

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

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010 and 2009

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

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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, 2010, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of AISES's 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 2009 financial statements and in our report dated May 27, 2010, 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, 2010, 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 made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information included in Schedules 1, 2 and 3 is presented for the purpose of additional analysis and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly presented in all material respects in relation to the consolidated financial statements taken as a whole.

Handwritten signature in black ink that reads "PULAKOS CPAs, PC". The signature is stylized with a large, flowing initial 'P'.

March 2, 2011

Pulakos CPAs, PC

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

**December 31, 2010
(With Comparative Totals for 2009)**

	<u>Assets</u>	
	<u>2010</u>	<u>2009</u>
Current assets		
Cash and cash equivalents	\$ 464,857	\$ 447,140
Certificates of deposit	201,113	-
Investments	261,061	218,856
Receivables		
Conference, net	105,862	55,475
Contribution, trade, pledges and other	149,461	371,658
Grants	15,888	60,380
Prepaid expenses and deposits	17,022	36,806
Inventories	4,910	9,663
Total current assets	<u>1,220,174</u>	<u>1,199,978</u>
Property and equipment	139,476	179,331
Pledges receivable	322,000	43,000
Investments - Sequoyah endowment	628,427	585,000
Investments - Other endowment	48,447	36,231
	<u>\$ 2,358,524</u>	<u>\$ 2,043,540</u>
	<u>Liabilities and Net Assets</u>	
Current liabilities		
Accounts payable	\$ 1,617	\$ 58,604
Accrued liabilities	71,494	26,708
Deferred revenue	326,296	342,615
Total current liabilities	<u>399,407</u>	<u>427,927</u>
Net assets		
Unrestricted		
AISES	366,874	331,281
Noncontrolling interest in AISES Publishing, Inc.	20,630	18,106
Temporarily restricted	508,166	604,995
Permanently restricted	1,063,447	661,231
Total net assets	<u>1,959,117</u>	<u>1,615,613</u>
	<u>\$ 2,358,524</u>	<u>\$ 2,043,540</u>

See Notes to Consolidated Financial Statements.

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

**Year Ended December 31, 2010
(With Comparative Totals for 2009)**

	2010			Total	2009 Total
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, support and gains					
Conference registration fees	\$ 1,139,847	\$ -	\$ -	\$ 1,139,847	\$ 1,041,269
Advertising income	415,396	-	-	415,396	479,330
Grants - federal	270,282	-	-	270,282	485,417
Contributions	183,573	375,264	400,000	958,837	613,665
Grants - state and other	168,198	-	-	168,198	226,379
Membership fees	76,792	-	-	76,792	85,960
Science fair	53,570	-	-	53,570	97,825
Investment income	35,149	69,148	2,216	106,513	123,375
Subscription sales	2,589	-	-	2,589	13,652
Other, net	9,513	-	-	9,513	26,239
Gain on investment of subsidiary	2,527	-	-	2,527	591
Net assets released from restrictions	541,241	(541,241)	-	-	-
Total revenues, support and gains	<u>2,898,677</u>	<u>(96,829)</u>	<u>402,216</u>	<u>3,204,064</u>	<u>3,193,702</u>
Expenses					
Program services					
Conference	740,422	-	-	740,422	667,525
Training and development	473,203	-	-	473,203	842,208
Publishing	395,426	-	-	395,426	487,709
Internships	179,228	-	-	179,228	118,526
Scholarships	253,900	-	-	253,900	253,408
Education and outreach	157,711	-	-	157,711	112,775
Other	57,073	-	-	57,073	51,210
	<u>2,256,963</u>	<u>-</u>	<u>-</u>	<u>2,256,963</u>	<u>2,533,361</u>
Supporting services					
Management and general	448,561	-	-	448,561	433,568
Fund-raising	152,509	-	-	152,509	197,379
	<u>601,070</u>	<u>-</u>	<u>-</u>	<u>601,070</u>	<u>630,947</u>
Total expenses	<u>2,858,033</u>	<u>-</u>	<u>-</u>	<u>2,858,033</u>	<u>3,164,308</u>
Change in net assets	40,644	(96,829)	402,216	346,031	29,394
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	(2,527)	-	-	(2,527)	(591)
Change in net assets attributable to AISES	38,117	(96,829)	402,216	343,504	28,803
Net assets, beginning of year	349,387	604,995	661,231	1,615,613	1,586,810
Net assets, end of year	<u>\$ 387,504</u>	<u>\$ 508,166</u>	<u>\$ 1,063,447</u>	<u>\$ 1,959,117</u>	<u>\$ 1,615,613</u>

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

**Year Ended December 31, 2010
(With Comparative Totals for 2009)**

	2010	2009
Operating activities		
Change in net assets	\$ 346,031	\$ 29,394
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities		
Provision for bad debt	-	(1,000)
Depreciation	55,714	34,375
Noncontrolling interest in AISES Publishing, Inc. earnings	(2,527)	(591)
Change in net assets of AISES Foundation	-	19,708
Gain on investments	(48,747)	(107,750)
Net changes to operating assets and liabilities		
Accounts receivable	(62,698)	(111,642)
Prepaid expenses and deposits	19,784	51,994
Inventories	4,753	1,957
Accounts payable	(56,987)	14,608
Accrued liabilities	44,786	(6,175)
Deferred revenue	(16,319)	(10,065)
Net cash provided (used) by operating activities	283,790	(85,187)
Investing activities		
Purchase of property and equipment	(15,859)	(56,280)
Purchase of investments	(49,101)	(732,337)
Proceeds from sale of investments	-	585,000
(Purchases) redemptions of certificate of deposit	(201,113)	99,925
Net cash used by investing activities	(266,073)	(103,692)
Change in cash and equivalents	17,717	(188,879)
Cash and equivalents, beginning of year	447,140	636,019
Cash and equivalents, end of year	\$ 464,857	\$ 447,140

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 services 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 seven internship programs to explore careers with non-governmental organizations and the federal service.

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Basis of accounting

The 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.

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, 2010 and 2009.

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 \$1,950 and \$2,025 as of December 31, 2010 and 2009, respectively.

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

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.

Net assets

Financial statement presentation follows the recommendations under accounting principles generally accepted in the United States of America for Financial Statements of Not-for-Profit Organizations. As such, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Treasury stock

Treasury stock is shown at cost, and as of December 31, 2010 and 2009, 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, conference, science fair and leadership conference sponsorships received in advance of the awarding of the scholarship or date of the event.

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 \$11,613 in 2010 and \$18,873 in 2009.

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. 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.

Reclassifications

Certain reclassifications were made to the 2009 consolidated financial statements to conform with the 2010 presentation for net asset classification.

Subsequent events

AISES has evaluated all events occurring subsequent to December 31, 2010 and through March 2, 2011, 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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

NOTE 2 - PROPERTY AND EQUIPMENT

	2010	2009
Computer	\$ 334,054	\$ 318,195
Office	12,814	12,814
Furniture	14,197	14,197
Art collection	6,500	6,500
Leasehold improvements	13,879	13,879
	381,444	365,585
Less accumulated depreciation	241,968	186,254
	\$ 139,476	\$ 179,331

NOTE 3 - INVESTMENTS

	2010		2009	
	Cost	FMV	Cost	FMV
Cash equivalents	\$ 51,448	\$ 51,448	\$ 90,558	\$ 90,566
Stocks				
Pooled equity funds	472,622	607,675	461,791	551,651
Common stocks	37,103	46,705	15,107	18,827
Fixed income securities				
Pooled fixed income funds	220,538	232,107	165,076	179,043
	\$ 781,711	\$ 937,935	\$ 732,532	\$ 840,087

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.

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 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, API's 2008, 2009 and 2010 tax years are open and subject to examination by the Internal Revenue Service and New Mexico Taxation and Revenue Department. However, API is not currently under audit, nor has API been contacted by any of these jurisdictions. Based on the evaluation of API's tax positions, Management believes all positions taken would be upheld under an examination. Therefore, API has recorded no provision for the effects of uncertain tax positions for the year ended December 31, 2010.

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, 2010. 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 \$322,000 at December 31, 2010 and \$23,000 at December 31, 2009.

The amount of pledges receivable expected to be collected in the next four years is as follows: 2011 - \$1,000; 2012 - \$101,000; 2013 - \$120,000; 2014 - \$100,000.

NOTE 6 - TEMPORARILY RESTRICTED NET ASSETS

Contributions have been temporarily restricted for the following purposes:

	<u>2010</u>	<u>2009</u>
Scholarships	\$ 239,352	\$ 212,812
Time restriction	268,814	392,183
	<u>\$ 508,166</u>	<u>\$ 604,995</u>

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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:

	2010	2009
AT Anderson Memorial Scholarship	\$ 271,725	\$ 190,457
IBM Scholarship	18,016	8,500
Google donation	250,000	-
General Motors Scholarship	1,500	4,500
AISES Foundation	-	19,708
	\$ 541,241	\$ 223,165

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. 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.

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

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

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

NOTE 7 – ENDOWMENTS – Continued

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2010

	<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	<u>\$ 184,950</u>	<u>\$ 1,063,447</u>	<u>\$ 1,248,397</u>

Endowment Net Assets Composition by Type of Fund as of December 31, 2009

	<u>Temporarily restricted</u>	<u>Permanently restricted</u>	<u>Total</u>
Donor-restricted endowment funds	\$ 115,802	\$ 621,231	\$ 737,033
Portion in pledges receivable	-	40,000	40,000
Total funds	<u>\$ 115,802</u>	<u>\$ 661,231</u>	<u>\$ 777,033</u>

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

NOTE 7 - ENDOWMENTS – Continued

Changes in Endowment Net Assets for the Fiscal Year Ended December 31, 2009

	Temporarily restricted	Permanently restricted	Total
Endowment net assets, beginning of year	\$ -	\$ 661,231	\$ 661,231
Investment return			
Interest and dividends, net of management fees	-	8,634	8,634
Net realized and unrealized gains	-	107,168	107,168
Total investment return	-	115,802	115,802
Reclassification of temporarily restricted investment return	115,802	(115,802)	-
Endowment net assets, end of year	\$ 115,802	\$ 661,231	\$ 777,033

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 2010, 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 2009, 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, 2010 and 2009.

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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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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, 2010.

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, 2010:

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

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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, 2009:

Assets at Fair value as of December 31, 2009				
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 90,566	\$ -	\$ -	\$ 90,566
Equities	527,741	42,737	-	570,478
Fixed income securities	179,043	-	-	179,043
	<u>\$ 840,087</u>	<u>\$ 42,737</u>	<u>\$ -</u>	<u>\$ 840,087</u>

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, 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 2013. Additionally, AISES leases its office facility under a non-cancelable operating lease which will expire in 2012.

Minimum future lease payments follow:

2011	\$ 91,940
2012	62,604
2013	9,301
	<u>\$ 163,845</u>

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 \$112,483 in 2010 and \$99,946 in 2009.

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 2010 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 2010 and was not renewed.

During 2010, 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 \$207,119 and \$199,064 for the years ended December 31, 2010 and 2009, respectively.

American Indian Science and Engineering Society

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2010
(With Comparative Totals for 2009)

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 2010 and 2009, AISES contributed \$9,861 and \$11,290 to the Plan.

SUPPLEMENTAL SCHEDULES

**American Indian Science and Engineering Society
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CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

**December 31, 2010
(With Comparative Totals for 2009)**

	AISES	AISES Publishing, Inc.	Consolidation	2010 Total	2009 Total
<u>Assets</u>					
Current assets					
Cash and cash equivalents	\$ 253,199	\$ 211,658	\$ -	\$ 464,857	\$ 447,140
Certificates of deposit	201,113	-	-	201,113	-
Investments	261,061	-	-	261,061	218,856
Receivables					
Conference, net	105,862	-	-	105,862	55,475
Contribution, trade, pledges and other	109,626	42,180	(2,345)	149,461	371,658
Grants	15,888	-	-	15,888	60,380
Prepaid expenses and deposits	16,761	261	-	17,022	36,806
Inventories	4,910	-	-	4,910	9,663
Total current assets	<u>968,420</u>	<u>254,099</u>	<u>(2,345)</u>	<u>1,220,174</u>	<u>1,199,978</u>
Property and equipment, net	139,476	-	-	139,476	179,331
Investment in AISES Publishing, Inc.	164,372	-	(164,372)	-	-
Pledges receivable	322,000	-	-	322,000	43,000
Investments - Sequoyah endowment	628,427	-	-	628,427	585,000
Investments - Other endowments	48,447	-	-	48,447	36,231
	<u>\$ 2,271,142</u>	<u>\$ 254,099</u>	<u>\$ (166,717)</u>	<u>\$ 2,358,524</u>	<u>\$ 2,043,540</u>
<u>Liabilities and Net Assets</u>					
Current liabilities					
Accounts payable	\$ -	\$ 3,962	\$ (2,345)	\$ 1,617	\$ 58,604
Accrued liabilities	40,010	31,484	-	71,494	26,708
Deferred revenue	292,645	33,651	-	326,296	342,615
Total current liabilities	<u>332,655</u>	<u>69,097</u>	<u>(2,345)</u>	<u>399,407</u>	<u>427,927</u>
Net assets					
Unrestricted					
AISES	366,874	-	-	366,874	331,281
Noncontrolling interest in AISES Publishing, Inc.	-	-	20,630	20,630	18,106
Temporarily restricted	508,166	-	-	508,166	604,995
Permanently restricted	1,063,447	-	-	1,063,447	661,231
Common stock	-	101	(101)	-	-
Less: Treasury stock, 101 common shares, at cost	-	(101)	101	-	-
Retained earnings	-	185,002	(185,002)	-	-
Total net assets	<u>1,938,487</u>	<u>185,002</u>	<u>(164,372)</u>	<u>1,959,117</u>	<u>1,615,613</u>
	<u>\$ 2,271,142</u>	<u>\$ 254,099</u>	<u>\$ (166,717)</u>	<u>\$ 2,358,524</u>	<u>\$ 2,043,540</u>

See Accountants' Report.

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

CONSOLIDATING STATEMENTS OF ACTIVITIES

**Year ended December 31, 2010
(With Comparative Totals for 2009)**

Revenues, Support and Gains	AISES	AISES Publishing, Inc.	Consolidation	2010 Total	2009 Total
Conference registration fees	\$ 1,139,847	\$ -	\$ -	\$ 1,139,847	\$ 1,041,269
Advertising income	-	415,396	-	415,396	479,330
Grants - federal	270,282	-	-	270,282	485,417
Contributions	958,837	-	-	958,837	613,665
Grants - state and other	168,198	-	-	168,198	226,379
Membership fees	76,792	-	-	76,792	85,960
Science fair	53,570	-	-	53,570	97,825
Investment income	106,513	-	-	106,513	123,375
Subscription sales	-	2,589	-	2,589	13,652
Other, net	9,513	-	-	9,513	26,239
Gain on investment in subsidiary	22,559	-	(20,032)	2,527	591
	<u>2,806,111</u>	<u>417,985</u>	<u>(20,032)</u>	<u>3,204,064</u>	<u>3,193,702</u>
Expenses					
Program services					
Conference	740,422	-	-	740,422	667,525
Training and development	473,203	-	-	473,203	842,208
Publishing	-	395,426	-	395,426	487,709
Internships	179,228	-	-	179,228	118,526
Scholarships	253,900	-	-	253,900	253,408
Education and outreach	157,711	-	-	157,711	112,775
Other	57,073	-	-	57,073	51,210
	<u>1,861,537</u>	<u>395,426</u>	<u>-</u>	<u>2,256,963</u>	<u>2,533,361</u>
Supporting services					
Management and general	448,561	-	-	448,561	433,568
Fund-raising	152,509	-	-	152,509	197,379
	<u>601,070</u>	<u>-</u>	<u>-</u>	<u>601,070</u>	<u>630,947</u>
Total expenses	<u>2,462,607</u>	<u>395,426</u>	<u>-</u>	<u>2,858,033</u>	<u>3,164,308</u>
Change in net assets	343,504	22,559	(20,032)	346,031	29,394
Less: Change in net assets attributable to noncontrolling interest in AISES Publishing, Inc.	(2,527)	-	-	(2,527)	(591)
Change in net assets attributable to AISES	<u>340,977</u>	<u>22,559</u>	<u>(20,032)</u>	<u>343,504</u>	<u>28,803</u>
Net assets, beginning of year	<u>1,597,510</u>	<u>162,443</u>	<u>(144,340)</u>	<u>1,615,613</u>	<u>1,586,810</u>
Net assets, end 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>

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

CONSOLIDATING STATEMENTS OF FUNCTIONAL EXPENSES

**Year ended December 31, 2010
(With Comparative Totals for 2009)**

	Program Services							Total Program Services
	Conference	Training and Development	AISES Publishing, Inc.	Internships	Scholarships	Education and Outreach	Other	
Professional fees	\$ 103,173	\$ 81,300	\$ 213,247	\$ -	\$ -	\$ 719	\$ 12,108	\$ 410,547
Salaries	55,601	147,221	-	28,465	-	101,182	25,411	357,880
Convention costs	372,995	64,841	-	-	-	-	-	437,836
Awards/gifts and scholarships	47,517	43,449	-	-	253,900	74	911	345,851
Printing and copying	25,747	9,781	121,590	76	-	1,041	333	158,568
Travel	41,631	50,909	8,941	7,709	-	18,987	-	128,177
Fringe benefits	14,123	36,330	-	9,722	-	19,915	7,204	87,294
Participant costs and stipends	32,321	175	-	98,092	-	-	-	130,588
Occupancy	19,114	26,253	-	-	-	11,272	7,779	64,418
Miscellaneous	16,978	1,697	29,244	2,486	-	17	2,204	52,626
Housing allowance	-	-	-	32,209	-	-	-	32,209
Postage and shipping	4,110	1,436	18,752	3	-	409	1,006	25,716
Bad debt expense	-	-	-	-	-	-	-	-
Materials and supplies	1,357	1,867	-	38	-	247	14	3,523
Telephone and communications	2,536	2,465	-	428	-	63	103	5,595
Computer service and equipment	849	1,050	-	-	-	-	-	1,899
Depreciation	-	-	-	-	-	-	-	-
Dues and subscriptions	219	4,429	-	-	-	2,885	-	7,533
Advertising	2,151	-	3,330	-	-	900	-	6,381
Office expense	-	-	322	-	-	-	-	322
	<u>\$ 740,422</u>	<u>\$ 473,203</u>	<u>\$ 395,426</u>	<u>\$ 179,228</u>	<u>\$ 253,900</u>	<u>\$ 157,711</u>	<u>\$ 57,073</u>	<u>\$ 2,256,963</u>

	Supporting Services			2010 Total	2009 Total
	Management and General	Fund- Raising	Total Supporting Services		
Professional fees	\$ 74,993	\$ 48,339	\$ 123,332	\$ 533,879	\$ 739,837
Salaries	165,355	44,527	209,882	567,762	530,991
Convention costs	-	-	-	437,836	435,169
Awards/gifts and scholarships	179	-	179	346,030	342,942
Printing and copying	305	7,205	7,510	166,078	217,412
Travel	18,624	7,688	26,312	154,489	190,305
Fringe benefits	38,957	7,575	46,532	133,826	141,682
Participant costs and stipends	-	-	-	130,588	170,557
Occupancy	41,842	6,223	48,065	112,483	99,946
Miscellaneous	28,057	10,204	38,261	90,887	84,272
Housing allowance	-	-	-	32,209	34,575
Postage and shipping	1,755	1,584	3,339	29,055	33,539
Bad debt expense	-	-	-	-	2,495
Materials and supplies	6,137	490	6,627	10,150	39,079
Telephone and communications	6,608	1,963	8,571	14,166	16,638
Computer service and equipment	6,270	302	6,572	8,471	10,143
Depreciation	55,714	-	55,714	55,714	34,375
Dues and subscriptions	1,823	13,119	14,942	22,475	16,523
Advertising	1,942	3,290	5,232	11,613	18,873
Office expense	-	-	-	322	4,955
	<u>\$ 448,561</u>	<u>\$ 152,509</u>	<u>\$ 601,070</u>	<u>\$2,858,033</u>	<u>\$3,164,308</u>