

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

FINANCIAL STATEMENTS

For the Year Ended December 31, 2011
(With Summarized Comparative Information for the Year
Ended December 31, 2010)

With Independent Auditor's Report Thereon

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

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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, 2011, 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, 2010 financial statements, and in our report dated November 7, 2011 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, 2011, 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
July 18, 2012

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2011 and 2010

<u>ASSETS</u>		
	<u>2011</u>	<u>2010</u>
Current assets		
Cash and cash equivalents, <i>notes 1 and 2</i>	\$ 89,726	\$ 274,654
Accounts receivable, <i>note 1</i>	1,430	1,913
Grants receivable	32,343	-
Total current assets	<u>123,499</u>	<u>276,567</u>
 Property and equipment, <i>notes 1 and 4</i>		
Furniture, fixtures and equipment	135,063	135,063
Accumulated depreciation	<u>(124,715)</u>	<u>(117,430)</u>
Total property and equipment	<u>10,348</u>	<u>17,633</u>
 Long-term investments, <i>note 3</i>		
Time deposits	26,197	26,067
Equity securities	141,118	142,268
Marketable debt securities	63,069	59,215
Total long-term investments	<u>230,384</u>	<u>227,550</u>
 Other assets		
Prepaid expenses and deposits	16,689	26,955
 Total assets	<u>\$ 380,920</u>	<u>\$ 548,705</u>
 <u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 30,799	\$ 1,527
Accrued expenses	8,940	36,164
Total current liabilities	<u>39,739</u>	<u>37,691</u>
 Net assets, <i>note 1</i>		
Unrestricted	167,356	335,295
Temporarily restricted, <i>notes 1 and 8</i>	-	1,894
Permanently restricted, <i>notes 1 and 9</i>	173,825	173,825
Total net assets	<u>341,181</u>	<u>511,014</u>
 Total liabilities and net assets	<u>\$ 380,920</u>	<u>\$ 548,705</u>

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, 2011

With Comparative Totals for the Year Ended December 31, 2010

	2011			2010	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, public support and reclassifications					
Artist fee income	\$ 439,998	\$ -	\$ -	\$ 439,998	\$ 445,394
Marketing & licensing income	78,067	-	-	78,067	93,560
Sales income	50,452	-	-	50,452	87,389
Membership and contributions, <i>note 1</i>	338,013	70,700	-	408,713	494,967
Grants and endowments	-	47,433	-	47,433	88,950
In-kind contributions, <i>notes 1 and 6</i>	207,486	-	-	207,486	13,567
Special events	157,988	-	-	157,988	372,623
Investment income	2,561	2,704	-	5,265	4,798
Unrealized gain on investments	(2,412)	-	-	(2,412)	15,299
Other income	1,500	-	-	1,500	450
Net assets released from restrictions, <i>note 1</i>	-	-	-	-	-
Total revenues, public support and reclassifications	1,273,653	120,837	-	1,394,490	1,616,997
Expenses					
Program services					
Indian market	867,427	38,298	-	905,725	947,517
Awards and fellowships	109,083	37,000	-	146,083	159,497
In-kind expenses	5,924	-	-	5,924	13,567
Total program services	982,434	75,298	-	1,057,732	1,120,581
Special events	111,745	-	-	111,745	89,865
Support services					
Management and general	249,743	43,766	-	293,509	324,903
Fundraising - funds development	101,670	3,667	-	105,337	134,041
Total support services	351,413	47,433	-	398,846	458,944
Total expenses	1,445,592	122,731	-	1,568,323	1,669,390
Change in net assets	(171,939)	(1,894)	-	(173,833)	(52,393)
Net Asset adj. to recognize prior year deposit	4,000	-	-	4,000	-
Net assets, beginning of year	335,295	1,894	173,825	511,014	563,407
Net assets, end of year	\$ 167,356	\$ -	\$ 173,825	\$ 341,181	\$ 511,014

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, 2011 and 2010

	2011	2010
Cash flows from operating activities:		
Change in net assets	\$ (173,833)	\$ (52,393)
<i>Adjustments to reconcile change in net assets to net cash (used) provided by operating activities:</i>		
Depreciation	7,285	7,814
Adjustment to net assets	4,000	
(Increase) decrease in assets:		
Accounts receivable	483	(50)
Grants receivable	(32,343)	-
Investments	(2,834)	(20,014)
Prepaid expenses and deposits	10,266	(16,559)
Increase (decrease) in liabilities:		
Accounts payable	29,272	(1,280)
Accrued expenses	(27,224)	3,370
Deferred revenue	-	(10,000)
Net cash (used) provided by operating activities	(184,928)	(89,112)
Cash flows from investing activities:		
Purchase of property and equipment	-	(12,243)
Net cash used by investing activities	-	(12,243)
Net increase (decrease) in cash	(184,928)	(101,355)
Cash, beginning of year	274,654	376,009
Cash, end of year	\$ 89,726	\$ 274,654
 Supplemental Data:	 2011	 2010
Noncash investing and financing activities		
In-kind expenses	5,924	13,567
Total:	\$ 5,924	\$ 13,617

The Accompanying Notes Are an Integral
Part of These Financial Statements

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2011 and 2010

(1) Summary of Significant Accounting Principles

Organization and Nature of Activities

The 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, 2011.

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, 2011, and 2010. 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, 2011 and 2010

(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 the southwest's largest arts market to display and judge artwork representing 1,100 artists from over 100 tribes. Winter Indian Market, scheduled in November, is a relatively new expansion of this program.

Awards and Fellowships - consists of the judging process and presentation of awards and fellowships to participating Indian Market artists based on predefined standards and criteria of their work.

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 for a three year period following the date of filing. This would include returns for the years ending December 31, 2008 through December 31, 2010.

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, 2011 and 2010

(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 only 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, generally when a stipulated time restriction ends or its purpose has been accomplished, temporarily restricted net assets are then reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restriction. 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, 2011 and 2010

(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, 2010, from which the summarized information was derived.

(2) Cash and Cash Equivalents

Cash and cash equivalents consist of the following at December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Checking Deposits	\$ 89,723	\$ 274,504
Petty Cash	3	150
	<u>\$ 89,726</u>	<u>\$ 274,654</u>

(3) Investments

Investments are stated at fair value and are summarized for the years ended December 31, 2011 and 2010, respectively, as follows:

	<u>2011</u>			<u>2010</u>
	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>	<u>Carrying Value</u>
Time Deposits	\$ 25,000	\$ 26,197	\$ 26,197	\$ 26,067
Equity Securities	140,851	141,118	141,118	142,268
Marketable Debt Securities	<u>63,692</u>	<u>63,069</u>	<u>63,069</u>	59,215
Total	<u>\$ 229,543</u>	<u>\$ 230,384</u>	<u>\$ 230,384</u>	<u>\$ 227,550</u>

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, 2011 and 2010

(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 2011 and 2010, 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, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
Property and equipment	\$ 135,063	\$ 135,063
Less accumulated depreciation	<u>(124,715)</u>	<u>(117,430)</u>
Total	<u>\$ 10,348</u>	<u>\$ 17,633</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 September 30, 2016, with monthly payments of \$1,729.

The current office lease expires May 31, 2012; monthly lease payments are \$6,650 through the end of the lease period. A new five year lease for office space at 215 Washington Ave. runs from Jun 1, 2012 to May 31, 2017; monthly lease payments begin at \$5,251 for the twelve months ending May 31, 2013.

Storage rental is paid on a month-to-month basis. Future minimum lease payments for the leases recognized above are as follows:

	<u>Equipment</u>	<u>Facilities</u>
2011	\$ 17,875	\$ 78,600
2012	20,751	69,507
2013	20,751	64,118
2014	20,751	66,042
2015	20,751	68,021
Thereafter	15,563	70,060
Total	<u>\$ 116,442</u>	<u>\$ 416,348</u>

Equipment and facilities lease expense during the year are \$17,875 and \$86,100 respectively for 2011, and \$17,516 and \$79,800, respectively for 2010.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

Notes to the Financial Statements

December 31, 2011 and 2010

(6) In-Kind Contributions and Services

In-kind services consist of volunteers support for the office and the Indian Market. During 2011, six hundred volunteers contributed approximately 12,000 hours to the Indian Market at a value of \$118,200. For 2010, volunteers contributed approximately 4,750 hours to the Indian Market at a value of \$46,788. Volunteers are valued at rates of \$9.85 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 \$5,924 for the year ending December 31, 2011, and were booked accordingly. In-kind contributions for fiscal year 2010 totaled \$13,567.

Additional in-kind contributions of art and jewelry for use as auction items totaled \$201,562 for the year ending December 31, 2011, and were booked accordingly. Similar in-kind contributions for fiscal year 2010 totaled \$274,561.

(7) Retirement Plan

SWAIA participates in a 403(b) retirement plan for eligible employees, generally after six months of employment. Contributions to the plan are based on a percentage of employee salaries, determined by specific provisions of the plan. As of December 31, 2011 and 2010, contributions to the plan of \$6,992 and \$8,183 respectively, have been recognized in the accompanying financial statements.

(8) Temporarily Restricted Net Assets

As of December 31, 2011, and 2010, temporarily restricted net assets consisted of the following:

	<u>2011</u>	<u>2010</u>
Purpose restriction accomplished:		
Grants and endowments	<u>-</u>	<u>1,894</u>

(9) Permanently Restricted Net Assets

SWAIA maintains several permanently restricted endowment funds in its permanently restricted net assets. These funds as of December 31, 2011 and 2010 are as follows:

	<u>2011</u>	<u>2010</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, 2011 and 2010

(10) Concentrations

SWAIA has cash depository accounts with one financial institution that sometimes exceeds the FDIC insurance coverage limit of \$250,000. SWAIA has not experienced any losses to date, and management believes the organization is not exposed to significant liquidity risk from this concentration.

(11) 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 July 18, 2012, the date on which the financial statements were available to be issued.

a) Settled Legal Claims

In March, 2012, a settlement was reached related to threatened employee litigation. All actions related to this settlement are covered in the organization's insurance policy and will net to \$0.00. Any related expense or fees do not directly affect these financial statements and will be recorded in the year in which they occurred. The matter is closed as of March 15, 2012.