

**American Indian Science and Engineering Society  
and Subsidiary**

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011 and 2010**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
American Indian Science and Engineering Society and Subsidiary

We have audited the accompanying consolidated statement of financial position of American Indian Science and Engineering Society (AISES) and Subsidiary as of December 31, 2011, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of AISES' management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from AISES's 2010 financial statements and in our report dated March 2, 2011, we expressed an unqualified opinion on those financial statements.

We conducted our 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated 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 audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AISES and Subsidiary as of December 31, 2011, and the changes in their net assets and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in Schedules 1, 2 and 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

  
April 19, 2012

Pulakos CPAs, PC

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31, 2011**  
(With Comparative Totals for 2010)

### Assets

	<b>2011</b>	<b>2010</b>
Current assets		
Cash and cash equivalents	\$ 603,778	\$ 464,857
Certificates of deposit	202,124	201,113
Investments	104,378	261,061
Receivables		
Conference, net	38,311	105,862
Contribution, trade, pledges and other	204,353	149,461
Grants	-	15,888
Prepaid expenses and deposits	19,087	17,022
Inventories	12,949	4,910
Total current assets	1,184,980	1,220,174
Property and equipment	105,352	139,476
Pledges receivable	221,000	322,000
Investments - Sequoyah endowment	760,445	628,427
Investments - Other endowment	42,616	48,447
	\$ 2,314,393	\$ 2,358,524

### Liabilities and Net Assets

	<b>2011</b>	<b>2010</b>
Current liabilities		
Accounts payable	\$ -	\$ 1,617
Accrued liabilities	87,057	71,494
Deferred revenue	258,776	326,296
Total current liabilities	345,833	399,407
Net assets		
Unrestricted		
AISES	418,928	366,874
Noncontrolling interest in AISES Publishing, Inc.	24,873	20,630
Temporarily restricted	464,926	508,166
Permanently restricted	1,059,833	1,063,447
Total net assets	1,968,560	1,959,117
	\$ 2,314,393	\$ 2,358,524

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF ACTIVITIES

**Year Ended December 31, 2011**  
**(With Comparative Totals for 2010)**

	2011			Total	2010 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, support and gains					
Conference registration fees	\$ 1,331,827	\$ -	\$ -	\$ 1,331,827	\$ 1,139,847
Advertising income	389,447	-	-	389,447	415,396
Grants - federal	307,556	-	-	307,556	270,282
Contributions	102,393	257,068	-	359,461	958,837
Grants - state and other	278,832	-	-	278,832	168,198
In-kind	-	-	-	-	-
Membership fees	109,292	-	-	109,292	76,792
Science fair	153,775	-	-	153,775	53,570
Investment (loss) income	4,075	(22,295)	(3,614)	(21,834)	106,513
Subscription sales	9,081	-	-	9,081	2,589
Other, net	18,723	-	-	18,723	9,513
Gain on investment of subsidiary	4,242	-	-	4,242	2,527
Net assets released from restrictions	278,013	(278,013)	-	-	-
	<u>2,987,256</u>	<u>(43,240)</u>	<u>(3,614)</u>	<u>2,940,402</u>	<u>3,204,064</u>
Total revenues, support and gains					
Expenses					
Program services					
Conference	797,018	-	-	797,018	740,422
Training and development	566,753	-	-	566,753	473,203
Publishing	360,828	-	-	360,828	395,426
Internships	133,298	-	-	133,298	179,228
Scholarships	236,049	-	-	236,049	253,900
Education and outreach	150,738	-	-	150,738	157,711
Other	90,174	-	-	90,174	57,073
	<u>2,334,858</u>	<u>-</u>	<u>-</u>	<u>2,334,858</u>	<u>2,256,963</u>
Supporting services					
Management and general	473,713	-	-	473,713	448,561
Fund-raising	118,146	-	-	118,146	152,509
	<u>591,859</u>	<u>-</u>	<u>-</u>	<u>591,859</u>	<u>601,070</u>
Total expenses	<u>2,926,717</u>	<u>-</u>	<u>-</u>	<u>2,926,717</u>	<u>2,858,033</u>
Change in net assets	60,539	(43,240)	(3,614)	13,685	346,031
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	(4,242)	-	-	(4,242)	(2,527)
Change in net assets attributable to AISES	56,297	(43,240)	(3,614)	9,443	343,504
Net assets, beginning of year	387,504	508,166	1,063,447	1,959,117	1,615,613
Net assets, end of year	<u>\$ 443,801</u>	<u>\$ 464,926</u>	<u>\$ 1,059,833</u>	<u>\$ 1,968,560</u>	<u>\$ 1,959,117</u>

See Notes to Consolidated Financial Statements and Independent Auditors' Report.

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2011**  
**(With Comparative Totals for 2010)**

	<b>2011</b>	<b>2010</b>
Operating activities		
Change in net assets	\$ 13,685	\$ 346,031
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	57,310	55,714
Noncontrolling interest in AISES Publishing, Inc. earnings	(4,242)	(2,527)
Loss (gain) on investments	116,928	(48,747)
Net changes to operating assets and liabilities		
Accounts receivable	129,547	(62,698)
Prepaid expenses and deposits	(2,065)	19,784
Inventories	(8,039)	4,753
Accounts payable	(1,617)	(56,987)
Accrued liabilities	15,563	44,786
Deferred revenue	(67,520)	(16,319)
	<u>249,550</u>	<u>283,790</u>
Net cash provided by operating activities		
Investing activities		
Purchase of property and equipment	(23,186)	(15,859)
Purchase of investments	(86,432)	(49,101)
Purchases of certificate of deposit	(1,011)	(201,113)
	<u>(110,629)</u>	<u>(266,073)</u>
Net cash used by investing activities		
Change in cash and equivalents	138,921	17,717
Cash and equivalents, beginning of year	<u>464,857</u>	<u>447,140</u>
Cash and equivalents, end of year	<u>\$ 603,778</u>	<u>\$ 464,857</u>

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011  
(With Comparative Totals for 2010)

### NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Organization

American Indian Science and Engineering Society (AISES) is a not-for-profit organization located in Albuquerque, New Mexico. AISES was formed in 1977 to promote educational opportunities for Native American Indian youth in the science and engineering fields. In 1985, AISES created a majority-owned subsidiary called AISES Publishing, Inc. (AISES Publishing), a for-profit company, to print and circulate literature pertaining to the American Indian's position in society.

AISES' program service descriptions follow:

*Training and Development*—Through a variety of educational programs, AISES offers financial, academic and cultural support to American Indians and Alaska Natives from middle school through graduate school. AISES provides professional development activities to enable teachers to work effectively with Native American Indian and Alaska Native students. AISES builds partnerships with tribes, schools, and other not-for-profit organizations, corporations, foundations and government agencies to realize its goals.

*Conference*—The national conference is AISES' major event hosted every year for its constituents, and the Career Fair offers companies a unique forum for recruiting Native American Indian students and professionals. Approximately 1,700 people attend the conference each year, with more than half of those being Native American Indian high school and college students.

*Scholarships*—AISES scholarships are awarded to undergraduate and graduate students, who are members of AISES, for leadership and academic achievement. AISES administers six types of scholarships: the A.T. Anderson Memorial Scholarship; the Burlington Northern Santa Fe Foundation Scholarship; the General Motors Scholarship; the IBM Scholarship; the Bureau of Reclamation Scholarship; and the Google Scholarships.

*Publishing*—AISES Publishing produces and distributes AISES' quarterly magazine, *Winds of Change*, and the Annual College Guide.

*Internships*—The AISES Internship Program is a summer program that provides qualified college students with internship opportunities to explore careers with non-governmental organizations and the federal service. AISES currently administers five internship programs to explore careers with non-governmental organizations and the federal service.

#### Consolidated Financial Statements

The consolidated financial statements include the accounts of AISES and its 88.8%-owned subsidiary. All material inter-organization transactions have been eliminated. The consolidated financial statements do not include the financial activities of AISES' various self-directed professional chapter organizations.

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Basis of Accounting

The consolidated financial statements have been prepared on the accrual basis of accounting.

Cash and Cash Equivalents

For purposes of the consolidated statement of cash flows, AISES considers all unrestricted highly liquid investments and certificates of deposit with an original maturity of three months or less to be cash equivalents.

Investments

Investments consist primarily of cash and cash equivalents, equities, and fixed income securities, and are stated at quoted fair market value (FMV). Investment income, and realized and unrealized gains or losses are considered unrestricted, temporarily restricted, and permanently restricted income per donor restrictions or management spending policy. Management fees related to investment activity were \$7,519 and \$6,775 in 2011 and 2010, respectively.

Contributions Receivable

Contributions receivable represent unconditional promises to give and are recognized as revenues or gains in the period the pledge is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional. Contributions receivable are all substantially due within one year and are considered fully collectible at December 31, 2011 and 2010.

Conference Receivables

Conference receivables represent receivables for conference registration, sponsorship, and exhibitor fees. Bad debts are recognized on the allowance method based on historical experience and management's evaluation of outstanding conference receivables. The allowance for doubtful accounts was zero and \$1,950 as of December 31, 2011 and 2010, respectively.

Inventories

Inventories consist mainly of blankets and apparel held for resale. Purchased inventory is valued at the lower of cost or market (first in, first out). Contributed inventory is recorded at fair market value at the date of donation.



**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Property and Equipment

AISES capitalizes all property and equipment expenditures in excess of \$1,000. Purchased property and equipment are recorded at cost. Donated property and equipment are recorded at the approximate fair market value at the date of donation. Depreciation is computed on the straight-line method over the estimated useful lives of the property and equipment, which range from 3 to 7 years.

Net assets

Unrestricted net assets represent unrestricted contributions received from donors. They also arise from the expirations of existing temporary restrictions, or from revenues received in the course of on-going operations.

Temporarily restricted net assets are resources received from donor contributions and reinvested earnings on the related investments, which are designated to be expended for a specific purpose or within a specified time. Distributions are made pursuant to donor's requests.

Permanently restricted net assets are designated for endowment purposes pursuant to the Board of Director's resolution and monies that have been appropriated for expenditures but are retained in the investment portfolio to earn better returns.

Treasury Stock

Treasury stock is shown at cost, and as of December 31, 2011 and 2010, consists of 101 shares of common stock.

Financial Instruments

The carrying amounts of cash, receivables, payables, accrued expenses and other liabilities approximate fair value due to the short maturity periods of these instruments.

Grant Revenue and Receivables

Grant revenue is recognized when earned. The earnings process is considered complete when the authorized expenditure has been made. Earned amounts in excess of collections are classified as grant receivables.

Deferred Revenue

Deferred revenue consists primarily of amounts for scholarships, national conference, science fair and leadership summit sponsorships received in advance of the awarding of the scholarship or date of the event.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Donated Services and Materials

Donated services are recognized as contributions in accordance with accounting principles generally accepted in the United States of America under Accounting for Contributions Received and Contributions Made, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by AISES. Donated materials are reflected as contributions at their estimated values at the date of receipt.

Advertising

Advertising costs are expensed as incurred, and were \$5,237 and \$11,613 in 2011 and 2010, respectively.

Functional Allocation of Expenses

The costs of providing AISES' various programs and supporting services have been summarized on a functional basis in the consolidated statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Estimates

Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported changes in net assets. Actual results could differ from those estimates.

Subsequent Events

AISES has evaluated all events occurring subsequent to December 31, 2011 and through April 19, 2012, which is the date that the consolidated financial statements were issued, and does not believe that any events occurring during this period require either recognition or disclosure in the accompanying consolidated financial statements.

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 2 - PROPERTY AND EQUIPMENT**

	<u>2011</u>	<u>2010</u>
Computer	\$ 357,240	\$ 334,054
Furniture	14,197	14,197
Leasehold improvements	13,879	13,879
Office	12,814	12,814
Art collection	<u>6,500</u>	<u>6,500</u>
	404,630	381,444
Less accumulated depreciation	<u>299,278</u>	<u>241,968</u>
Total property and equipment	<u>\$ 105,352</u>	<u>\$ 139,476</u>

**NOTE 3 – INVESTMENTS**

	<u>2011</u>		<u>2010</u>	
	<u>Cost</u>	<u>FMV</u>	<u>Cost</u>	<u>FMV</u>
Cash equivalents	\$ 66,031	\$ 66,031	\$ 51,448	\$ 51,448
Stocks				
Pooled equity funds	552,985	585,212	472,622	607,675
Common stocks	37,103	45,120	37,103	46,705
Fixed income securities				
Pooled fixed income funds	<u>212,097</u>	<u>211,076</u>	<u>220,538</u>	<u>232,107</u>
	<u>\$ 868,216</u>	<u>\$ 907,439</u>	<u>\$ 781,711</u>	<u>\$ 937,935</u>

**NOTE 4 - INCOME TAXES**

AISES is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and is not classified as a private foundation. AISES has adopted accounting principles generally accepted in the United States of America as they relate to uncertain tax positions. Management believes that all activities of AISES are within their tax-exempt purpose, and that there are no uncertain tax positions.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 4 - INCOME TAXES – CONTINUED**

AISES Publishing, Inc. (API) is a for-profit corporation and is subject to state and federal income taxes. Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due. There are no material deferred tax assets or liabilities. Income tax expenses related to API are included in miscellaneous expense in the accompanying consolidated financial statements.

Currently, 2009, 2010 and 2011 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, AISES is not currently under audit, nor has AISES or API been contacted by any of these jurisdictions. Based on the evaluation of the AISES' tax positions, Management believes all positions taken would be upheld under an examination. Therefore, AISES and API have recorded no provision for the effects of uncertain tax positions for the year ended December 31, 2011.

**NOTE 5 - PLEDGES RECEIVABLE**

Pledges receivable are discounted and recorded at the net present value of estimated future cash flows, unless this discount is determined by management to be immaterial. Substantially all pledges receivable are from one donor at December 31, 2011. AISES believes that all pledges receivable will be fully collectible when due and, therefore, has not recorded an allowance on pledges receivable. Pledges receivable were \$321,000 at December 31, 2011 and \$322,000 at December 31, 2010.

The amount of pledges receivable expected to be collected in the next three years is as follows:

2012	\$ 100,000
2013	121,000
2014	100,000

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Contributions have been temporarily restricted for the following purposes:

	<u>2011</u>	<u>2010</u>
Scholarships	\$ 232,910	\$ 239,352
Time restriction	<u>232,016</u>	<u>268,814</u>
	<u>\$ 464,926</u>	<u>\$ 508,166</u>

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from restriction by incurring expenditures satisfying donor intent, or by the expiration of time restrictions, of the following restricted funds:

	<u>2011</u>	<u>2010</u>
A.T. Anderson Memorial Scholarship	\$ 241,623	\$ 271,725
IBM Scholarship	26,890	18,016
Google donation	-	250,000
General Motors Scholarship	<u>9,500</u>	<u>1,500</u>
	<u>\$ 278,013</u>	<u>\$ 541,241</u>

**NOTE 7 - ENDOWMENTS**

AISES' endowment funds include donor-restricted assets. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Endowment Net Assets Composition by Type of Fund as of December 31, 2011**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 159,040	\$ 789,833	\$ 948,873
Portion in pledges receivable	<u>-</u>	<u>270,000</u>	<u>270,000</u>
Total funds	<u>\$ 159,040</u>	<u>\$ 1,059,833</u>	<u>\$ 1,218,873</u>

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 7 – ENDOWMENTS – CONTINUED**

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 184,950	\$ 1,063,447	\$ 1,248,397
Investment return			
Interest and dividends, net of management fees	-	81,843	81,843
Net realized and unrealized gains	-	(108,697)	(108,697)
Total investment return	-	(26,854)	(26,854)
Distributions	-	(2,670)	(2,670)
Reclassification of temporarily restricted investment return	(25,910)	25,910	-
Endowment net assets, end of year	<u>\$ 159,040</u>	<u>\$ 1,059,833</u>	<u>\$ 1,218,873</u>

**Endowment Net Assets Composition by Type of Fund as of December 31, 2010**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 184,950	\$ 793,447	\$ 978,397
Portion in pledges receivable	-	270,000	270,000
Total funds	<u>\$ 184,950</u>	<u>\$ 1,063,447</u>	<u>\$ 1,248,397</u>

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 7 – ENDOWMENTS - CONTINUED**

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2011**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 115,802	\$ 661,231	\$ 777,033
Investment return			
Interest and dividends, net of management fees	-	12,692	12,692
Net realized and unrealized gains	-	58,672	58,672
Total investment return	-	71,364	71,364
Contributions	-	400,000	400,000
Reclassification of temporarily restricted investment return	69,148	(69,148)	-
Endowment net assets, end of year	\$ 184,950	\$ 1,063,447	\$ 1,248,397

**Return Objectives and Risk Parameters**

AISES has adopted investment and spending policies for endowment assets that attempt to provide moderate growth over time with the consistency of total portfolio returns of the endowment assets. Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to produce results which provide for a long-term rate of return on assets that is at least 9%, which is greater than the anticipated rate of inflation as measured by the Consumer Price Index (CPI). The target rate of return for AISES has been based upon the assumption that future real returns will approximate the long-term rates of return experienced for each asset class in AISES' Investment Policy Statement. AISES recognizes the need to accept the inherent risks of various investments, including the diminution of principal during periodic market fluctuations. The Finance Committee will assess the portfolio as a whole in measuring risk, not discipline by discipline. Risk shall be measured and assessed in standard deviation – means of diversification and non-correlation between asset classes.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2011  
(With Comparative Totals for 2010)

### NOTE 7 – ENDOWMENTS - CONTINUED

#### Strategies Employed for Achieving Objectives

The Board believes that AISES' risk and liquidity posture is, in large part, a function of asset class mix. The Board has reviewed the long-term performance characteristics of various asset classes, focusing on balancing the risks and rewards of market behavior. In order to achieve the desired investment performance and meet the target return of AISES, it is important that AISES' assets are invested across all available asset classes to create a well-diversified portfolio. The Board believes that including alternative assets such as real estate, private equity and hedge funds is important to the long-term performance of the endowment funds, provided these asset classes are managed prudently.

#### Spending Policy and How the Investment Objectives Relate to Spending Policy

In 2011, AISES adopted a policy of appropriating bi-annual distributions, as approved by the Board of Directors, 5% of the prior three years' average end-of-fiscal-year balance. In 2010, AISES' policy was appropriating for distribution each year, as approved by the Board of Directors, all earnings of an account. In establishing this policy, AISES considered the long-term expected return on its endowment. This is consistent with AISES' objective to maintain the purchasing power of the endowment assets held in perpetuity.

#### Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or accounting standard requires AISES to retain as a fund in perpetuity. In accordance with accounting policies generally accepted in the United States of America, the deficiencies are reported as unrestricted net assets. There were no such deficiencies as of December 31, 2011 and 2010.

### NOTE 8 - FAIR VALUE MEASUREMENTS

Accounting principles generally accepted in the United States of America establish a framework for measuring fair value. The framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that AISES has the ability to access.



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**NOTE 8 - FAIR VALUE MEASUREMENTS - CONTINUED**

Level 2: Inputs to the valuation methodology include: Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011.

*Cash and cash equivalents:* Valued at net realizable value.

*Equities and fixed income securities:* Valued at the closing price reported on the active market on which the individual securities are traded.

The following table sets forth by level, within the fair value hierarchy, AISES' assets at fair value as of December 31, 2011:

<b>Assets at Fair Value as of December 31, 2011</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 66,031	\$ -	\$ -	\$ 66,031
Equities	584,873	45,459	-	630,332
Fixed income securities	211,076	-	-	211,076
	\$ 861,980	\$ 45,459	\$ -	\$ 907,439

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 8 - FAIR VALUE MEASUREMENTS - CONTINUED**

The following table sets forth by level, within the fair value hierarchy, AISES' assets at fair value as of December 31, 2010:

<b>Assets at Fair Value as of December 31, 2010</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash and cash equivalents	\$ 51,448	\$ -	\$ -	\$ 51,448
Equities	606,998	47,382	-	654,380
Fixed income securities	232,107	-	-	232,107
	<b>\$ 890,553</b>	<b>\$ 47,382</b>	<b>\$ -</b>	<b>\$ 937,935</b>

**NOTE 9 – LINE-OF-CREDIT**

In January 2010, AISES entered into an unsecured line-of-credit with a financial institution that allows for up to \$200,000 to be drawn upon as needed. The line-of-credit bore variable interest at prime (4.00% at initiation of agreement) plus 0.25% and required monthly payments of interest only. There was no balance on the line at December 31, 2011 or 2010. The line-of-credit matured January 2011, and was not renewed.

**NOTE 10 - COMMITMENTS AND CONTINGENCIES**

Operating Leases

AISES leases equipment under operating leases expiring in various years through 2016. Additionally, AISES leases its office facility under a non-cancelable operating lease which will expire in 2012.

Minimum future lease payments follow:

2012	\$ 79,668
2013	26,365
2014	12,024
2015	1,944
2016	1,134
	<b>\$ 121,135</b>

**American Indian Science and Engineering Society  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED**

Along with the operating leases as mentioned above, AISES enters into other month-to-month operating lease agreements. Total rental expense for all leases was \$97,574 in 2011 and \$112,483 in 2010.

Legal Matters

AISES, in the normal course of business, is subject to claims and litigation. Management believes that there are no outstanding claims or assessments which would be subject to a material unfavorable outcome and not covered by insurance.

Concentration of Credit Risk

AISES maintains its cash in bank deposit accounts, which, at times, may exceed the federally insured limits. In addition, AISES has a repurchase agreement that is collateralized by securities whose market value may be less than the principal of the repurchase agreement. AISES has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

**NOTE 11 - SERVICE AGREEMENT**

During 2011 and prior years, AISES Publishing, Inc. (API) had a contract with an editorial company to provide editorial and managerial services for AISES' magazine, *Winds of Change* and AISES' Annual College Guide. The contract stipulates semimonthly payments of \$4,396 for *Winds of Change* (\$105,504 per year) and payments every other month of \$4,396 for the Annual College Guide (\$26,376 per year), plus a 15% commission for advertising income. This contract ended during 2011 and was not renewed.

During 2011, API entered into a contract with another editorial company to provide editorial and managerial services for AISES' magazine, *Winds of Change* and AISES' Annual College Guide. The contract stipulates payments will be based on net revenues for the publication where the editorial company is to receive 40% of net revenues.

Administrative and commissions expenses totaled \$47,353 and \$108,161 for the years ended December 31, 2011 and 2010, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2011  
(With Comparative Totals for 2010)**

**NOTE 12 - RETIREMENT PLAN**

AISES has established a simple IRA retirement plan (the "Plan") covering all full-time employees. The Plan allows eligible employees to contribute up to \$10,000 of their annual salary. In addition, AISES will match 100% of each employee's contribution, up to a limit of 3% of each employee's compensation. All such matching contributions are immediately fully vested. In 2011 and 2010, AISES contributed \$18,867 and \$9,861 to the Plan.

## **SUPPLEMENTAL SCHEDULES**

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2011  
(With Comparative Totals for 2010)

	AISES	AISES Publishing, Inc.	Consolidation	2011 Total	2010 Total
<u>Assets</u>	<u>AISES</u>	<u>Inc.</u>	<u>Consolidation</u>	<u>2011 Total</u>	<u>2010 Total</u>
<b>Current assets</b>					
Cash and cash equivalents	\$ 415,026	\$ 188,752	\$ -	\$ 603,778	\$ 464,857
Certificates of deposit	202,124	-	-	202,124	201,113
Investments	104,378	-	-	104,378	261,061
Receivables					
Conference, net	38,311	-	-	38,311	105,862
Contribution, trade, pledges and other	208,149	2,534	(6,330)	204,353	149,461
Grants	-	-	-	-	15,888
Prepaid expenses and deposits	17,276	1,811	-	19,087	17,022
Inventories	12,949	-	-	12,949	4,910
Total current assets	<u>998,213</u>	<u>193,097</u>	<u>(6,330)</u>	<u>1,184,980</u>	<u>1,220,174</u>
Property and equipment, net	105,352	-	-	105,352	139,476
Investment in AISES Publishing, Inc.	198,001	-	(198,001)	-	-
Pledges receivable	221,000	-	-	221,000	322,000
Investments - Sequoyah endowment	760,445	-	-	760,445	628,427
Investments - Other endowments	42,616	-	-	42,616	48,447
	<u>\$ 2,325,627</u>	<u>\$ 193,097</u>	<u>\$ (204,331)</u>	<u>\$ 2,314,393</u>	<u>\$ 2,358,524</u>
<b><u>Liabilities and Net Assets</u></b>					
<b>Current liabilities</b>					
Accounts payable	\$ -	\$ 6,330	\$ (6,330)	\$ -	\$ 1,617
Accrued liabilities	123,164	(36,107)	-	87,057	71,494
Deferred revenue	258,776	-	-	258,776	326,296
Total current liabilities	<u>381,940</u>	<u>(29,777)</u>	<u>(6,330)</u>	<u>345,833</u>	<u>399,407</u>
<b>Net assets</b>					
<b>Unrestricted</b>					
AISES	418,928	-	-	418,928	366,874
Noncontrolling interest in AISES Publishing, Inc.	-	-	24,873	24,873	20,630
Temporarily restricted	464,926	-	-	464,926	508,166
Permanently restricted	1,059,833	-	-	1,059,833	1,063,447
Common stock	-	101	(101)	-	-
Less: Treasury stock, 101 common shares, at cost	-	(101)	101	-	-
Retained earnings	-	222,874	(222,874)	-	-
Total net assets	<u>1,943,687</u>	<u>222,874</u>	<u>(198,001)</u>	<u>1,968,560</u>	<u>1,959,117</u>
	<u>\$ 2,325,627</u>	<u>\$ 193,097</u>	<u>\$ (204,331)</u>	<u>\$ 2,314,393</u>	<u>\$ 2,358,524</u>

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF ACTIVITIES

Year ended December 31, 2011  
(With Comparative Totals for 2010)

<u>Revenues, Support and Gains</u>	AISES			2011	2010
	<u>AISES</u>	<u>Publishing, Inc.</u>	<u>Consolidation</u>	<u>Total</u>	<u>Total</u>
Conference registration fees	\$ 1,331,827	\$ -	\$ -	\$ 1,331,827	\$ 1,139,847
Advertising income	-	389,447	-	389,447	415,396
Grants - federal	307,556	-	-	307,556	270,282
Contributions	359,461	-	-	359,461	958,837
Grants - state and other	278,832	-	-	278,832	168,198
Membership fees	109,292	-	-	109,292	76,792
Science fair	153,775	-	-	153,775	53,570
Investment (loss) income	(21,834)	-	-	(21,834)	106,513
Subscription sales	-	9,081	-	9,081	2,589
Other, net	18,551	172	-	18,723	9,513
Gain on investment in subsidiary	37,872	-	(33,630)	4,242	2,527
Total revenues, support and gains	<u>2,575,332</u>	<u>398,700</u>	<u>(33,630)</u>	<u>2,940,402</u>	<u>3,204,064</u>
<u>Expenses</u>					
Program services					
Conference	797,018	-	-	797,018	740,422
Training and development	566,753	-	-	566,753	473,203
Publishing	-	360,828	-	360,828	395,426
Internships	133,298	-	-	133,298	179,228
Scholarships	236,049	-	-	236,049	253,900
Education and outreach	150,738	-	-	150,738	157,711
Other	90,174	-	-	90,174	57,073
	<u>1,974,030</u>	<u>360,828</u>	<u>-</u>	<u>2,334,858</u>	<u>2,256,963</u>
Supporting services					
Management and general	473,713	-	-	473,713	448,561
Fund-raising	118,146	-	-	118,146	152,509
	<u>591,859</u>	<u>-</u>	<u>-</u>	<u>591,859</u>	<u>601,070</u>
Total expenses	<u>2,565,889</u>	<u>360,828</u>	<u>-</u>	<u>2,926,717</u>	<u>2,858,033</u>
Change in net assets	9,443	37,872	(33,630)	13,685	346,031
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	(4,242)	-	-	(4,242)	(2,527)
Change in net assets attributable to AISES	5,201	37,872	(33,630)	9,443	343,504
Net assets, beginning of year	<u>1,938,487</u>	<u>185,002</u>	<u>(164,372)</u>	<u>1,959,117</u>	<u>1,615,613</u>
Net assets, end of year	<u>\$ 1,943,688</u>	<u>\$ 222,874</u>	<u>\$ (198,002)</u>	<u>\$ 1,968,560</u>	<u>\$ 1,959,117</u>

See Independent Auditors' Report.

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES

**Year ended December 31, 2011**  
**(With Comparative Totals for 2010)**

	Program Services					
	Conference	Training and Development	AISES Publishing, Inc.	Internships	Scholarships	Education and Outreach
	Salaries	\$ 84,444	\$ 159,905	\$ -	\$ 15,214	\$ -
Convention costs	402,529	72,817	-	-	-	-
Professional fees	77,566	98,689	143,309	-	-	49
Awards/gifts and scholarships	37,363	48,327	-	60	236,049	951
Participant costs and stipends	50,969	66,172	-	69,592	-	-
Fringe benefits	25,629	47,591	-	4,999	-	23,267
Printing and copying	24,777	5,324	133,725	18	-	548
Miscellaneous	19,935	-	60,753	1,511	-	195
Travel	44,973	32,507	4,899	5,162	-	22,616
Occupancy	19,358	21,569	-	-	-	9,482
Depreciation	-	-	-	-	-	-
Housing allowance	-	-	-	36,443	-	-
Postage and shipping	6,112	1,175	16,738	169	-	1,372
Materials and supplies	956	5,663	-	35	-	55
Telephone and communications	1,957	3,314	-	95	-	96
Dues and subscriptions	-	3,700	-	-	-	2,310
Advertising	263	-	-	-	-	-
Computer service and equipment	187	-	-	-	-	-
Bad debt expense	-	-	1,158	-	-	-
Office expense	-	-	246	-	-	-
In-kind	-	-	-	-	-	-
	<b>\$ 797,018</b>	<b>\$ 566,753</b>	<b>\$ 360,828</b>	<b>\$ 133,298</b>	<b>\$ 236,049</b>	<b>\$ 150,738</b>



		<b>Supporting Services</b>					
<b>Other</b>	<b>Total Program Services</b>	<b>Management and General</b>	<b>Fund- Raising</b>	<b>Total Supporting Services</b>	<b>2011 Total</b>	<b>2010 Total</b>	
\$ 33,295	\$ 382,655	\$ 165,403	\$ 42,776	\$ 208,179	\$ 590,834	\$ 567,762	
-	475,346	-	-	-	475,346	437,836	
24,847	344,460	88,995	20,277	109,272	453,732	533,879	
1,721	324,471	642	1,444	2,086	326,557	346,030	
-	186,733	-	-	-	186,733	130,588	
10,315	111,801	56,354	11,422	67,776	179,577	133,826	
2,838	167,230	125	6,645	6,770	174,000	166,078	
8,989	91,383	35,393	11,878	47,271	138,654	90,887	
-	110,157	10,061	26	10,087	120,244	154,489	
6,492	56,901	35,475	5,198	40,673	97,574	112,483	
-	-	57,310	-	57,310	57,310	55,714	
-	36,443	-	-	-	36,443	32,209	
596	26,162	2,210	3,560	5,770	31,932	29,055	
44	6,753	8,513	1,091	9,604	16,357	10,150	
277	5,739	6,096	4,090	10,186	15,925	14,166	
-	6,010	3,543	5,523	9,066	15,076	22,475	
-	263	2,693	2,281	4,974	5,237	11,613	
760	947	900	1,935	2,835	3,782	8,471	
-	1,158	-	-	-	1,158	-	
-	246	-	-	-	246	322	
-	-	-	-	-	-	-	
<b>\$ 90,174</b>	<b>\$ 2,334,858</b>	<b>\$ 473,713</b>	<b>\$ 118,146</b>	<b>\$ 591,859</b>	<b>\$ 2,926,717</b>	<b>\$ 2,858,033</b>	