

CULTURAL SURVIVAL, INC.

**AUDITED FINANCIAL STATEMENTS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012**

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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, 2013 and 2012, 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, 2013 and 2012 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 15, 2014

CULTURAL SURVIVAL, INC.
STATEMENTS OF FINANCIAL POSITION
AUGUST 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
ASSETS						
CURRENT ASSETS:						
Cash and Cash Equivalents (Note 13)	\$ 81,260	\$ 85,139	\$ 166,399	\$ 9,904	\$ 129,110	\$ 139,014
Investments	16,483	-	16,483	7,636	-	7,636
Other Assets	4,120	-	4,120	7,004	-	7,004
Total Assets	\$ 101,863	\$ 85,139	\$ 187,002	\$ 24,544	\$ 129,110	\$ 153,654
GRANTS AND PLEDGES RECEIVABLE	\$ -	\$ -	\$ -	\$ 6,752	\$ -	\$ 6,752
PROPERTY AND EQUIPMENT:						
Building and Improvements	-	-	-	482,823	-	482,823
Equipment and Furniture	23,752	-	23,752	23,752	-	23,752
Software	19,720	-	19,720	19,720	-	19,720
Less: Accumulated Depreciation	43,472	-	43,472	526,295	-	526,295
Plus: Appreciation of Building	43,472	-	43,472	204,607	-	204,607
	-	-	-	321,688	-	321,688
	-	-	-	378,312	-	378,312
	-	-	-	700,000	-	700,000
	\$ 101,863	\$ 85,139	\$ 187,002	\$ 731,296	\$ 129,110	\$ 860,406
LIABILITIES AND NET ASSETS						
LIABILITIES						
Accounts Payable and Accrued Expenses	\$ 25,538	\$ -	\$ 25,538	\$ 36,052	\$ -	\$ 36,052
Current Portion of Long Term Debt (Note 12)	-	-	-	10,561	-	10,561
Total Current Liabilities	25,538	-	25,538	46,613	-	46,613
Long Term Debt (Note 12)	-	-	-	345,505	-	345,505
	25,538	-	25,538	392,118	-	392,118
NET ASSETS						
Unrestricted Building Appreciation	-	-	-	378,312	-	378,312
Unrestricted Funds (Notes 13 and 14)	76,325	-	76,325	(39,134)	-	(39,134)
Temporarily Restricted	-	85,139	85,139	-	129,110	129,110
Total Net Assets	76,325	85,139	161,464	339,178	129,110	468,288
Total Liabilities and Net Assets	\$ 101,863	\$ 85,139	\$ 187,002	\$ 731,296	\$ 129,110	\$ 860,406

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.
STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	2013			2012		
	Unrestricted	Temporarily Restricted	Total	Unrestricted	Temporarily Restricted	Total
REVENUES						
Contributions and Subscriptions	\$ 519,589	\$ 25,017	\$ 544,606	\$ 732,776	\$ 72,838	\$ 805,614
Grant Revenue	35,200	113,610	148,810	4,700	123,429	128,129
Indigenous Crafts Bazaar Income	441,581		441,581	477,348		477,348
Investment Income	587		587	1,995		1,995
Unrealized Gain (Loss) on Investments	3,482		3,482	471		471
Sales of Publications	2,816		2,816	6,188		6,188
Other Income	5,767		5,767	23,418		23,418
Total Support and Other Income	1,009,022	138,627	1,147,649	1,246,896	196,267	1,443,163
Net Assets Released from Restrictions	182,598	(182,598)	-	256,041	(256,041)	-
Total Revenues	1,191,620	(43,971)	1,147,649	1,502,937	(59,774)	1,443,163
EXPENSES						
Programs and Publications	1,183,097		1,183,097	1,286,544		1,286,544
Fundraising	166,359		166,359	185,810		185,810
General Administrative	91,874		91,874	107,375		107,375
Total Operating Expenses	1,441,331	-	1,441,331	1,579,729	-	1,579,729
INCREASE (DECREASE) IN NET ASSETS BEFORE UNREALIZED GAIN ON APPRECIATION OF BUILDING						
	(249,711)	(43,971)	(293,682)	(76,792)	(59,774)	(136,566)
REALIZED GAIN (LOSS) ON BUILDING SALE						
	(13,142)		(13,142)	-		-
UNREALIZED GAIN ON BUILDING APPRECIATION						
	-		-	92,380		92,380
INCREASE IN NET ASSETS						
	(262,853)	(43,971)	(306,824)	15,588	(59,774)	(44,186)
NET ASSETS, BEGINNING OF YEAR						
	339,178	129,110	468,288	323,590	188,884	512,474
NET ASSETS, END OF YEAR						
	\$ 76,325	\$ 85,139	\$ 161,464	\$ 339,178	\$ 129,110	\$ 468,288

The accompanying notes are an integral part of these financial statements

**CULTURAL SURVIVAL, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED AUGUST 31, 2013**

	<u>Programs and</u>			
	<u>Publications</u>	<u>Fundraising</u>	<u>General and Administrative</u>	<u>Total</u>
Direct Support, including Grants (Note 13)	\$ 51,940	\$ 89	\$ -	\$ 52,029
Indigenous Crafts Bazaar	415,203	-	-	415,203
Payroll	328,476	77,557	50,184	456,217
Payroll Taxes and Benefits	100,353	23,694	15,332	139,379
Consultants	78,187	13,863	8,876	100,926
Postages and Shipping	11,276		2,077	13,353
Printing and Copying	21,689	8,199	1,207	31,095
Amortization	106	25	16	147
Depreciation	1,486	351	227	2,064
Bank and Credit Card Fees	8,390	1,981	1,282	11,653
Interest Expenses	3,244	766	496	4,506
Dues and Subscriptions		1,799		1,799
Office Expenses	15,578	3,678	2,380	21,636
Professional Fees	3,600	850	550	5,000
Equipment Lease Expense	4,874	1,151	745	6,770
Repairs and Maintenance	8,636	2,039	1,319	11,995
Telephone	12,066	2,849	1,843	16,758
Marketing Expenses		50		50
Travel, Meals and Entertainment	58,215	19,164		77,379
Utilities and Internet	1,192	281	182	1,655
Insurance	3,987	941	609	5,538
Real Estate Taxes	872	206	133	1,211
Ellen Lutz Awards	24,819			24,819
Rent expense	20,154	4,758	3,079	27,991
Moving costs	8,754	2,067	1,337	12,158
	<u>\$ 1,183,097</u>	<u>\$ 166,359</u>	<u>\$ 91,874</u>	<u>\$ 1,441,331</u>
Percentage of Total Expenses	<u>82.08%</u>	<u>11.54%</u>	<u>6.37%</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, 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	\$
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>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 CASH FLOWS
FOR THE YEARS ENDED AUGUST 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
OPERATING ACTIVITIES		
Decrease in Net Assets (Note 13)	\$ (306,824)	\$ (44,186)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	147	885
Depreciation	2,064	12,380
Unrealized (Gain) Loss on Investments	(3,482)	(471)
Gain on sale of Building	(2,064)	
(Gain) Loss on sale of investment	-	(1,809)
Unrealized (Gain) Loss on Appreciation of Building	-	(92,380)
(Increased) Decrease in:		
Accounts Receivable	6,752	171,440
Other Assets	2,736	-
Increase (Decrease) in:		
Accrued Expenses	(10,514)	(5,365)
Net Cash Used In Operating Activities:	<u>(311,185)</u>	<u>40,494</u>
INVESTING ACTIVITIES		
Proceeds from Sale of Investments	-	77,199
Proceeds from sale of Building	700,000	
Purchases of Investments	(5,365)	(56,077)
Net Cash Provided by Investing Activities	<u>694,635</u>	<u>21,122</u>
FINANCING ACTIVITIES		
Principal Payments on Note Payable	(356,066)	(9,903)
Net Cash Used in Investing Activities	<u>(356,066)</u>	<u>(9,903)</u>
DECREASE IN NET ASSETS (Note 13)	27,384	51,713
CASH AND CASH EQUIVALENTS, BEGINNIG OF YEAR	139,014	87,301
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ <u>166,399</u>	\$ <u>139,014</u>
OTHER DISCLOSURES:		
Interest Paid on Note Payable	\$ <u>4,506</u>	\$ <u>23,146</u>

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

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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, 2013 AND 2012

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 \$300,000 at August 31, 2013.

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, 2012.

See Auditor's Report

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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, 2013 and 2012 are \$2,064 and \$12,380, 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, 2013 AND 2012

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, 2013:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Marketable Securities	\$ 16,684	\$ 13,452	\$ 3,232

Investments consisted of the following at August 31, 2012:

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

Investment return is summarized as follows:

	<u>2013</u>	<u>2012</u>
Dividend and interest income	\$ 587	\$ 186
Realized gains on investments	-0-	1,809
Net unrealized gain (loss)	<u>3,482</u>	<u>471</u>
Total unrestricted investment income	<u>\$ 4,069</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, 2013 AND 2012

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, 2013 and 2012 there were approximately 5,108 and 7,070 total volunteer hours, which the Organization valued at \$76,620 and \$106,050, 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, 2013 and 2012 and are available for the following purposes and periods:

	<u>2013</u>	<u>2012</u>
Future expenditures on programs	<u>\$ 85,139</u>	<u>\$ 129,110</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, 2013 and 2012 was \$10,230 and \$13,424 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, 2013 AND 2012

Note 8 - Property and Equipment

Property and Equipment consisted of the following at August 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Furniture & Equipment	\$ 23,752	\$ 23,752
Building and Improvements	-0-	482,823
Software	<u>19,720</u>	<u>19,720</u>
	43,472	526,295
Accumulated Depreciation & Amortization	<u>(43,472)</u>	<u>(204,607)</u>
	<u>\$ - 0 -</u>	<u>\$ 321,688</u>

Note 9 - Line of Credit

As of August 31, 2013 and 2012, 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, 2013 and 2012, no amount has been drawn down. Credit available August 31, 2013 and 2012 was \$38,000.

As of August 31, 2013 and 2012, 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, 2013 and 2012, no amount has been drawn down. Credit available August 31, 2013 and 2012 was \$31,600.

During the year ended August 31, 2013, 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, 2013, no amount has been drawn down. Credit available August 31, 2013 was \$20,000.

Note 10 - Commitments

The organization currently leases some of its office equipment. Equipment lease expense under these leases are \$6,985 and \$7,818 for the years ended August 31, 2013 and 2012, respectively.

See Auditors' Report.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

Note 10 – Commitments (continued)

Future minimum lease payments required as of August 31, 2013:

2014	3,588
2015	3,588
2016	3,588
2017	<u>598</u>
	<u>\$ 11,362</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, 2013 and 2012, is \$-0- and \$355,967, respectively.

Approximate annual maturities over the remaining periods were as follows:

2014	10,561
2015	11,359
2016	12,131
2017	12,937
Thereafter	<u>308,979</u>
	<u>\$355,967</u>

The building was sold and the Note Payable was paid completely on November 8, 2013 (See Note 14).

See Auditors' Report.

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

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, 2013 and 2012 the designated cash expended was \$ -0-. As of August 31, 2013 and 2012, the remaining residual cash designated for these programs was \$ 2,703.

Note 13 - Acquisition of Global Response, Inc.

On September 1, 2010, 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 - Leases

On February 1st, 2013, the Organization signed a new lease as a "Tenant At Will". Rent expense were \$14,735 for year ended August 31, 2013.

Also, on February 1st, 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 \$960 a month. The total rent expense paid in year ended August 31, 2013 was \$3,840.

Minimum rental payments are as follows:

<u>Year ended Aug 31,</u>	<u>Amount</u>
2014	\$11,520
2015	11,520
2016	11,520
2017	11,520
2018	<u>7,680</u>
Total	<u>\$53,760</u>

CULTURAL SURVIVAL, INC.
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2013 AND 2012

Note 15 - 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 now have restated its financial statements for the fiscal years ended August 31, 2012 and 2011.

The cumulative effect of the restatement through fiscal year ended in August 31, 2012 is an increase in Appreciation Building Value of \$286,251.