

**SOUTHWESTERN ASSOCIATION
FOR INDIAN ARTS, INC.
(A Non Profit Corporation)**

FINANCIAL STATEMENTS

For the Year Ended December 31, 2010
(With Summarized Comparative Information for the Year
Ended December 31, 2009)

With Independent Auditor's Report Thereon

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
FINANCIAL STATEMENTS
For the Year Ended December 31, 2010
(With Summarized Comparative Information for the Year Ended December 31, 2009)

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INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Southwestern Association for Indian Arts, Inc.
Santa Fe, New Mexico

We have audited the accompanying statements of financial position of Southwestern Association for Indian Arts, Inc. (SWAIA) 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 SWAIA management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from SWAIA's December 31, 2009 financial statements, and in our report dated November 18, 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 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 our audits provide 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 SWAIA as of December 31, 2010, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Swain, Mackinnon & Grieco, LLC

November 7, 2011

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2010 and 2009

<u>ASSETS</u>		
	2010	2009
Current assets		
Cash and cash equivalents, <i>notes 1 and 2</i>	\$ 274,654	\$ 376,009
Accounts receivable, <i>note 1</i>	1,913	1,863
Total current assets	276,567	377,872
 Property and equipment, <i>notes 1 and 4</i>		
Furniture, fixtures and equipment	135,063	122,820
Accumulated depreciation	(117,430)	(109,616)
Total property and equipment	17,633	13,204
 Long-term investments, <i>note 3</i>		
Time deposits	26,067	25,746
Equity securities	142,268	126,468
Marketable debt securities	59,215	55,322
Total long-term investments	227,550	207,536
 Other assets		
Prepaid expenses and deposits	26,955	10,396
Total assets	\$ 548,705	\$ 609,008

LIABILITIES AND NET ASSETS

Current liabilities		
Accounts payable	\$ 1,527	\$ 2,807
Accrued expenses	36,164	32,794
Deferred revenue, <i>note 6</i>	-	10,000
Total current liabilities	37,691	45,601
 Net assets, <i>note 1</i>		
Unrestricted	335,295	348,332
Temporarily restricted, <i>notes 1 and 9</i>	1,894	41,250
Permanently restricted, <i>notes 1 and 10</i>	173,825	173,825
Total net assets	511,014	563,407
 Total liabilities and net assets	 \$ 548,705	 \$ 609,008

The Accompanying Notes Are an Integral
Part of These Financial Statements

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010
With Comparative Totals for the Year Ended December 31, 2009

	2010			2009	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, public support and reclassifications					
Artist fee income	\$ 445,394	\$ -	\$ -	\$ 445,394	\$ 462,385
Marketing & licensing income	93,560	-	-	93,560	65,815
Sales income	87,389	-	-	87,389	91,397
Membership and contributions, <i>note 1</i>	445,467	49,500	-	494,967	410,071
Grants and endowments	10,000	78,950	-	88,950	199,622
In-kind contributions, <i>notes 1 and 7</i>	13,567	-	-	13,567	5,105
Special events	372,623	-	-	372,623	265,825
Investment income	404	4,394	-	4,798	5,239
Unrealized gain on investments	15,299	-	-	15,299	25,774
Other income	450	-	-	450	600
Net assets released from restrictions, <i>note 1</i>	-	-	-	-	-
Total revenues, public support and reclassifications	<u>1,484,153</u>	<u>132,844</u>	<u>-</u>	<u>1,616,997</u>	<u>1,531,833</u>
Expenses					
Program services					
Indian market	851,317	96,200	-	947,517	823,907
Awards and fellowships	116,497	43,000	-	159,497	132,663
In-kind expenses	13,567	-	-	13,567	-
Total program services	<u>981,381</u>	<u>139,200</u>	<u>-</u>	<u>1,120,581</u>	<u>956,570</u>
Special events	<u>89,865</u>	<u>-</u>	<u>-</u>	<u>89,865</u>	<u>78,644</u>
Support services					
Management and general	324,903	-	-	324,903	292,759
Fundraising - funds development	101,041	33,000	-	134,041	110,639
Total support services	<u>425,944</u>	<u>33,000</u>	<u>-</u>	<u>458,944</u>	<u>403,398</u>
Total expenses	<u>1,497,190</u>	<u>172,200</u>	<u>-</u>	<u>1,669,390</u>	<u>1,438,612</u>
Change in net assets	(13,037)	(39,356)	-	(52,393)	93,221
Net assets, beginning of year	<u>348,332</u>	<u>41,250</u>	<u>173,825</u>	<u>563,407</u>	<u>470,186</u>
Net assets, end of year	<u>\$ 335,295</u>	<u>\$ 1,894</u>	<u>\$ 173,825</u>	<u>\$ 511,014</u>	<u>\$ 563,407</u>

The Accompanying Notes Are an Integral
Part of These Financial Statements

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2010 and 2009

	2010	2009
Cash flows from operating activities:		
Change in net assets	\$ (52,393)	\$ 93,221
<i>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</i>		
Depreciation	7,814	5,698
(Increase) decrease in assets:		
Investments	(20,014)	(31,015)
Accounts receivable	(50)	394
Prepaid expenses and deposits	(16,559)	5,574
Increase (decrease) in liabilities:		
Accounts payable	(1,280)	634
Accrued expenses	3,370	16,635
Deferred income	(10,000)	6,500
Net cash (used) provided by operating activities	(89,112)	97,641
Cash flows from investing activities:		
Purchase of property and equipment	(12,243)	(11,273)
Adjustments to accumulated depreciation	-	(305)
Net cash used by investing activities	(12,243)	(11,578)
Net increase (decrease) in cash	(101,355)	86,063
Cash, beginning of year	376,009	289,946
Cash, end of year	\$ 274,654	\$ 376,009

Supplemental Disclosures of Non-Cash Activities

	2010	2009
In-kind expenses	13,567	-
State franchise tax	50	50
	\$ 13,617	\$ 50

The Accompanying Notes Are an Integral
Part of These Financial Statements

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Principles

Organization and Nature of Activities

Southwestern Association for Indian Arts, Inc. (SWAIA) is a not-for-profit organization incorporated in June 1971 under the laws of the State of New Mexico. SWAIA's mission is to develop, sponsor and promote the Santa Fe Indian Market and other educational programs and events that encourage cultural preservation, intercultural understanding and economic opportunities for American Indians through excellence in the arts.

Basis of Financial Statement Presentation

In June 2009, the Financial Accounting Standards Board (FASB) issued the Accounting Standards Codification (ASC or the Codification) as the source of authoritative accounting principles recognized by the FASB to be used by nongovernmental entities when preparing financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. The Codification is effective for financial statements issued for interim and annual periods ending after September 15, 2009 and was adopted by SWAIA during the year ended December 31, 2009. The Codification essentially reduces the GAAP hierarchy to two levels: authoritative and non-authoritative, with the Codification being authoritative GAAP. The adoption of the Codification did not have a significant impact on the financial statements as of and for the year ended December 31, 2010.

Basis of Accounting

The financial statements of SWAIA have been prepared on the accrual basis of accounting, and accordingly, reflect all accounts receivable and accounts payable as of December 31, 2010, and 2009. Accordingly, net assets and changes therein are classified and reported as follows:

Unrestricted Net Assets - represent those assets that SWAIA may use at its discretion.

Unrestricted net assets are not subject to donor-imposed restrictions.

Temporarily Restricted Net Assets - represent net assets subject to donor-imposed stipulations that can be fulfilled by actions of SWAIA pursuant to those stipulations or that expire by the passage of time.

Permanently Restricted Net Assets - result from donor-imposed stipulations that neither expire by the passage of time or can be fulfilled or otherwise removed by actions of SWAIA.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and related disclosures. Actual results could differ from those estimates.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Principles, continued

Description of Programs

Following are the major programs of SWAIA:

Indian Market - includes the annual organization and administration of a market to display and judge artwork from 1,100 artists from over 100 tribes showing their work in over 650 booths. Winter Indian Market is a relatively new offshoot of this program.

Awards and Fellowships - consists of judging and presenting of awards and fellowships to artists based on predefined criteria for entries into the Indian Market.

Outreach Programs – consists of providing support to and recognition of native american artists of all ages.

Income Taxes

SWAIA is a non-profit corporation that has been determined to be exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code and files an annual informational return (Form 990) with the Internal Revenue Service.

Uncertain Tax Positions

Although exempt from federal income tax, SWAIA is subject to tax on income from any unrelated business activities. SWAIA does not conduct activities subject to tax for unrelated business income. On January 1, 2010, SWAIA adopted the recognition requirements for uncertain income tax positions as required by generally accepted accounting principles, with no cumulative effect adjustment required.

SWAIA's federal Return of Organization Exempt From Income Tax (Form 990) is subject to potential examination by the IRS, generally for a three year period commencing on the date of filing.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, SWAIA considers all cash accounts with maturity of three months or less to be cash equivalents. In the normal course of operations SWAIA may maintain cash held at financial institutions in excess of the FDIC limit of \$250,000.

Investments

SWAIA carries its investments in marketable securities with readily determinable fair market values and all investments in debt securities at their fair market values in the Statement of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statement of Activities. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

Investments are composed of equity and marketable debt securities and are carried at fair market value.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Principles, continued

Property and Equipment

Property and equipment are capitalized at cost or, if donated, at the approximate fair market value at the date of donation. It is SWAIA's policy to capitalize expenditures for those items in excess of \$1,500. Amounts below \$1,500 are expensed. Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets.

Promises to Give

Contributions are recognized when the donor makes a promise to give to SWAIA that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or its purpose 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. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and the promises become unconditional.

SWAIA uses the direct write-off method to determine uncollectible unconditional promises to give.

In-Kind Contributions and Services

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that (a) create or enhance nonfinancial assets or (b) require specialized skills, are provided by individuals possessing those skills, and would otherwise be purchased by SWAIA, are recorded at their fair market values in the period received in accordance with FASB ASC 958-605-30-2, (Formerly SFAS No. 116, *Accounting for Contributions Received and Contributions Made*).

Functional Allocation of Expenses

SWAIA is required to report information regarding its financial position and activities according to three classes of net assets; unrestricted net assets, temporary restricted net assets, and permanently restricted net assets. The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Certain costs have been allocated among the programs and supporting services benefited.

Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform to the presentation in the current-year financial statements.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(1) Summary of Significant Accounting Principles, continued

Comparative Financial Information

The financial statements and related footnotes 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 SWAIA's financials statements for the year ended December 31, 2009, from which the summarized information was derived.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2010 and 2009:

	2010	2009
Checking Deposits	\$ 274,504	\$ 375,790
Petty Cash	150	219
Total:	\$ 274,654	\$ 376,009

(3) Investments

Investments are stated at fair value and are summarized for the years ended December 31, 2010 and 2009, respectively, as follows:

	2010			2009
	Cost	Fair Value	Carrying Value	Carrying Value
Time Deposits	\$ 25,000	\$ 26,067	\$ 26,067	\$ 25,746
Equity Securities	140,851	142,268	142,268	126,468
Marketable Debt Securities	63,692	59,215	59,215	55,322
Total	\$ 229,543	\$ 227,550	\$ 227,550	\$ 207,536

In accordance with FASB ASC 820 related to the fair value, measurement, and disclosure of financial assets, SWAIA's investments are classified as level 1 assets, unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted investments.

Financial accounting standards define fair value, establish a framework for measuring fair value, and establish a fair value hierarchy which prioritizes valuation techniques. Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income, or cost approach are used to measure fair value.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(3) Investments, continued

The fair value hierarchy prioritizes valuation techniques used to measure fair value into three broad levels:

- Level 1 assets use quoted prices in active markets for identical assets that SWAIA has the ability to access. SWAIA owns equities, mutual funds, and bonds that are considered level 1 assets.
- Level 2 assets use inputs other than quoted prices included within level 1 that are observable for the asset, either directly or indirectly. SWAIA does not have any assets or liabilities classified as level 2 assets.
- Level 3 assets have no observable values for the assets and rely on management's own assumptions that market participants would use in pricing the asset. SWAIA does not have any assets or liabilities classified as level 3.

During 2010 and 2009, SWAIA did not have any assets measured on a non-recurring basis.

(4) Property and Equipment

Property and Equipment consists of the following as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>
Property and equipment	\$ 135,063	\$ 122,820
Less accumulated depreciation	<u>(117,430)</u>	<u>(109,616)</u>
Total	<u><u>\$ 17,633</u></u>	<u><u>\$ 13,204</u></u>

(5) Operating Leases

SWAIA has various equipment, office and storage leases. SWAIA currently has two Minolta digital copiers under the same lease with a 60 month term that will expire October 31, 2012, with monthly payments of \$1,380. The current office lease will expire December 31, 2011; monthly lease payments are \$6,650 in 2010. The lessor is a related party; see Note 11. Storage rental is paid on a month-to-month basis. Future minimum lease payments for these leases are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2010	\$ 17,516	\$ 78,600
2011	17,516	81,600
2012	14,756	-
2013	-	-
2014	-	-
Thereafter	-	-
Total	<u><u>\$ 49,788</u></u>	<u><u>\$ 160,200</u></u>

Equipment and facilities rental expenses during the year are \$17,516 and \$79,800 respectively for 2010, and \$17,516 and \$78,000, respectively for 2009.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(6) Deferred Revenue

Deferred revenue represents fees received in advance of the period in which they relate. For years ended December 31, 2010, there was no deferred revenue. For the year ended December 31, 2009, deferred revenue was \$10,000.

(7) In-Kind Contributions and Services

In-kind services consist of volunteers support for the office and the Indian Market. During 2010, volunteers contributed approximately 4,750 hours to the Indian Market at a value of \$47,500. For 2009, volunteers contributed approximately 4,750 hours to the Indian Market at a value of \$47,500. Volunteers are valued at rates of \$10 per hour. Pursuant to the requirements of FASB ASC 958-605-30-2, these amounts have not been recorded in the SWAIA's financial statements.

In-kind contributions of advertising, food, and meeting space fees totaled \$13,567, and were booked accordingly. In-kind contributions for 2009 totaled \$5,105.

(8) Retirement Plan

SWAIA participates in a 403(b) retirement plan for eligible employees. Contributions to the plan are based on a percentage of employee salary, based on specific provisions of the plan. Contributions to the plan were \$8,183 and \$7,656 in 2010 and 2009, respectively. Employees may become eligible for the plan after six months of employment.

(9) Temporarily Restricted Net Assets

As of December 31, 2010, and 2009, temporarily restricted net assets consisted of the following:

	<u>2010</u>	<u>2009</u>
Purpose restriction accomplished:		
Grants and endowments	<u>1,894</u>	<u>41,250</u>

(10) Permanently Restricted Net Assets

SWAIA maintains several permanently restricted endowment funds in its permanently restricted net assets. These funds as of December 31, 2010 and 2009 are as follows:

	<u>2010</u>	<u>2009</u>
Messengers of Healing Winds Foundation Endowment	\$ 10,000	\$ 10,000
William Randolph Hearst Foundation Fellowship	100,000	100,000
Helen Naha Memorial Award Funds	11,825	11,825
Peter Dechert Indian Arts Award Fund	2,000	2,000
John Moores Endowment	50,000	50,000
Total	<u>\$ 173,825</u>	<u>\$ 173,825</u>

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2010 and 2009

(11) Related Party Transactions

SWAIA leased its main office facilities in Santa Fe, New Mexico, from Coronado Building LLC, a related party due to the presence of a Board Member among the ownership group. The relationship was effective March 24, 2004 through the sale of the building in March of 2010. Rental payments to the related party were \$19,950 and \$78,000, for the years ended December 31, 2010 and 2009, respectively. *Note 5* details future obligations under this lease.

(12) Concentration of Credit Risk

Financial instruments that potentially subject SWAIA to credit risk include cash on deposit with a financial institution in excess of FDIC insured limits, \$250,000. SWAIA has not experienced any losses to date, and management believes it is not exposed to significant liquidity risk with this account.

(13) Subsequent Events

SWAIA recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet. Management has evaluated subsequent events through November 7, 2011, the date on which the financial statements were available to be issued.

a) Settled Legal Claims

In March, 2011, a settlement was reached related to threatened employee litigation. Settlement costs do not directly affect these financial statements and will be recorded in the year in which they occurred. Net settlement costs amounted to \$54,600, and have been paid in full as of November 7, 2011.

b) Pending Legal Claims

A former employee filed a lawsuit naming SWAIA as a defendant in May, 2011. Any financial settlement will be recorded in the year in which it occurs. As of the date of this audit, likely or estimable settlement costs or damages related to this claim cannot be sufficiently determined by legal counsel for purposes of disclosure. It is expected that some or all of any realized settlement costs or damages will fall within the organization's liability coverage.