

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

**CONSOLIDATED FINANCIAL STATEMENTS**

**December 31, 2014  
(With Comparative Totals for December 31, 2013)**

## 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, 2014, and the related consolidated statements of activities and changes in net assets 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.

### *Auditors' 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, 2014, 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 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' 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited consolidated financial statements in our report dated August 8, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2013, is consistent in all material respects, with the audited consolidated financial statements from which it has been derived.

August 18, 2015

  
Pulakos CPAs, PC

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31, 2014**  
**(With Comparative Totals for 2013)**

### Assets

	<b>2014</b>	<b>2013</b>
Current assets		
Cash and cash equivalents	\$ 422,497	\$ 745,277
Investments	496,580	474,387
Receivables		
Conference, net	325,979	139,170
Pledge receivable	82,500	100,000
Contribution, trade, and other	261,162	83,485
Prepaid expenses and deposits	59,874	57,911
Inventories	20,271	23,109
	1,668,863	1,623,339
Property and equipment, net	16,109	35,233
Pledge receivable	165,000	-
	\$ 1,849,972	\$ 1,658,572

### Liabilities and Net Assets

Current liabilities		
Accounts payable and accrued liabilities	\$ 450,218	\$ 28,770
Deferred revenue	45,884	167,417
	496,102	196,187
Net assets		
Unrestricted		
AISES	109,658	562,922
Board designated	58,500	58,500
Noncontrolling interest in AISES Publishing, Inc.	28,190	31,047
	196,348	652,469
Temporarily restricted	651,540	320,655
Permanently restricted	505,982	489,261
	1,353,870	1,462,385
	\$ 1,849,972	\$ 1,658,572

## American Indian Science and Engineering Society and Subsidiary

### CONSOLIDATED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

**Year Ended December 31, 2014**  
**(With Comparative Totals for 2013)**

	2014				2013 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	
Revenues, support and gains					
Conference registration fees	\$ 941,387	\$ -	\$ -	\$ 941,387	\$ 1,211,036
Advertising income	364,344	-	-	364,344	411,402
Grants - federal	406,773	-	-	406,773	226,383
Contributions	86,736	623,348	16,667	726,751	394,884
Grants - state and other	138,174	-	-	138,174	40,826
Membership fees	79,691	-	-	79,691	97,558
Investment income	16,659	8,867	54	25,580	152,341
Subscription sales	5,939	-	-	5,939	5,566
Other, net	54,650	-	-	54,650	38,488
(Loss) gain on investment of subsidiary	(2,857)	-	-	(2,857)	2,814
Net assets released from restrictions	301,330	(301,330)	-	-	-
	<u>2,392,826</u>	<u>330,885</u>	<u>16,721</u>	<u>2,740,432</u>	<u>2,581,298</u>
Total revenues, support and gains					
Expenses					
Program services					
Conference	919,999	-	-	919,999	725,602
Training and development	375,281	-	-	375,281	428,085
Publishing	313,928	-	-	313,928	386,622
Scholarships	295,472	-	-	295,472	248,228
Other	100,969	-	-	100,969	101,719
Internships	66,190	-	-	66,190	56,090
Education and outreach	851	-	-	851	1,710
	<u>2,072,690</u>	<u>-</u>	<u>-</u>	<u>2,072,690</u>	<u>1,948,056</u>
Supporting services					
Management and general	630,983	-	-	630,983	673,787
Fund-raising	148,131	-	-	148,131	219,263
	<u>779,114</u>	<u>-</u>	<u>-</u>	<u>779,114</u>	<u>893,050</u>
Total expenses	<u>2,851,804</u>	<u>-</u>	<u>-</u>	<u>2,851,804</u>	<u>2,841,106</u>
Change in net assets	(458,978)	330,885	16,721	(111,372)	(259,808)
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	<u>2,857</u>	<u>-</u>	<u>-</u>	<u>2,857</u>	<u>(2,814)</u>
Change in net assets attributable to AISES	(456,121)	330,885	16,721	(108,515)	(262,622)
Net assets, beginning of year	<u>652,469</u>	<u>320,655</u>	<u>489,261</u>	<u>1,462,385</u>	<u>1,725,007</u>
Net assets, end of year	<u>\$ 196,348</u>	<u>\$ 651,540</u>	<u>\$ 505,982</u>	<u>\$ 1,353,870</u>	<u>\$ 1,462,385</u>

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATED STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2014**  
**(With Comparative Totals for 2013)**

	<b>2014</b>	<b>2013</b>
Operating activities		
Change in net assets	\$ (111,372)	\$ (259,808)
Adjustments to reconcile change in net assets to net cash used by operating activities		
Provision for bad debt	23,785	21,500
Depreciation	19,124	23,860
Noncontrolling interest in AISES Publishing, Inc. losses (earnings)	2,857	(2,814)
Gain on investments	(25,580)	(152,341)
Net changes to operating assets and liabilities		
Receivables	(535,771)	29,855
Prepaid expenses and deposits	(1,963)	(23,555)
Inventories	2,838	94
Accounts payable and accrued liabilities	421,448	(36,346)
Deferred revenue	(121,533)	(16,376)
	(326,167)	(415,931)
Net cash used by operating activities		
Investing activities		
Purchase of property and equipment	-	(5,001)
Purchase of investments	(320,970)	(866,980)
Proceeds from sale of investments	324,357	1,555,332
	3,387	683,351
Net cash provided by investing activities		
Change in cash and equivalents	(322,780)	267,420
Cash and equivalents, beginning of year	745,277	477,857
Cash and equivalents, end of year	\$ 422,497	\$ 745,277

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

### 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 1,200 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.

*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.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

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

#### 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, 2013, 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 \$3,524 and \$8,072 in 2014 and 2013, respectively.



# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

### 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 considered fully collectible at December 31, 2014 and 2013.

#### 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 \$23,785 and zero as of December 31, 2014 and 2013, 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.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

### 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, 2014 and 2013, 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.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(With Comparative Totals for December 31, 2013)

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

#### Reclassifications

Certain reclassifications have been made to the 2013 financial statements to conform to the 2014 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 \$14,023 and zero in 2014 and 2013, 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, 2014 and through August 18, 2015, 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**

**December 31, 2014  
(With Comparative Totals for December 31, 2013)**

**NOTE 2 - PROPERTY AND EQUIPMENT**

	<b>2014</b>	<b>2013</b>
Computer	\$ 179,607	\$ 179,607
Furniture	17,934	17,934
Leasehold improvements	15,681	15,681
Office	14,410	14,410
Art collection	6,500	6,500
	234,132	234,132
Less accumulated depreciation	218,023	198,899
Total property and equipment	\$ 16,109	\$ 35,233

**NOTE 3 - INVESTMENTS**

The following table sets forth by level, within the fair value hierarchy, AISES' assets at fair value as of December 31, 2014:

<b>Assets at Fair Value as of December 31, 2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Cash Equivalents	\$ 47,047	\$ -	\$ -	\$ 47,047
Fixed Income				
Intermediate Term Bond	108,450	-	-	108,450
World Bond	21,844	-	-	21,844
Short Term Bond	21,010	-	-	21,010
High Yield Bond	20,722	-	-	20,722
Bank Loan	20,393	-	-	20,393
Equity Securities				
Large Cap Blend	63,613	-	-	63,613
Large Cap Growth	63,545	-	-	63,545
Large Value	62,449	-	-	62,449
Mid Cap Blend	44,065	-	-	44,065
Small Cap Blend	15,198	-	-	15,198
Mid Cap Value	8,244	-	-	8,244
	\$ 496,580	\$ -	\$ -	\$ 496,580

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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

**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, 2013:

<b>Assets at Fair Value as of December 31, 2013</b>				
	<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
	<b>\$ 474,387</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 474,387</b>

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, 2014.

*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**

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**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, the 2011, 2012 and 2013 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, 2014.

**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. At December 31, 2014 management did determine that this discount would be immaterial. All pledges receivable are from one donor at December 31, 2014. 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 \$247,500 at December 31, 2014 and \$100,000 at December 31, 2013.

Contributions receivable consist of the following as of December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
Receivables due in less than one year	\$ 82,500	\$ 100,000
Receivables due in one to five years	<u>165,000</u>	<u>-</u>
	<u>\$ 247,500</u>	<u>\$ 100,000</u>

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**NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS**

Contributions have been temporarily restricted for the following purposes:

	<b>2014</b>	<b>2013</b>
Scholarships	\$ 552,597	\$ 213,027
Endowment	56,495	47,628
Other	42,448	60,000
	\$ 651,540	\$ 320,655

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

	<b>2014</b>	<b>2013</b>
Scholarships	\$ 301,330	\$ 296,290

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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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 8 - ENDOWMENTS - CONTINUED**

**Endowment Net Assets Composition by Type of Fund as of December 31, 2014**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 56,495	\$ 505,982	\$ 562,477
Total funds	<u>\$ 56,495</u>	<u>\$ 505,982</u>	<u>\$ 562,477</u>

**Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2014**

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 47,628	\$ 489,261	\$ 536,889
Investment return			
Interest and dividends, net of management fees	-	1,611	1,611
Net realized and unrealized gains	<u>-</u>	<u>7,310</u>	<u>7,310</u>
Total investment return	-	8,921	8,921
Contributions	-	16,667	16,667
Reclassification of temporarily restricted investment return	<u>8,867</u>	<u>(8,867)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 56,495</u>	<u>\$ 505,982</u>	<u>\$ 562,477</u>



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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	\$ 489,261	\$ 536,889
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	<u>-</u>	<u>8,354</u>	<u>8,354</u>
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	<u>11,540</u>	<u>(11,540)</u>	<u>-</u>
Endowment net assets, end of year	<u>\$ 47,628</u>	<u>\$ 489,261</u>	<u>\$ 536,889</u>

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

### 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, 2014 and 2013.

# American Indian Science and Engineering Society and Subsidiary

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2014  
(With Comparative Totals for December 31, 2013)

### 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. In November 2014, the agreement was amended to allow for up to \$300,000 to be drawn upon as needed. The line-of-credit bears variable interest at prime (3.25% at December 31, 2014) plus 1.00%, with a floor of 5.00%, and required monthly payments of interest only. The balance was zero at December 31, 2014 and 2013, respectively. The line-of-credit matures September 2015. 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 2018. Additionally, AISES leases its office facility under a non-cancelable operating lease which will expire in 2017.

Minimum future lease payments follow:

2015	\$ 114,782
2016	107,142
2017	72,835
2018	<u>2,168</u>
	<u>\$ 296,927</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 \$131,287 and \$94,445 in 2014 and 2013, 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, 2014  
(With Comparative Totals for December 31, 2013)**

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

Major Contributors

For the year ended December 31, 2014, AISES received contributions totaling \$330,000 from one major contributor. Related pledge receivable outstanding at December 31, 2014 was \$247,500.

**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 \$43,809 and \$49,173 in December 31, 2014 and 2013, 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 \$4,922 and \$13,295 to the Plan during 2014 and 2013, respectively.

## **SUPPLEMENTAL SCHEDULES**

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

December 31, 2014  
(With Comparative Totals for 2013)

	AISES	AISES Publishing, Inc.	Consolidation	2014 Total	2013 Total
<b><u>Assets</u></b>					
Current assets					
Cash and cash equivalents	\$ 318,339	\$ 104,158	\$ -	\$ 422,497	\$ 745,277
Investments	496,580	-	-	496,580	474,387
Receivables					
Conference, net	325,979	-	-	325,979	139,170
Pledge receivable	82,500	-	-	82,500	100,000
Contribution, trade, and other	207,111	152,692	(98,641)	261,162	83,485
Prepaid expenses and deposits	58,375	1,499	-	59,874	57,911
Inventories	20,271	-	-	20,271	23,109
	<u>1,509,155</u>	<u>258,349</u>	<u>(98,641)</u>	<u>1,668,863</u>	<u>1,623,339</u>
Total current assets					
Property and equipment, net	16,109	-	-	16,109	35,233
Restricted investments	-	-	-	-	-
Investment in AISES Publishing, Inc.	224,292	-	(224,292)	-	-
Pledge receivable	165,000	-	-	165,000	-
	<u>\$ 1,914,556</u>	<u>\$ 258,349</u>	<u>\$ (322,933)</u>	<u>\$ 1,849,972</u>	<u>\$ 1,658,572</u>
<b><u>Liabilities and Net Assets</u></b>					
Current liabilities					
Accounts payable and accrued liabilities	\$ 449,425	\$ 5,867	\$ (5,074)	\$ 450,218	\$ 28,770
Note Payable	93,567	-	(93,567)	-	-
Deferred revenue	45,884	-	-	45,884	167,417
	<u>588,876</u>	<u>5,867</u>	<u>(98,641)</u>	<u>496,102</u>	<u>196,187</u>
Total current liabilities					
Net assets					
Unrestricted					
AISES	109,658	-	-	109,658	562,922
Board designated	58,500	-	-	58,500	58,500
Noncontrolling interest in AISES Publishing, Inc.	-	-	28,190	28,190	31,047
Temporarily restricted	651,540	-	-	651,540	320,655
Permanently restricted	505,982	-	-	505,982	489,261
Common stock	-	101	(101)	-	-
Less: Treasury stock, 101 common shares, at cost	-	(101)	101	-	-
Retained earnings	-	252,482	(252,482)	-	-
	<u>1,325,680</u>	<u>252,482</u>	<u>(224,292)</u>	<u>1,353,870</u>	<u>1,462,385</u>
Total net assets					
	<u>\$ 1,914,556</u>	<u>\$ 258,349</u>	<u>\$ (322,933)</u>	<u>\$ 1,849,972</u>	<u>\$ 1,658,572</u>

## American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS

Year ended December 31, 2014  
(With Comparative Totals for 2013)

<b>Revenues, Support and Gains</b>	<b>AISES Publishing, Inc.</b>			<b>2014</b>	<b>2013</b>
	<b>AISES</b>	<b>Inc.</b>	<b>Consolidation</b>	<b>Total</b>	<b>Total</b>
Conference registration fees	\$ 1,026,387	\$ -	\$ (85,000)	\$ 941,387	\$ 1,211,036
Advertising income	-	364,344	-	364,344	411,402
Grants - federal	406,773	-	-	406,773	226,383
Contributions	726,751	-	-	726,751	394,884
Grants - state and other	138,174	-	-	138,174	40,826
Membership fees	79,691	-	-	79,691	97,558
Investment income	25,580	-	-	25,580	152,341
Subscription sales	-	5,939	-	5,939	5,566
Other, net	54,650	3,139	(3,139)	54,650	38,488
(Loss) gain on investment in subsidiary	(25,506)	-	22,649	(2,857)	2,814
<b>Total revenues, support and gains</b>	<b>2,432,500</b>	<b>373,422</b>	<b>(65,490)</b>	<b>2,740,432</b>	<b>2,581,298</b>
<b>Expenses</b>					
Program services					
Conference	919,999	-	-	919,999	725,602
Training and development	375,281	-	-	375,281	428,085
Publishing	-	398,928	(85,000)	313,928	386,622
Scholarships	295,472	-	-	295,472	248,228
Other	100,969	-	-	100,969	101,719
Internships	66,190	-	-	66,190	56,090
Education and outreach	851	-	-	851	1,710
	<b>1,758,762</b>	<b>398,928</b>	<b>(85,000)</b>	<b>2,072,690</b>	<b>1,948,056</b>
Supporting services					
Management and general	634,122	-	(3,139)	630,983	673,787
Fund-raising	148,131	-	-	148,131	219,263
	<b>782,253</b>	<b>-</b>	<b>(3,139)</b>	<b>779,114</b>	<b>893,050</b>
<b>Total expenses</b>	<b>2,541,015</b>	<b>398,928</b>	<b>(88,139)</b>	<b>2,851,804</b>	<b>2,841,106</b>
Change in net assets	(108,515)	(25,506)	22,649	(111,372)	(259,808)
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	2,857	-	-	2,857	(2,814)
Change in net assets attributable to AISES	(105,658)	(25,506)	22,649	(108,515)	(262,622)
Net assets, beginning of year	1,431,340	277,988	(246,943)	1,462,385	1,725,007
Net assets, end of year	\$ 1,325,682	\$ 252,482	\$ (224,294)	\$ 1,353,870	\$ 1,462,385

# American Indian Science and Engineering Society and Subsidiary

## CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES

**Year ended December 31, 2014**  
**(With Comparative Totals for 2013)**

	Program Services					
	Conference	Training and Development	AISES Publishing, Inc.	Internships	Scholarships	Education and Outreach
	Salaries	\$ 52,591	\$ 157,683	\$ -	\$ 31,859	\$ 8,270
Professional fees	298,954	1,783	124,505	-	-	-
Convention costs	433,216	11,964	-	-	-	-
Awards/gifts and scholarships	22,975	23,663	-	-	280,638	-
Fringe benefits	15,834	33,994	-	19,373	2,564	-
Printing and copying	25,605	-	125,959	-	-	-
Participant costs and stipends	25,231	73,374	-	-	-	-
Miscellaneous	13,836	7,592	44,820	-	-	-
Travel	10,863	58,501	793	10,710	-	851
Occupancy	-	500	-	-	-	-
Computer service and equipment	376	-	-	4,248	4,000	-
Postage and shipping	2,596	1,133	17,842	-	-	-
Depreciation	-	-	-	-	-	-
Bad debt expense	-	-	-	-	-	-
Materials and supplies	1,842	137	-	-	-	-
Telephone and communications	512	1,937	-	-	-	-
Housing allowance	-	-	-	-	-	-
Dues and subscriptions	2,145	2,420	-	-	-	-
Advertising	13,423	600	-	-	-	-
Office expense	-	-	9	-	-	-
	\$ 919,999	\$ 375,281	\$ 313,928	\$ 66,190	\$ 295,472	\$ 851



Schedule 3

		<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>2014 Total</b>	<b>2013 Total</b>		
\$ 37,235	\$ 287,638	\$ 127,646	\$ 54,435	\$ 182,081	\$ 469,719	\$ 612,966		
14,986	440,228	172,445	30,954	203,399	643,627	452,494		
-	445,180	-	-	-	445,180	436,791		
1,305	328,581	95	75	170	328,751	320,291		
17,868	89,633	63,871	14,500	78,371	168,004	191,454		
4,882	156,446	6,007	13,349	19,356	175,802	179,055		
-	98,605	-	-	-	98,605	148,086		
12,629	78,877	31,157	497	31,654	110,531	133,890		
1,568	83,286	42,709	15,831	58,540	141,826	116,429		
-	500	101,040	4,928	105,968	106,468	94,445		
7,476	16,100	19,490	3,609	23,099	39,199	38,058		
108	21,679	2,723	544	3,267	24,946	29,240		
-	-	19,124	-	19,124	19,124	23,860		
-	-	23,785	-	23,785	23,785	21,500		
5	1,984	6,925	111	7,036	9,020	14,340		
312	2,761	11,264	2,759	14,023	16,784	9,987		
-	-	-	-	-	-	9,219		
2,595	7,160	2,702	6,539	9,241	16,401	9,001		
-	14,023	-	-	-	14,023	-		
-	9	-	-	-	9	-		
<b>\$ 100,969</b>	<b>\$ 2,072,690</b>	<b>\$ 630,983</b>	<b>\$ 148,131</b>	<b>\$ 779,114</b>	<b>\$ 2,851,804</b>	<b>\$ 2,841,106</b>		