

CULTURAL SURVIVAL, INC.

AUDITED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

Independent Auditors' Report

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

We have audited the accompanying statements of financial position of Cultural Survival, Inc., (a non-profit corporation) as of August 31, 2008 and 2007, 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. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards 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. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Cultural Survival, Inc., as of August 31, 2008 and 2007 and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Arrison + Olden PC*

Littleton, MA  
January 12, 2009

CULTURAL SURVIVAL, INC

STATEMENTS OF FINANCIAL POSITION  
AUGUST 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
<u>ASSETS</u>		
ASSETS		
Cash and Cash Equivalents (Note 13)	\$ 239,854	\$ 275,576
Investments	898	60,839
Accounts Receivable	102,155	44,855
Net Investments in Sales-Type Lease	72,094	76,744
Property and Equipment, Net	371,458	384,556
Other Assets	10,543	11,428
	<u>797,002</u>	<u>853,998</u>
TOTAL ASSETS (Note 13)	<u>\$ 797,002</u>	<u>\$ 853,998</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES		
Accounts Payable	\$ -	\$ 941
Accrued Expenses	36,719	38,818
Note Payable	391,335	398,677
	<u>428,054</u>	<u>438,436</u>
TOTAL LIABILITIES	<u>428,054</u>	<u>438,436</u>
NET ASSETS		
Unrestricted (Note 13)	172,236	338,407
Temporarily Restricted	196,712	77,155
	<u>368,948</u>	<u>415,562</u>
TOTAL NET ASSETS	<u>368,948</u>	<u>415,562</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 797,002</u>	<u>\$ 853,998</u>

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.

STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

REVENUES	Unrestricted	Temporarily Restricted	2008 Total	Unrestricted	Temporarily Restricted	2007 Total
Contributions and Subscriptions	\$ 488,272	\$ 190,785	\$ 679,057	\$ 652,336	\$ 49,227	\$ 701,563
Grant Revenue	154,252	-	154,252	82,801	-	82,801
Bazaars and Events	105,497	-	105,497	85,430	-	85,430
Interest Income	24,925	-	24,925	36,526	-	36,526
Dividend Income	4,011	-	4,011	3,946	-	3,946
Unrealized Gain (Loss) on Investments	-	-	-	2,518	-	2,518
Realized Loss on Sale of Investments	(5,020)	-	(5,020)	-	-	-
Sales of Publications	20,927	-	20,927	17,946	-	17,946
Other Income	20,233	-	20,233	20,331	-	20,331
<b>Total Support and Other Income</b>	<b>813,097</b>	<b>190,785</b>	<b>1,003,882</b>	<b>901,834</b>	<b>49,227</b>	<b>951,061</b>
Net Assets Released from Restrictions	71,228	(71,228)	-	14,089	(14,089)	-
<b>Total Revenues</b>	<b>884,325</b>	<b>119,557</b>	<b>1,003,882</b>	<b>915,923</b>	<b>35,138</b>	<b>951,061</b>
<b>EXPENSES</b>						
Publications	322,576	-	322,576	376,300	-	376,300
Education	17,976	-	17,976	15,419	-	15,419
Projects (Note 13)	544,378	-	544,378	604,833	-	604,833
Fundraising	89,957	-	89,957	108,640	-	108,640
General Administrative	75,609	-	75,609	82,762	-	82,762
<b>Total Expenses</b>	<b>1,050,496</b>	<b>-</b>	<b>1,050,496</b>	<b>1,187,954</b>	<b>-</b>	<b>1,187,954</b>
<b>INCREASE (DECREASE) IN NET ASSETS</b>	<b>(166,171)</b>	<b>119,557</b>	<b>(46,614)</b>	<b>(272,031)</b>	<b>35,138</b>	<b>(236,893)</b>
<b>NET ASSETS, BEGINNING OF YEAR</b>	<b>338,407</b>	<b>77,155</b>	<b>415,562</b>	<b>610,438</b>	<b>42,017</b>	<b>652,455</b>
<b>NET ASSETS, END OF YEAR</b>	<b>\$ 172,236</b>	<b>\$ 196,712</b>	<b>\$ 368,948</b>	<b>\$ 338,407</b>	<b>\$ 77,155</b>	<b>\$ 415,562</b>

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2008

	Programs				General and Administrative	Total
	Publications	Education	Projects	Fundraising		
Direct Support (Note 13)	\$ -	\$ -	\$ 172,879	\$ -	\$ -	\$ 172,879
Payroll	153,547	11,398	169,939	44,053	47,938	426,875
Payroll Taxes and Benefits	39,112	2,903	43,287	11,221	12,211	108,734
Consultants	24,136	-	34,492	7,171	-	65,799
Postage and Shipping	14,261	179	3,265	3,550	754	22,009
Printing and Copying	41,245	34	1,628	4,825	142	47,874
Amortization	318	24	352	91	99	884
Depreciation	4,711	350	5,214	1,352	1,471	13,098
Bank and Credit Card Fee Expense	1,324	98	1,774	380	413	3,989
Interest	9,326	692	10,321	2,676	2,912	25,927
Dues & Subscriptions	32	2	35	1,361	10	1,440
Office	5,249	145	15,912	2,140	611	24,057
Professional Fees	5,396	401	5,972	1,548	1,685	15,002
Equipment Lease Expense	2,246	167	2,486	644	701	6,244
Repairs and Maintenance	6,303	468	7,253	1,808	1,968	17,800
Telephone	4,602	339	5,060	1,312	1,427	12,740
Travel, Meals and Entertainment	2,226	142	55,055	3,224	599	61,246
Utilities and Internet	3,683	273	4,076	1,206	1,150	10,388
Insurance	2,884	214	3,192	828	901	8,019
Real Estate Taxes	1,975	147	2,186	567	617	5,492
	\$ 322,576	\$ 17,976	\$ 544,378	\$ 89,957	\$ 75,609	\$ 1,050,496
Percentage of Total Expenses	30.71%	1.71%	51.82%	8.56%	7.20%	100.00%

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.

STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED AUGUST 31, 2007

	<u>Programs</u>				General and Administrative	<u>Total</u>
	<u>Publications</u>	<u>Education</u>	<u>Projects</u>	<u>Fundraising</u>		
Direct Support (Note 13)	\$ -	\$ -	\$ 270,069	\$ -	\$ -	\$ 270,069
Payroll	181,706	9,843	149,843	63,590	52,831	457,813
Payroll Taxes and Benefits	51,299	2,779	42,302	17,952	14,915	129,247
Consultants	13,140	-	26,146	-	-	39,286
Postage and Shipping	17,642	154	3,252	4,031	826	25,905
Printing and Copying	57,454	88	1,339	704	472	60,057
Amortization	351	19	290	123	102	885
Depreciation	6,213	337	5,124	2,175	1,807	15,656
Bank and Credit Card Fee Expense	1,570	85	1,882	550	457	4,544
Interest	10,447	566	8,615	3,656	3,037	26,321
Dues & Subscriptions	396	7	101	633	36	1,173
Office	6,887	133	13,378	2,262	712	23,372
Professional Fees	3,326	180	2,740	1,163	966	8,375
Equipment Lease Expense	1,879	100	1,549	658	548	4,734
Repairs and Maintenance	3,441	186	14,087	1,204	1,000	19,918
Telephone	4,597	249	3,966	1,608	1,336	11,756
Travel, Meals and Entertainment	6,279	169	52,173	2,572	905	62,098
Utilities and Internet	3,119	169	2,573	3,466	907	10,234
Insurance	4,439	240	3,660	1,553	1,290	11,182
Real Estate Taxes	2,115	115	1,744	740	615	5,329
	<u>\$ 376,300</u>	<u>\$ 15,419</u>	<u>\$ 604,833</u>	<u>\$ 108,640</u>	<u>\$ 82,762</u>	<u>\$ 1,187,954</u>
Percentage of Total Expenses	31.68%	1.30%	50.91%	9.15%	6.97%	100.00%

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC.

STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED AUGUST 31, 2008 AND 2007

	<u>2008</u>	<u>2007</u>
OPERATING ACTIVITIES		
Decrease in Net Assets (Note 13)	\$ (46,614)	\$ (236,893)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:		
Amortization	884	885
Depreciation	13,098	15,656
Unrealized Gain (Loss) on Investments	5,020	(2,518)
(Increase) Decrease in:		
Accounts Receivable	(57,300)	(37,988)
Increase (Decrease) in:		
Accounts Payable	(941)	454
Accrued Expenses	(2,099)	3,542
	<u>(87,952)</u>	<u>(256,862)</u>
Net Cash Used In Operating Activities		
INVESTING ACTIVITIES		
Proceeds from Sales-Type Lease	4,650	3,876
Proceeds from Sale of Investments	54,922	
Purchase of Investments	-	(3,796)
	<u>59,572</u>	<u>80</u>
Net Cash Provided By Investing Activities		
FINANCING ACTIVITIES		
Principal Payments on Note Payable	(7,342)	(6,947)
	<u>(7,342)</u>	<u>(6,947)</u>
Net Cash Used In Investing Activities		
DECREASE IN NET CASH (Note 13)	(35,722)	(263,729)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>275,576</u>	<u>539,305</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 239,854</u>	<u>\$ 275,576</u>
OTHER DISCLOSURES		
Interest Paid on Note Payable	<u>\$ 25,927</u>	<u>\$ 26,321</u>

The accompanying notes are an integral part of these financial statements

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS

AUGUST 31, 2008 AND 2007

1) ORGANIZATION AND NATURE OF ACTIVITIES

Cultural Survival, Inc., (the "Organization") is a non-profit 501(c)(3) non-governmental organization which commenced in 1972 to promote the human rights, voices, and visions of indigenous peoples and ethnic minorities around the world. Through US-based education forums, cutting-edge and widely read publications, research, projects and an interactive web site, Cultural Survival, Inc., works towards a world in which indigenous peoples and ethnic minorities are able to determine their own futures on their own lands. The Organization works as a medium through which indigenous peoples can network with other groups facing similar problems and with other organizations that can help further their cause. The Organization also sponsors local initiatives by providing administrative assistance and support to indigenous peoples in over six countries.

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.

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.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

Accounts Receivable

Accounts receivables are stated at the amount management expects 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 past due based upon contractual and aging methods. As of August 31, 2008 and 2007 all accounts were 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.

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.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

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, 2008 and 2007 are \$13,098. and \$15,656, 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
Building and Improvements	39
Software	3

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.

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 receives 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.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

3) INVESTMENTS

Investments consisted of the following at August 31, 2008:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Stocks	\$ 898	\$ -	\$ 898

Investments consisted of the following at August 31, 2007:

	<u>Fair Value</u>	<u>Cost</u>	<u>Unrealized Gain (Loss)</u>
Cash equivalents	\$ 1,885	\$ 1,885	\$ -
Mutual funds	58,056	41,703	16,353
Stocks	898	-	898
Total	<u>\$ 60,839</u>	<u>\$ 43,588</u>	<u>\$ 17,251</u>

Investment return is summarized as follows:

	<u>2008</u>	<u>2007</u>
Dividend income	\$ 4,011	\$ 3,946
Net unrealized gain (loss)	<u>-</u>	<u>2,518</u>
Total unrestricted investment income	<u>\$ 4,011</u>	<u>\$ 6,464</u>

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, 2008 and 2007 there were approximately 4,608 and 5,950 total volunteer hours, which the Organization valued at \$69,120 and \$59,500, 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.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

5) NET INVESTMENT IN SALES-TYPE LEASE

Farm property, located in Iowa, was donated to the Organization in 1982 subject to donor-imposed limitations regarding the sale or transfer of the property. In May, 1995, the Organization entered into a lease-purchase agreement with the farm's current tenant which is classified as a capital lease. The lease provides for a bargain purchase option at the end of the lease. The Organization's management believes that this transaction does not materially alter the property's use and that the Organization is thus adhering to the donor's original intentions.

At August 31, 2008 the future minimum lease payments to be received are as follows:

	2009	\$ 20,000
	2010	20,000
	2011	20,000
	2012	20,000
	2013	20,000
	Thereafter	<u>40,000</u>
		140,000
	Unearned Interest Income	<u>(67,906)</u>
	Net Investment in Sales-Type Lease	<u><u>\$ 72,094</u></u>

6) RESTRICTIONS ON NET ASSETS

Temporarily restricted assets consists of cash at August 31, 2008 and, 2007 and are available for the following purposes and periods:

	<u>2008</u>	<u>2007</u>
Future expenditures on programs	<u>\$ 196,712</u>	<u>\$ 77,155</u>

7) 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, 2008 and 2007 was \$9,385 and \$9,854, respectively.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

8) 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.

9) PROPERTY AND EQUIPMENT

Property and Equipment consisted of the following at August 31, 2008 and 2007:

	<u>2008</u>	<u>2007</u>
Furniture & Equipment	\$ 23,752	\$ 23,752
Building and Improvements	482,823	482,823
Software	19,720	19,720
	<hr/>	<hr/>
	526,295	526,295
Accumulated Depreciation and Amortization	<u>(154,837)</u>	<u>(141,739)</u>
	<hr/>	<hr/>
	<u>\$ 371,458</u>	<u>\$ 384,556</u>

10) LINE OF CREDIT

As of August 31, 2008 and 2007, the Organization had available an unsecured line of credit with American Express Company to be drawn down upon as needed, with interest rates of 10.99% and 19.99%, for purchases and cash advances, respectively. At August 31, 2008 and 2007, no amount has been drawn down. Credit available August 31, 2008 and 2007 was \$38,000 and \$15,000 respectively.

As of August 31, 2008 and 2007, the Organization had available an unsecured line of credit with Chase to be drawn down upon as needed, with an interest rate of 8.99% and 20.99% for purchases and cash advances, respectively. At August 31, 2008 and 2007, no amount has been drawn down. Credit available August 31, 2008 and 2007 was \$26,600 and \$21,600 respectively.

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

11) COMMITMENTS

On August 3, 2007 the Organization entered into an office equipment lease that expires August 2012. Equipment lease expense under these leases are \$3,465 and \$4,734 for the years ended August 31, 2008 and 2007, respectively.

Future minimum lease payments required as of August 31, 2008:

2009	\$ 4,095
2010	3,780
2012	3,780
2012	3,465
2013	-
	<hr/>
	\$ 15,120
	<hr/> <hr/>

12) 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.

<u>2008</u>	<u>2007</u>
\$ 391,335	\$ 398,677
<hr/> <hr/>	<hr/> <hr/>

Approximate annual maturities over the remaining periods are as follows:

2009	\$ 8,323
2010	8,876
2011	9,466
2012	10,095
2013	10,766
Thereafter	343,809
	<hr/>
	\$ 391,335
	<hr/> <hr/>

See auditors' report

CULTURAL SURVIVAL, INC

NOTES TO FINANCIAL STATEMENTS  
AUGUST 31, 2008 AND 2007

13) 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, 2008 the designated cash expended was \$156,008; as of August 31, 2007 it was \$263,510. As of August 31, 2008 the remaining residual cash designated for these programs was \$4,088; as of August 31, 2007 it was \$160,096.

See auditors' report