

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2013  
(With Comparative Totals for December 31, 2012)**

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## INDEPENDENT AUDITORS' REPORT

Board of Directors

American Indian Science and Engineering Society and Subsidiary

We have audited the accompanying consolidated financial statements of American Indian Science and Engineering Society and Subsidiary (collectively referred to as AISES, a nonprofit organization) which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to AISES' preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of AISES' internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of AISES as of December 31, 2013, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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 beginning on page 21 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 consolidated 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.

***Report on Summarized Comparative Information***

We have previously audited AISES' 2012 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated April 18, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2012, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

August 8, 2014

A handwritten signature in black ink that reads "PULAKOS CPAs, PC". The signature is written in a cursive, stylized font.

Pulakos CPAs, PC

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31, 2013**  
**(With Comparative Totals for 2012)**

<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 745,277	\$ 477,857
Investments	474,387	182,589
Receivables		
Conference, net	139,170	95,965
Contribution, trade, pledges and other	183,485	157,046
Prepaid expenses and deposits	57,911	34,356
Inventories	23,109	23,203
	1,623,339	971,016
Property and equipment, net	35,233	54,092
Restricted investments	-	827,808
Pledges receivable	-	121,000
	1,658,572	1,973,916
<u>Liabilities and Net Assets</u>		
Current liabilities		
Accounts payable	-	3,331
Accrued liabilities	28,770	61,785
Deferred revenue	167,417	183,793
	196,187	248,909
Net assets		
Unrestricted		
AISES	562,922	120,979
Board designated	58,500	-
Noncontrolling interest in AISES Publishing, Inc.	31,047	28,233
	652,469	149,212
Temporarily restricted	320,655	513,218
Permanently restricted	489,261	1,062,577
	1,462,385	1,725,007
Total net assets	\$ 1,658,572	\$ 1,973,916

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

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF ACTIVITIES

Year Ended December 31, 2013  
(With Comparative Totals for 2012)

	2013			2012 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, support and gains				
Conference registration fees	\$ 1,211,036	\$ -	\$ -	\$ 1,211,036
Advertising income	411,402	-	-	409,778
Grants - federal	226,383	-	-	425,036
Contributions	87,180	276,541	31,163	335,783
Grants - state and other	40,826	-	-	227,043
Membership fees	97,558	-	-	81,833
Investment income	140,280	11,540	521	111,264
Subscription sales	5,566	-	-	6,792
Other, net	38,488	-	-	30,272
Gain on investment of subsidiary	2,814	-	-	3,359
Net assets released from restrictions	1,085,644	(480,644)	(605,000)	-
	<u>3,347,177</u>	<u>(192,563)</u>	<u>(573,316)</u>	<u>2,581,298</u>
Total revenues, support and gains				<u>2,806,447</u>
Expenses				
Program services				
Conference	725,602	-	-	780,685
Training and development	428,085	-	-	497,220
Publishing	386,622	-	-	380,197
Scholarships	248,228	-	-	292,655
Other	101,719	-	-	145,128
Internships	56,090	-	-	99,680
Education and outreach	1,710	-	-	31,136
	<u>1,948,056</u>	<u>-</u>	<u>-</u>	<u>2,226,701</u>
Supporting services				
Management and general	673,787	-	-	619,511
Fund-raising	219,263	-	-	200,429
	<u>893,050</u>	<u>-</u>	<u>-</u>	<u>819,940</u>
Total expenses	<u>2,841,106</u>	<u>-</u>	<u>-</u>	<u>3,046,641</u>
Change in net assets	506,071	(192,563)	(573,316)	(240,194)
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	<u>(2,814)</u>	<u>-</u>	<u>-</u>	<u>(3,359)</u>
Change in net assets attributable to AISES	503,257	(192,563)	(573,316)	(243,553)
Net assets, beginning of year	<u>149,212</u>	<u>513,218</u>	<u>1,062,577</u>	<u>1,968,560</u>
Net assets, end of year	<u>\$ 652,469</u>	<u>\$ 320,655</u>	<u>\$ 489,261</u>	<u>\$ 1,725,007</u>

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2013**  
**(With Comparative Totals for 2012)**

	<b>2013</b>	<b>2012</b>
Operating activities		
Change in net assets	\$ (259,808)	\$ (240,194)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Depreciation	23,860	45,978
Noncontrolling interest in AISES Publishing, Inc. earnings	(2,814)	(3,359)
Loss on disposal of fixed assets	-	44,517
Gain on investments	(152,342)	(74,889)
Net changes to operating assets and liabilities		
Accounts receivable	51,356	89,653
Prepaid expenses and deposits	(23,555)	(15,269)
Inventories	94	(10,254)
Accounts payable	(3,331)	3,331
Accrued liabilities	(33,015)	(25,272)
Deferred revenue	(16,376)	(74,983)
	(415,931)	(260,741)
Net cash used by operating activities		
Investing activities		
Purchase of property and equipment	(5,001)	(39,235)
Purchase of investments	(866,980)	(28,069)
Proceeds from sale of investments	1,555,332	-
Redemption of certificate-of-deposit	-	202,124
	683,351	134,820
Net cash provided by investing activities		
Change in cash and equivalents	267,420	(125,921)
Cash and equivalents, beginning of year	477,857	603,778
Cash and equivalents, end of year	\$ 745,277	\$ 477,857

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013  
(With Comparative Totals for December 31, 2012)

### 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 had been successful at maintaining the participant levels at its annual conference, while increasing the amount and number of paid sponsorships and exhibitors in the past. During 2013, the participant levels, sponsorships and exhibitors all increased. While overall total membership increased by 7% (fueled by growth in lifetime memberships), student membership (all categories) declined by 20% during 2013. AISES management is assessing the needs and benefits of the sponsors, exhibitors and members to insure they are receiving value for their investment in the organization. Management expects to improve its working capital by increasing sponsorships and exhibitors at its annual conference, increasing membership, diversifying its revenue sources and controlling expenses. Since AISES derives its member revenue from employees in science, technology, engineering and math (STEM) based companies, the manufacturing and design based economy directly affects AISES' ability to increase revenues.

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 1,200 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 Scholarships; the Burlington Northern Santa Fe Foundation Scholarship; the INTEL Scholarship; the Google Scholarship; Leadership Travel Scholarships and National Conference Travel Scholarships.



# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013  
(With Comparative Totals for December 31, 2012)

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

#### Organization – Continued

*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.

#### Financial Statement Presentation

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.

The consolidated financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the consolidated financial statements for the year ended December 31, 2012, from which the summarized information was derived.

#### 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 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 \$8,072 and \$7,582 in 2013 and 2012, respectively.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2013  
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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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, 2013 and 2012.

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 \$4,350 as of December 31, 2013 and 2012, respectively.

Grant Receivables and Revenue

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.

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.

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.

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

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, 2013 and 2012, consists of 101 shares of common stock.

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.

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.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

Reclassifications

Certain reclassifications have been made to the 2012 financial statements to conform to the 2013 presentation. These reclassifications have no impact on AISES' change in net assets.

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.

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 zero and \$17,783 in 2013 and 2012, 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, 2013 and through August 8, 2014, 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  
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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(With Comparative Totals for December 31, 2012)**

**NOTE 2 - PROPERTY AND EQUIPMENT**

	<b>2013</b>	<b>2012</b>
Computer	\$ 179,607	\$ 174,608
Furniture	17,934	17,934
Leasehold improvements	15,681	15,681
Office	14,410	14,410
Art collection	6,500	6,500
	234,132	229,133
Less accumulated depreciation	198,899	175,041
Total property and equipment	\$ 35,233	\$ 54,092

**NOTE 3 – INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, AISES' assets at fair value as of December 31, 2013:

**Assets at Fair Value as of December 31, 2013**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 24,478	\$ -	\$ -	\$ 24,478
Fixed Income				
High Yield Bond	33,357	-	-	33,357
Intermediate Term Bond	21,973	-	-	21,973
Short Term Bond	21,891	-	-	21,891
World Bond	12,255	-	-	12,255
Bank Loan	10,918	-	-	10,918
Equity Securities				
Large Cap Blend	97,692	-	-	97,692
Large Cap Growth	85,773	-	-	85,773
Large Value	83,218	-	-	83,218
Mid Cap Blend	46,675	-	-	46,675
Small Cap Blend	24,200	-	-	24,200
Mid Cap Value	11,957	-	-	11,957
	\$ 474,387	\$ -	\$ -	\$ 474,387

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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(With Comparative Totals for December 31, 2012)**

**NOTE 3 - INVESTMENTS - CONTINUED**

The following table sets forth by level, within the fair value hierarchy, AISES' assets at fair value as of December 31, 2012:

<b>Assets at Fair Value as of December 31, 2012</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 57,453	\$ -	\$ -	\$ 57,453
Fixed Income				
High Yield Bond	73,701	-	-	73,701
Intermediate Term Bond	73,198	-	-	73,198
Short Term Bond	45,869	-	-	45,869
World Bond	29,921	-	-	29,921
Bank Loan	23,542	-	-	23,542
Equity Securities				
Large Value	296,155	-	-	296,155
Large Cap Growth	153,399	-	-	153,399
Mid Cap Blend	106,833	-	-	106,833
Large Cap Blend	75,475	-	-	75,475
Small Cap Blend	49,563	-	-	49,563
Mid Cap Value	25,288	-	-	25,288
	<u>\$1,010,397</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010,397</u>

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, 2013.

*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 methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2013  
(With Comparative Totals for December 31, 2012)**

**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.

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, 2010, 2011 and 2012 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, 2013.

**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, 2013. 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 \$100,000 at December 31, 2013 and \$220,000 at December 31, 2012. Management believes that the December 31, 2013 pledge receivable balance will be collected in full in 2014.

**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Contributions have been temporarily restricted for the following purposes:

	<u>2013</u>	<u>2012</u>
Scholarships	\$ 213,027	\$ 206,185
Other	<u>107,628</u>	<u>307,033</u>
	<u>\$ 320,655</u>	<u>\$ 513,218</u>

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**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS - CONTINUED**

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>2013</u>	<u>2012</u>
Google	\$ 82,200	\$ 76,684
A.T. Anderson Memorial Scholarships	56,225	87,250
BNSF Foundation	49,000	47,625
INTEL Scholarship	47,500	47,500
National Conference Travel Scholarships	18,046	29,905
Leadership Travel Scholarships	<u>16,729</u>	<u>7,326</u>
	<u>\$ 269,700</u>	<u>\$ 296,290</u>

Additionally, in 2013, \$210,944 of temporarily restricted net assets associated with the investment earnings from one fund were released from restriction based on a legal opinion from AISES legal counsel that this fund was not permanently restricted but Board designated. Therefore the investment earnings should not have been temporarily restricted.

**NOTE 7 - PERMANENTLY RESTRICTED NET ASSETS**

In 2013, \$585,000 of permanently restricted net assets associated with one fund were released from restriction based on a legal opinion from AISES legal counsel that this fund was not permanently restricted but Board designated. The Board has elected to keep 10% of this fund or \$58,500 as Board designated going forward.

**NOTE 8 - 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.



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**NOTE 8 – ENDOWMENTS - CONTINUED**

**Endowment Net Assets Composition by Type of Fund as of December 31, 2013**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 47,628	\$ 409,261	\$ 456,889
Portion in pledges receivable	-	80,000	80,000
Total funds	<u>\$ 47,628</u>	<u>\$ 489,261</u>	<u>\$ 536,889</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2013**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 247,032	\$ 1,062,577	\$ 1,309,609
Investment return			
Interest and dividends, net of management fees	-	3,707	3,707
Net realized and unrealized gains	-	8,354	8,354
Total investment return	-	12,061	12,061
Contributions		31,163	31,163
Released from restriction	(210,944)	(605,000)	(815,944)
Reclassification of temporarily restricted investment return	11,540	(11,540)	-
Endowment net assets, end of year	<u>\$ 47,628</u>	<u>\$ 489,261</u>	<u>\$ 536,889</u>

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(With Comparative Totals for December 31, 2012)**

**NOTE 8 – ENDOWMENTS - CONTINUED**

**Endowment Net Assets Composition by Type of Fund as of December 31, 2012**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 247,032	\$ 882,577	\$ 1,129,609
Portion in pledges receivable	-	180,000	180,000
Total funds	<u>\$ 247,032</u>	<u>\$ 1,062,577</u>	<u>\$ 1,309,609</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2012**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 159,040	\$ 1,059,833	\$ 1,218,873
Investment return			
Interest and dividends, net of management fees	-	14,289	14,289
Net realized and unrealized gains	-	76,447	76,447
Total investment return	-	90,736	90,736
Reclassification of temporarily restricted investment return	87,992	(87,992)	-
Endowment net assets, end of year	<u>\$ 247,032</u>	<u>\$ 1,062,577</u>	<u>\$ 1,309,609</u>

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013  
(With Comparative Totals for December 31, 2012)

### NOTE 8 – ENDOWMENTS – CONTINUED

#### 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.

#### 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 2012, 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 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, 2013 and 2012.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2013  
(With Comparative Totals for December 31, 2012)

### NOTE 9 – LINE-OF-CREDIT

In April 2012, AISES entered into an unsecured line-of-credit with a financial institution that allows for up to \$500,000 to be drawn upon as needed. The line-of-credit bears variable interest at prime (3.25% at December 31, 2013) plus 1.00%, with a floor of 5.00%, and required monthly payments of interest only. The balance was zero at December 31, 2013 and 2012, respectively. The line-of-credit matures September 2014. Management intends to renew the line-of-credit under similar terms and conditions.

### NOTE 10 - COMMITMENTS AND CONTINGENCIES

#### Operating Leases

AISES leases equipment under operating lease agreements expiring in various years through 2016. Additionally, AISES leases its office facility under a non-cancelable operating lease which will expire in 2017.

Minimum future lease payments follow:

2014	\$ 103,232
2015	93,105
2016	89,257
2017	<u>60,478</u>
	<u>\$ 346,072</u>

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 \$94,445 and \$98,675 in 2013 and 2012, respectively.

#### 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.

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

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2013  
(With Comparative Totals for December 31, 2012)**

**NOTE 11 - SERVICE AGREEMENT**

During 2011, API entered into 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 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 were \$49,368 and \$49,173 in December 31, 2013 and 2012, respectively.

**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. AISES contributed \$13,295 and \$14,751 to the Plan during 2013 and 2012, respectively.

**SUPPLEMENTAL SCHEDULES**

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2013  
(With Comparative Totals for 2012)

	AISES Publishing, Inc.			2013	2012
	AISES	Inc.	Consolidation	Total	Total
<b>Assets</b>					
Current assets					
Cash and cash equivalents	\$ 593,342	\$ 151,935	\$ -	\$ 745,277	\$ 477,857
Investments	474,387	-	-	474,387	182,589
Receivables					
Conference, net	139,170	-	-	139,170	95,965
Contribution, trade, pledges and other	157,826	130,686	(105,027)	183,485	157,046
Grants	-	-	-	-	-
Prepaid expenses and deposits	56,362	1,549	-	57,911	34,356
Inventories	23,109	-	-	23,109	23,203
Total current assets	1,444,196	284,170	(105,027)	1,623,339	971,016
Property and equipment, net	35,233	-	-	35,233	54,092
Restricted investments	-	-	-	-	827,808
Investment in AISES Publishing, Inc.	246,941	-	(246,941)	-	-
Pledges receivable	-	-	-	-	121,000
	<u>\$ 1,726,370</u>	<u>\$ 284,170</u>	<u>\$ (351,968)</u>	<u>\$ 1,658,572</u>	<u>\$ 1,973,916</u>
<b>Liabilities and Net Assets</b>					
Current liabilities					
Accounts payable	\$ -	\$ 6,182	\$ (6,182)	\$ -	\$ 3,331
Note Payable - current portion	5,286	-	(5,286)	-	-
Accrued liabilities	28,770	-	-	28,770	61,785
Deferred revenue	167,417	-	-	167,417	183,793
Total current liabilities	201,473	6,182	(11,468)	196,187	248,909
Long term liabilities	93,559	-	(93,559)	-	-
Total liabilities	295,032	6,182	(105,027)	196,187	248,909
Net assets					
Unrestricted					
AISES	562,922	-	-	562,922	120,979
Board designated	58,500	-	-	58,500	-
Noncontrolling interest in AISES Publishing, Inc.	-	-	31,047	31,047	28,233
Temporarily restricted	320,655	-	-	320,655	513,218
Permanently restricted	489,261	-	-	489,261	1,062,577
Common stock	-	101	(101)	-	-
Less: Treasury stock, 101 common shares, at cost	-	(101)	101	-	-
Retained earnings	-	277,988	(277,988)	-	-
Total net assets	1,431,338	277,988	(246,941)	1,462,385	1,725,007
	<u>\$ 1,726,370</u>	<u>\$ 284,170</u>	<u>\$ (351,968)</u>	<u>\$ 1,658,572</u>	<u>\$ 1,973,916</u>

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF ACTIVITIES

Year ended December 31, 2013  
(With Comparative Totals for 2012)

<u>Revenues, Support and Gains</u>	AISES			2013	2012
	AISES	Publishing, Inc.	Consolidation	Total	Total
Conference registration fees	\$ 1,211,036	\$ -	\$ -	\$ 1,211,036	\$ 1,175,287
Advertising income	-	411,402	-	411,402	409,778
Grants - federal	226,383	-	-	226,383	425,036
Contributions	394,884	-	-	394,884	335,783
Grants - state and other	40,826	-	-	40,826	227,043
Membership fees	97,558	-	-	97,558	81,833
Investment income	152,341	-	-	152,341	111,264
Subscription sales	-	5,566	-	5,566	6,792
Other, net	44,670	958	(7,140)	38,488	30,272
Gain on investment in subsidiary	25,122	-	(22,308)	2,814	3,359
Total revenues, support and gains	2,192,820	417,926	(29,448)	2,581,298	2,806,447
<u>Expenses</u>					
Program services					
Conference	725,602	-	-	725,602	780,685
Training and development	428,085	-	-	428,085	497,220
Publishing	-	392,804	(6,182)	386,622	380,197
Scholarships	248,228	-	-	248,228	292,655
Other	101,719	-	-	101,719	145,128
Internships	56,090	-	-	56,090	99,680
Education and outreach	1,710	-	-	1,710	31,136
	1,561,434	392,804	(6,182)	1,948,056	2,226,701
Supporting services					
Management and general	674,745	-	(958)	673,787	619,511
Fund-raising	219,263	-	-	219,263	200,429
	894,008	-	(958)	893,050	819,940
Total expenses	2,455,442	392,804	(7,140)	2,841,106	3,046,641
Change in net assets	(262,622)	25,122	(22,308)	(259,808)	(240,194)
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	(2,814)	-	-	(2,814)	(3,359)
Change in net assets attributable to AISES	(265,436)	25,122	(22,308)	(262,622)	(243,553)
Net assets, beginning of year	1,696,776	252,866	(224,635)	1,725,007	1,968,560
Net assets, end of year	\$ 1,431,340	\$ 277,988	\$ (246,943)	\$ 1,462,385	\$ 1,725,007



# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES

Year ended December 31, 2013  
(With Comparative Totals for 2012)

	Program Services					
	Conference	Training and Development	AISES Publishing, Inc.	Internships	Scholarships	Education and Outreach
Salaries	\$ 64,198	\$ 146,711	\$ -	\$ 28,702	\$ 165	\$ -
Professional fees	67,364	31,104	170,955	-	-	297
Convention costs	416,490	14,340	-	-	-	-
Awards/gifts and scholarships	53,512	21,664	-	-	242,024	-
Fringe benefits	15,386	41,858	-	13,769	39	18
Printing and copying	22,706	6,673	131,337	-	-	-
Participant costs and stipends	33,904	113,669	-	513	-	-
Miscellaneous	21,138	7,446	61,122	46	-	-
Travel	19,807	8,682	2,367	3,737	-	323
Occupancy	4,928	19,712	-	-	-	1,047
Computer service and equipment	539	7,999	-	-	6,000	-
Postage and shipping	2,375	678	20,841	99	-	25
Depreciation	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Materials and supplies	1,660	4,486	-	-	-	-
Telephone and communications	1,217	1,011	-	5	-	-
Housing allowance	-	-	-	9,219	-	-
Dues and subscriptions	378	2,052	-	-	-	-
Advertising	-	-	-	-	-	-
Office expense	-	-	-	-	-	-
	\$ 725,602	\$ 428,085	\$ 386,622	\$ 56,090	\$ 248,228	\$ 1,710

Schedule 3

		<u>Supporting Services</u>					
<u>Other</u>	<u>Total Program Services</u>	<u>Management and General</u>	<u>Fund- Raising</u>	<u>Total Supporting Services</u>	<u>2013 Total</u>	<u>2012 Total</u>	
\$ 46,386	\$ 286,162	\$ 236,125	\$ 90,679	\$ 326,804	\$ 612,966	\$ 629,674	
3,159	272,879	137,484	42,131	179,615	452,494	364,201	
-	430,830	5,961	-	5,961	436,791	455,250	
1,172	318,372	1,838	81	1,919	320,291	353,835	
14,235	85,305	78,226	27,923	106,149	191,454	177,000	
1,320	162,036	13,583	3,436	17,019	179,055	178,385	
-	148,086	-	-	-	148,086	259,172	
6,628	96,380	27,960	9,550	37,510	133,890	218,744	
694	35,610	55,599	25,220	80,819	116,429	115,794	
6,776	32,463	52,126	9,856	61,982	94,445	98,675	
19,421	33,959	2,756	1,343	4,099	38,058	20,572	
1,042	25,060	1,943	2,237	4,180	29,240	45,819	
-	-	23,860	-	23,860	23,860	45,978	
-	-	21,500	-	21,500	21,500	6,884	
643	6,789	7,318	233	7,551	14,340	17,012	
118	2,351	5,868	1,768	7,636	9,987	11,856	
-	9,219	-	-	-	9,219	17,235	
125	2,555	1,640	4,806	6,446	9,001	12,611	
-	-	-	-	-	-	17,783	
-	-	-	-	-	-	161	
<u>\$ 101,719</u>	<u>\$ 1,948,056</u>	<u>\$ 673,787</u>	<u>\$ 219,263</u>	<u>\$ 893,050</u>	<u>\$ 2,841,106</u>	<u>\$ 3,046,641</u>	