

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT**

FOR THE YEAR ENDED DECEMBER 31, 2010

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Association on American Indian Affairs, Inc.
Sisseton, South Dakota

We have audited the accompanying statement of financial position of **ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.** (a New York nonprofit organization) as of December 31, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Association on American Indian Affairs, Inc. as of December 31, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The 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 generally accepted accounting principles. Accordingly, such information should be read in conjunction with the organization's financial statements for the year ended December 31, 2009, from which the summarized information was derived.

Thurman Comes Foley & Co LLP

Sioux Falls, South Dakota

May 10, 2011

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2010 AND 2009

ASSETS

	<u>2010</u>	<u>2009</u>
CURRENT ASSETS		
Cash and cash equivalents		
Interest bearing	\$ 71,661	\$ 58,526
Investments in marketable securities	1,017,942	1,168,877
Other receivables	32,006	30,659
Prepaid expenses	<u>13,456</u>	<u>18,029</u>
Total current assets	1,135,065	1,276,091
PROPERTY AND EQUIPMENT		
Furniture and equipment	200,644	192,754
Leasehold improvements	<u>-</u>	<u>14,901</u>
	200,644	207,655
Less accumulated depreciation	<u>(181,863)</u>	<u>(188,965)</u>
	<u>18,781</u>	<u>18,690</u>
	<u>\$ 1,153,846</u>	<u>\$ 1,294,781</u>

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 8,677	\$ 4,497
Accrued wages	16,208	10,639
Accrued payroll taxes	1,976	1,447
Accrued vacation	<u>10,145</u>	<u>12,624</u>
Total current liabilities	37,006	29,207
NET ASSETS		
Unrestricted	426,024	280,028
Temporarily restricted	37,993	332,723
Permanently restricted	<u>652,823</u>	<u>652,823</u>
Total net assets	<u>1,116,840</u>	<u>1,265,574</u>
	<u>\$ 1,153,846</u>	<u>\$ 1,294,781</u>

See accompanying notes to financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

(WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2009)

	2010			Total	2009
	Unrestricted	Temporarily Restricted	Permanently Restricted		
Revenues, gains and other support					
Contributions and dues	\$ 157,094	\$ 100	\$ -	\$ 157,194	\$ 173,389
Legacies	74,938	-	-	74,938	100,390
Grants	21,256	213,445	-	234,701	243,177
Investment income	3,981	25,640	-	29,621	32,688
Media sales	4,743	-	-	4,743	1,808
Other income	10,766	2,049	-	12,815	57,606
In-kind contributions	-	6,400	-	6,400	6,400
Realized losses					
on investments	(3,678)	(24,159)	-	(27,837)	(124,344)
Unrealized gains (losses)					
on investments	132,299	-	-	132,299	287,061
Net assets released from restrictions					
Satisfaction of restrictions	518,205	(518,205)	-	-	-
Total revenues, gains and other support	919,604	(294,730)	-	624,874	778,175
Expenses					
Programs	512,057	-	-	512,057	511,569
General and administrative	65,126	-	-	65,126	68,989
Fund raising	196,425	-	-	196,425	197,231
Total expenses	773,608	-	-	773,608	777,789
Change in net assets	\$ 145,996	\$ (294,730)	\$ -	\$ (148,734)	\$ 386
Net Assets, beginning of year	\$ 280,028	\$ 332,723	\$ 652,823	\$ 1,265,574	\$ 1,265,188
Change in net assets	145,996	(294,730)	-	(148,734)	386
Net Assets, end of year	\$ 426,024	\$ 37,993	\$ 652,823	\$ 1,116,840	\$ 1,265,574

See accompanying notes to financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 30, 2010 AND 2009

	<u>2010</u>	<u>2009</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ (148,734)	\$ 386
Adjustments to reconcile to net cash provided by operating activities		
Net realized gains and losses and unrealized appreciation on investments	(104,462)	(162,717)
Loss on disposal of assets	1,490	-
Depreciation	6,309	5,248
Changes in operating assets and liabilities		
Other receivables	(1,347)	39,357
Prepaid expenses	4,573	(2,330)
Accounts payable	4,180	1,541
Accrued wages	5,569	813
Accrued payroll taxes	529	(3,236)
Accrued vacation	<u>(2,479)</u>	<u>(3,382)</u>
Net cash used by operating activities	(234,372)	(124,320)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(7,890)	(9,191)
Investment sales and maturities	450,397	419,720
Investment purchases	<u>(195,000)</u>	<u>(328,030)</u>
Net cash provided by investing activities	<u>247,507</u>	<u>82,499</u>
Change in cash	13,135	(41,821)
CASH, beginning of year	<u>58,526</u>	<u>100,347</u>
CASH, end of year	<u>\$ 71,661</u>	<u>\$ 58,526</u>

See accompanying notes to financial statements.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Organization**

The Association on American Indian Affairs, Inc. (the Association) is an independent organization established for the purpose of assisting American Indian and Alaska Native communities in their efforts to achieve full economic, social and civic equality, and to defend their rights.

b. Accounting Basis

Contributions, dues and other revenues are recognized when a donor makes a promise to give to the Association that is, in substance, unconditional. The Association reports such revenue as restricted support if received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is when a stipulated time restriction ends or a purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Legacies that are received with donor stipulations are recorded as permanently restricted support. The income on the permanently restricted net assets is recorded as temporarily restricted net assets until the restricted purpose is met, at which time the income utilized for the restricted purpose is reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Investment appreciation (depreciation) is recorded as unrestricted net assets.

Expenses are recognized as they are incurred.

c. Investments

Investments are composed of equity securities and mutual funds investing in debt and equity securities and are carried at fair market value based on established market quotes.

d. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could vary from those estimates.

e. Property and Equipment

Property and equipment are recorded at cost. Depreciation is provided using the straight-line method over the useful lives of the assets, which range from five to ten years. Depreciation expense for the years ended December 31, 2010 and 2009 was \$6,309 and \$5,248 respectively.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Cash and Cash Equivalents

For the purposes of the statement of cash flows, the Association has designated money fund shares in the investment account as cash equivalents in determining the net change in cash.

g. Functional Allocation of Expenses

The costs of providing the various programs and other activities of the Association have been summarized on a functional and object classification basis in the supplemental schedule of functional expenses. Certain costs have been allocated among the programs and supporting services benefited.

Fund raising expenses in connection with direct mail appeals are allocated to supporting services only. Fund raising expenses on the schedule of functional expenses principally consist of: printing costs, postage and mailing costs, premiums, and mailing list maintenance and rental costs.

h. Income Taxes

The Association qualifies for exemption from federal income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified as other than a private foundation.

The Association's Forms 990, Return of Organization Exempt from Income Tax, for the years ending 2007, 2008 and 2009 are subject to examination by the IRS, generally for three years after they were filed.

2. CASH

Interest bearing cash consists of the following as of December 31,

	<u>2010</u>	<u>2009</u>
Checking and savings accounts	\$ 50,979	\$ 52,965
Money market funds	<u>20,682</u>	<u>5,561</u>
	<u>\$ 71,661</u>	<u>\$ 58,526</u>

The Association maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Association has not experienced any losses in such accounts. The Association does not believe it is exposed to any significant credit risk on cash.

3. EMPLOYEE BENEFIT PLAN

The Association has a defined contribution plan covering substantially all full time employees. Under the plan, the Association contributed five percent of each eligible employee's salary until contributions were suspended as of March 31, 2009. The five percent contribution was reinstated on July 1, 2010. The plan also includes a tax deferred annuity option that employees may participate in at their discretion. Plan expenses for the years ended December 31, 2010 and 2009, were \$13,755 and \$10,872 respectively. The Association approved changing the benefit plan to a 403(b) Thrift Plan during 2010, the change was effective in 2011.

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

4. INVESTMENTS

Investments consist of the following, stated at fair market value:

	Cost or Basis	Market Value
<u>December 31, 2010</u>		
Bond funds	\$ 326,017	\$ 335,626
Equity funds	525,263	682,316
	<u>\$ 851,280</u>	<u>\$ 1,017,942</u>
<u>December 31, 2009</u>		
Bond funds	\$ 461,728	\$ 466,363
Equity funds	672,786	702,514
	<u>\$ 1,134,514</u>	<u>\$ 1,168,877</u>

The following schedule summarizes the investment return and its classification in the statement of activities for the year ended December 31, 2010:

	Unrestricted	Temporarily Restricted	Total
Interest and dividends	\$ 3,903	\$ 25,640	\$ 29,543
Realized gains	(3,678)	(24,159)	(27,837)
Unrealized gains	<u>132,299</u>	<u>-</u>	<u>132,299</u>
Total investment return	<u>\$ 132,524</u>	<u>\$ 1,481</u>	<u>\$ 134,005</u>

The fair value measurements and levels within the hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2010 are as follows:

Description	Fair Value	Quoted Prices In active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Long-term Investments			
Equity Funds	\$ 682,316	\$ 682,316	\$ -
Bond Funds	<u>335,626</u>	<u>335,626</u>	<u>-</u>
	<u>\$ 1,017,942</u>	<u>\$ 1,017,942</u>	<u>\$ -</u>

The fair value measurements and levels within the hierarchy of those measurements for the assets reported at fair value on a recurring basis at December 31, 2009 are as follows:

Description	Fair Value	Quoted Prices In active Markets for Identical Assets (Level 1)	Significant Unobservable Inputs (Level 3)
Long-term Investments			
Equity Funds	\$ 702,514	\$ 702,514	\$ -
Bond Funds	<u>466,363</u>	<u>466,363</u>	<u>-</u>
	<u>\$ 1,168,877</u>	<u>\$ 1,168,877</u>	<u>\$ -</u>

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

NOTES TO FINANCIAL STATEMENTS

5. GRANTS

The Association has received grants from various organizations totaling \$234,701. These funds have been solicited for the purpose of promoting and supporting the Association's programs. Through December 31, 2010 the Association had received temporarily restricted grants of \$213,445. Of these restricted grant funds received, \$175,452 had been utilized for the restricted purpose. The remaining \$37,993 is being carried over to be utilized in 2011. The unused grant funds are recorded as temporarily restricted net assets on the statement of financial position. The temporarily restricted grant funds expended are reported as net assets released from restrictions and as program expenses.

6. ENDOWMENT FUNDS

Endowment funds consist of the following at December 31, 2010:

The Elizabeth and Sherman Asche Memorial Scholarship Fund

Total permanent endowment is \$237,250. The income thereon is to provide student scholarships

The Homborg Scholarship Fund

Total permanent endowment is \$142,000. The income thereon is to provide scholarship assistance for American Indian girls.

The Mary Hemenway Memorial Fund

Total permanent endowment is \$175,280. The income thereon is to be used for the education of American Indians, preferably at the college or graduate school level, either by way of scholarship grants or such other ways as the Association's Board of Directors may from time to time decide.

The Lea A. and Elsie L. Wildung Perpetual Endowment Fund

Total permanent endowment is \$73,293. The income thereon is to be used in helping and supporting Native Americans in Minnesota.

Ethel Wortis Endowment Scholarship Fund

Total permanent endowment is \$25,000. The income thereon is to be used for Native American college students requiring financial assistance to continue their studies.



**INDEPENDENT AUDITOR'S REPORT
ON ADDITIONAL INFORMATION**

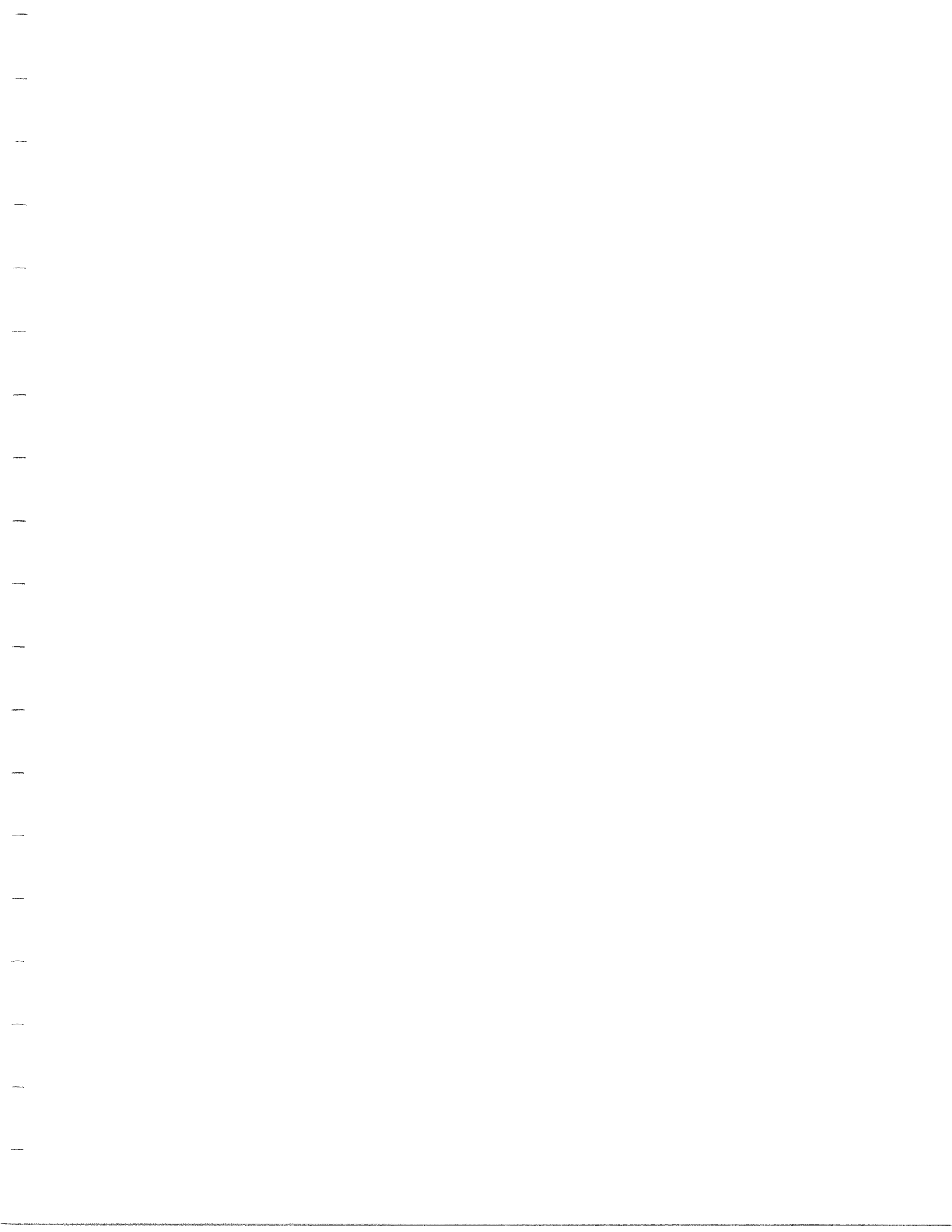
The Board of Directors
Association on American Indian Affairs, Inc.
Sisseton, South Dakota

We have audited the financial statements of Association on American Indian Affairs, Inc. as of and for the year ended December 31, 2010, and have issued our report thereon dated May 10, 2011, which contained an unqualified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of functional expenses and the schedules of comparative income and expense data are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements taken as a whole.

Thurman Comes Foley & Co LLP

Sioux Falls, South Dakota
May 10, 2011

**SCHEDULE OF FUNCTIONAL EXPENSES
SHOWN ON FOLLOWING PAGES**



SUPPORTING SERVICES

Total Program Services	General and Administrative	Fund Raising	Total Supporting Services	2010 Total	2009 Total
\$ 242,810	\$ 32,859	\$ 49,029	\$ 81,888	\$ 324,698	\$ 330,135
21,736	2,942	4,389	7,331	29,067	29,838
<u>34,687</u>	<u>4,694</u>	<u>7,004</u>	<u>11,698</u>	<u>46,385</u>	<u>39,931</u>
299,233	40,495	60,422	100,917	400,150	399,904
10,867	8,692	2,173	10,865	21,732	23,313
13,860	-	-	-	13,860	13,120
78,941	-	-	-	78,941	86,986
8,769	7,892	877	8,769	17,538	18,911
3,905	354	-	354	4,259	8,295
10,832	-	8,173	8,173	19,005	12,450
1,823	1,740	9,511	11,251	13,074	-
3,169	-	352	352	3,521	4,846
18,895	2,286	2,801	5,087	23,982	27,454
4,702	261	261	522	5,224	6,210
4,934	668	996	1,664	6,598	6,075
7,190	973	1,452	2,425	9,615	24,176
31,117	-	-	-	31,117	14,772
2,372	216	1,725	1,941	4,313	8,671
4,718	638	953	1,591	6,309	5,248
5,172	700	1,044	1,744	6,916	6,317
1,558	211	315	526	2,084	2,384
-	-	103,470	103,470	103,470	106,857
<u>-</u>	<u>-</u>	<u>1,900</u>	<u>1,900</u>	<u>1,900</u>	<u>1,800</u>
<u>\$ 512,057</u>	<u>\$ 65,126</u>	<u>\$ 196,425</u>	<u>\$ 261,551</u>	<u>\$ 773,608</u>	<u>\$ 777,789</u>

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

COMPARATIVE INCOME DATA

FOR THE YEARS ENDING DECEMBER 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
UNRESTRICTED NET ASSETS				
Contributions and dues	\$ 157,094	\$ 173,389	\$ 272,973	\$ 291,289
Legacies	74,938	21,517	405,712	306,856
Grants	21,256	22,802	24,360	16,925
Investment income	3,981	5,950	9,839	9,470
Media sales and other income	15,509	30,274	17,276	15,530
Realized gains (losses) on securities	(3,678)	(21,942)	(14,166)	32,895
Unrealized gains (losses) on securities	132,299	287,061	(414,208)	(58,692)
Net assets released from restrictions	<u>518,205</u>	<u>326,965</u>	<u>252,177</u>	<u>235,361</u>
Total unrestricted	919,604	846,016	553,963	849,634
TEMPORARILY RESTRICTED NET ASSETS				
Contributions	100	-	-	5,018
Legacies	-	78,873	-	6,065
Grants	213,445	220,375	135,774	98,000
Investment income	25,640	26,738	31,633	35,880
Media sales and other income	2,049	29,140	36,851	14,308
In-kind contributions	6,400	6,400	6,000	16,000
Realized gains (losses) on securities	(24,159)	(102,402)	(57,168)	168,766
Net assets released from restrictions	<u>(518,205)</u>	<u>(326,965)</u>	<u>(252,177)</u>	<u>(235,361)</u>
Total temporarily restricted	(294,730)	(67,841)	(99,087)	108,676
PERMANENTLY RESTRICTED NET ASSETS				
Grants	<u>-</u>	<u>25,000</u>	<u>50,000</u>	<u>-</u>
Total income	<u>\$ 624,874</u>	<u>\$ 803,175</u>	<u>\$ 504,876</u>	<u>\$ 958,310</u>

ASSOCIATION ON AMERICAN INDIAN AFFAIRS, INC.

COMPARATIVE EXPENSE DATA

FOR THE YEARS ENDING DECEMBER 31,

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
PROGRAM SERVICES				
Scholarship, Education & Youth	\$ 383,521	\$ 376,668	\$ 445,295	\$ 436,944
Health	12,233	12,723	14,945	15,575
Legal affairs	62,308	67,706	91,898	124,475
Public education	<u>53,995</u>	<u>54,472</u>	<u>74,987</u>	<u>62,636</u>
Total program services	512,057	511,569	627,125	639,630
SUPPORTING SERVICES				
General and administrative	65,126	68,989	83,851	86,199
Fund raising	<u>196,425</u>	<u>197,231</u>	<u>192,815</u>	<u>249,409</u>
Total supporting services	<u>261,551</u>	<u>266,220</u>	<u>276,666</u>	<u>335,608</u>
Total expenses	<u>\$ 773,608</u>	<u>\$ 777,789</u>	<u>\$ 903,791</u>	<u>\$ 975,238</u>