,246,896</u>	<u>196,267</u>	<u>1,443,163</u>	<u>1,295,613</u>	<u>324,394</u>	<u>1,620,007</u>
Net Assets Released from Restrictions	256,041	(256,041)	-	297,726	(297,726)	-
Total Revenues	<u>1,502,937</u>	<u>(59,774)</u>	<u>1,443,163</u>	<u>1,593,339</u>	<u>26,668</u>	<u>1,620,007</u>
EXPENSES						
Programs and Publications	1,286,544		1,286,544	1,377,257		1,377,257
Fundraising	185,810		185,810	129,867		129,867
General Administrative	107,375		107,375	105,634		105,634
Total Operating Expenses	<u>1,579,729</u>	<u>-</u>	<u>1,579,729</u>	<u>1,612,758</u>	<u>-</u>	<u>1,612,758</u>
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN ON APPRECIATION OF BUILDING	(76,792)	(59,774)	(136,566)	(19,419)	26,668	7,249
UNREALIZED GAIN ON BUILDING APPRECIATION	92,380		92,380	92,463		92,463
INCREASE IN NET ASSETS	<u>15,588</u>	<u>(59,774)</u>	<u>(44,186)</u>	<u>73,044</u>	<u>26,668</u>	<u>99,712</u>
NET ASSETS, BEGINNING OF YEAR	<u>323,590</u>	<u>188,884</u>	<u>512,474</u>	<u>250,546</u>	<u>162,216</u>	<u>412,762</u>
NET ASSETS, END OF YEAR	<u>\$ 339,178</u>	<u>\$ 129,110</u>	<u>\$ 468,288</u>	<u>\$ 323,590</u>	<u>\$ 188,884</u>	<u>\$ 512,474</u>

483,536

The accompanying notes are an integral part of these financial statements

**CULTURAL SURVIVAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2012**

	<u>Programs and Publications</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Direct Support, including Grants (Note 13)	\$ 170,424	\$ 574	\$ -	\$ 170,998
Indigenous Crafts Bazaar	391,579	-	-	391,579
Payroll	389,161	93,848	54,147	537,156
Payroll Taxes and Benefits	98,995	24,749	13,749	137,493
Consultants	79,637	25,365	-	105,002
Postages and Shipping	6,850	5,760	3,149	15,759
Printing and Copying	27,874	8,066	1,591	37,531
Amortization	637	159	89	885
Depreciation	8,914	2,228	1,238	12,380
Bank and Credit Card Fees	5,149	1,287	715	7,152
Interest Expenses	16,665	4,166	2,315	23,146
Dues and Subscriptions	-	1,799	-	1,799
Office Expenses	18,377	4,594	2,552	25,523
Professional Fees	3,600	900	500	5,000
Equipment Lease Expense	5,629	1,407	782	7,818
Repairs and Maintenance	9,539	2,385	1,325	13,248
Telephone	12,683	3,171	1,762	17,615
Marketing Expenses	-	2,500	-	2,500
Travel, Meals and Entertainment	29,428	-	21,879	51,307
Utilities and Internet	3,392	848	471	4,711
Insurance	5,520	1,380	766	7,666
Real Estate Taxes	2,492	623	346	3,461
	<u>\$ 1,286,544</u>	<u>\$ 185,810</u>	<u>\$ 107,375</u>	<u>\$ 1,579,729</u>
Percentage of Total Expenses	<u>81.44%</u>	<u>11.76%</u>	<u>6.80%</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, 2011**

	<u>Programs and Publications</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Direct Support, including Grants (Note 13)	\$ 182,417	\$ -	\$ -	\$ 182,417
Indigenous Crafts Bazaar	397,851	-	-	397,851
Payroll	419,182	42,149	65,543	526,875
Payroll Taxes and Benefits	109,045	10,965	17,050	137,060
Consultants	53,418	31,499	-	84,917
Postages and Shipping	24,743	7,293	4,053	36,089
Printing and Copying	46,632	9,701	2,592	58,925
Amortization	704	71	110	885
Depreciation	9,916	997	1,550	12,463
Bank and Credit Card Fees	5,541	557	866	6,965
Interest Expenses	19,298	1,940	3,017	24,256
Dues and Subscriptions	-	1,670	-	1,670
Office Expenses	23,577	2,371	3,686	29,634
Professional Fees	3,978	400	622	5,000
Equipment Lease Expense	5,557	559	869	6,985
Repairs and Maintenance	9,851	991	1,540	12,382
Telephone	12,129	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	4,348	437	680	5,465
Insurance	7,453	749	1,165	9,368
Real Estate Taxes	2,503	252	391	3,146
	<u>\$ 1,377,257</u>	<u>\$ 129,867</u>	<u>\$ 105,634</u>	<u>\$ 1,612,758</u>
Percentage of Total Expenses	<u>85.40%</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 CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
OPERATING ACTIVITIES		
Decrease in Net Assets (Note 13)	\$ (44,186)	\$ 99,712
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	885	885
Depreciation	12,380	12,463
Unrealized (Gain) Loss on Investments	(471)	1,799
(Gain) Loss on sale of investment	(1,809)	-
Unrealized (Gain) Loss on Appreciation of Building	(92,380)	(92,463)
(Increased) Decrease in:		
Accounts Receivable	171,440	13,820
Increase (Decrease) in:		
Accrued Expenses	(5,365)	(13,433)
Net Cash Used In Operating Activities:	40,494	22,783
INVESTING ACTIVITIES		
Proceeds from Sale of Investments	77,199	-
Purchases of Investments	(56,077)	(27,389)
Net Cash Provided by Investing Activities	21,122	(27,389)
FINANCING ACTIVITIES		
Principal Payments on Note Payable	(9,903)	(9,013)
Net Cash Used in Investing Activities	(9,903)	(9,013)
DECREASE IN NET ASSETS (Note 13)	51,713	(13,619)
CASH AND CASH EQUIVALENTS, BEGINNIG OF YEAR	87,301	100,920
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 139,014	\$ 87,301
OTHER DISCLOSURES:		
Interest Paid on Note Payable	\$ 23,146	\$ 24,256

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

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, 2012 AND 2011

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-years pledges in accounts receivable beyond the current year. The balance of multi-years pledges amounted to \$450,000 at August 31, 2012.

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, 2011.

See Auditor's Report

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, except for the Building, which is stated at Fair Market Value. 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, 2012 and 2011 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, 2012 AND 2011

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, 2012:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Marketable Securities	\$ <u>7,636</u>	\$ <u>8,087</u>	\$ <u>(451.)</u>

Investments consisted of the following at August 31, 2011:

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

Investment return is summarized as follows:

	<u>2012</u>	<u>2011</u>
Dividend and interest income	\$ 186	\$ 307
Realized gains on investments	1,809	-0-
Net unrealized gain (loss)	<u>471</u>	<u>(1,799)</u>
Total unrestricted investment income	<u>\$ 2,466</u>	<u>\$ (1,492)</u>

Marketable Securities are subject to market fluctuations.

See Auditor's Report

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, 2012 and 2011 there were approximately 7,070 and 6,460 total volunteer hours, which the Organization valued at \$106,050 and \$96,900, 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, 2012 and 2011 and are available for the following purposes and periods:

	<u>2012</u>	<u>2011</u>
Future expenditures on programs	\$ <u>129,110</u>	\$ <u>188,884</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, 2012 and 2011 was \$13,424 and \$10,230 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, 2012 AND 2011**

Note 8 - Property and Equipment

Property and Equipment consisted of the following at August 31, 2012 and 2011:

	<u>2012</u>	<u>2011</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>(204,607)</u>	<u>(192,227)</u>
	<u>\$ 321,688</u>	<u>\$ 334,068</u>

Note 9 - Line of Credit

As of August 31, 2012 and 2011, 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, 2012 and 2011, no amount has been drawn down. Credit available August 31, 2012 and 2011 was \$38,000.

As of August 31, 2012 and 2011, 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, 2012 and 2011, no amount has been drawn down. Credit available August 31, 2012 and 2011 was \$31,600.

During the year ended August 31, 2012, 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, 2012, no amount has been drawn down. Credit available August 31, 2012 was \$20,000.

Note 10 - Commitments

The organization currently leases some of its office equipment. Equipment lease expense under these leases are \$7,818 and \$6,985 for the years ended August 31, 2012 and 2011, respectively.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

Note 10 – Commitments (continued)

Future minimum lease payments required as of August 31, 2012:

2013	5,525
2014	3,588
2015	3,588
2016	3,588
2017	<u>598</u>
	<u>\$ 16,887</u>

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, 2012 is \$355,967 which includes a current portion of \$10,561 and a Long Term portion of \$345,406.

Approximate annual maturities over the remaining periods are as follows:

2013	10,561
2014	11,359
2015	12,131
2016	12,937
Thereafter	<u>308,979</u>
	<u>\$355,967</u>

Subsequent to August 31, 2012, the building was sold and the Note Payable was paid completely on November 8, 2012 (See Note 14).

See Auditors' Report.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2012 AND 2011

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, 2012 and 2011 the designated cash expended was \$ -0-. As of August 31, 2012 and 2011, the remaining residual cash designated for these programs was \$ 2,703.

Note 13 - Acquisition 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 - Subsequent Event

On August 24, 2012, the organization received a \$35,000 deposit for a binding agreement to sell its building and its improvements for \$700,000. The transaction closed on November 8, 2012 and the note payable described in Note 11 was paid in full.

Note 13 - Change in Accounting Policy

During the year that ended on August 31, 2012, Cultural Survival, Inc., changed its policy for accounting the book value of the building from cost to fair market value. The organization restated its financial statements for the fiscal years ended August 31, 2011 and 2010.

The cumulative effect of the restatement through fiscal year ended in August 31, 2011 and 2010 is an increase in Appreciation Building Value of \$285,932 and \$193,469, respectively.