

**SOUTHWESTERN ASSOCIATION
FOR INDIAN ARTS, INC.**

A Non Profit Corporation

Financial Statements

December 31, 2009 and 2008

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.
FINANCIAL STATEMENTS
December 31, 2009 and 2008

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INDEPENDENT AUDITORS' 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 the Southwestern Association for Indian Arts, Inc. (SWAIA), a New Mexico nonprofit organization, as of December 31, 2009, and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of SWAIA's 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 the Organization's December 31, 2008 financial statements, and in our report dated November 25, 2009, 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 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 SWAIA as of December 31, 2009, and the changes in its net assets, functional expenses and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Swain, Mackinnon & Grieco, LLC
November 18, 2010

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

STATEMENTS OF FINANCIAL POSITION

December 31, 2009 and 2008

<u>ASSETS</u>		
	<u>2009</u>	<u>2008</u>
Current assets		
Cash and cash equivalents, <i>note 1</i>	\$ 376,009	\$ 289,946
Accounts receivable, <i>note 1</i>	<u>1,863</u>	<u>2,257</u>
Total current assets	<u>377,872</u>	<u>292,203</u>
Property and equipment, <i>notes 1 and 3</i>	122,820	111,547
Accumulated depreciation, <i>notes 1 and 3</i>	<u>(109,616)</u>	<u>(104,223)</u>
Total Net Assets	<u>13,204</u>	<u>7,324</u>
Long-Term investments, <i>note 2</i>		
Time deposits	25,746	25,000
Equity securities	126,468	102,047
Marketable debt securities	<u>55,322</u>	<u>49,474</u>
Total long-term investments	<u>207,536</u>	<u>176,521</u>
Other assets - prepaids and deposits	<u>10,396</u>	<u>15,970</u>
Total assets	<u>\$ 609,008</u>	<u>\$ 492,018</u>
<u>LIABILITIES AND NET ASSETS</u>		
Current liabilities		
Accounts payable	\$ 2,807	\$ 2,173
Accrued expenses	32,794	16,159
Deferred revenue, <i>note 10</i>	<u>10,000</u>	<u>3,500</u>
Total current liabilities	<u>45,601</u>	<u>21,832</u>
Net assets, <i>note 1</i>		
Unrestricted	348,332	296,361
Temporarily restricted, <i>notes 1 and 5</i>	41,250	-
Permanently restricted, <i>notes 1 and 9</i>	<u>173,825</u>	<u>173,825</u>
Total net assets	<u>563,407</u>	<u>470,186</u>
Total liabilities and net assets	<u>\$ 609,008</u>	<u>\$ 492,018</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, 2009 with Comparative Totals
for the Year Ended December 31, 2008

	2009			2008	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Revenues, public support and reclassifications					
Artist fee income	\$ 462,385	\$ -	\$ -	\$ 462,385	\$ 470,306
Marketing & licensing income	65,815	-	-	65,815	95,552
Sales income	91,397	-	-	91,397	100,307
Membership and contributions, <i>note 1</i>	385,121	24,950	-	410,071	462,887
Grants and endowments	52,381	147,241	-	199,622	127,469
In-kind contributions, <i>notes 1 and 4</i>	5,105	-	-	5,105	25,398
Special events	265,825	-	-	265,825	252,561
Investment income	745	4,494	-	5,239	12,401
Unrealized gain on investments	-	25,774	-	25,774	(57,945)
Other income	600	-	-	600	750
Net assets released from restrictions, <i>note 1</i>	161,209	(161,209)	-	-	-
Total revenues, public support and reclassifications	1,490,583	41,250	-	1,531,833	1,489,686
Expenses					
Program services					
Indian market	823,907	-	-	823,907	856,741
Awards and fellowships	132,663	-	-	132,663	173,319
Total program services	956,570	-	-	956,570	1,030,060
Special events	78,644	-	-	78,644	89,195
Support services					
Management and general	292,760	-	-	292,760	289,160
Fundraising - funds development	110,639	-	-	110,639	95,581
Total support services	403,399	-	-	403,399	384,741
Total expenses	1,438,612	-	-	1,438,612	1,503,996
Change in net assets	51,971	41,250	-	93,221	(14,310)
Net assets - beginning of year	296,361	-	173,825	470,186	484,496
Net assets - end of year	\$ 348,332	\$ 41,250	\$ 173,825	\$ 563,407	\$ 470,186

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, 2009 and 2008

	2009	2008
Cash flows from operating activities:		
Change in net assets	\$ 93,221	\$ (14,310)
<i>Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:</i>		
Depreciation	5,698	6,730
(Increase) decrease in assets:		
Investments	(31,015)	27,065
Accounts and grants receivable	394	(769)
Prepays & other assets	5,574	(9,870)
Increase (decrease) in liabilities:		
Accounts payable	634	478
Accrued expenses	16,635	3,463
Deferred income	6,500	(17,535)
Net cash used by operating activities	97,641	(4,748)
Cash flows from investing activities:		
Purchase of property and equipment	(11,273)	(4,975)
Adjustments to accumulated depreciation	(305)	-
Net cash used by investing activities	(11,578)	(4,975)
Net increase/(decrease) in cash	86,063	(9,723)
Cash, beginning of year	289,946	299,669
Cash, end of year	\$ 376,009	\$ 289,946

The Accompanying Notes Are an Integral
Part of These Financial Statements

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(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 with emphasis on Indians in the Southwest.

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, 2009, and 2008.

Basis of Financial Statement Presentation

The accompanying financial statements are presented in accordance with the accounting and reporting standards required by Statements of Financial Standards No. 116 and 117. Statement No. 117 requires three classes of net assets replace the "fund balances" formerly reported in the financial statements. The three classes of net assets are 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.

In accordance with Statement No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending upon the existence or nature of any donor restrictions.

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 of assets and liabilities and the 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. Accordingly, actual results could differ from those estimates.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(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 artists of all ages.

Income Taxes

SWAIA is a non-profit corporation 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. In addition, SWAIA has been determined by the Internal Revenue Service not to be a “private foundation” within the meaning of Section 509(a) of the Internal Revenue Code.

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, 2008, from which the summarized information was derived.

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.

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.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(1) Summary of Significant Accounting Principles, continued

Investments, cont.

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.

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

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 SFAS No. 116, *Accounting for Contributions Received and Contributions Made*.

Allocation of Functional Expenses

Expenses are charged directly to a functional category if the cost applies only to that category. Indirect expenses have been allocated based upon an analysis of personnel time and space utilized for the related activities.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(2) Investments

Investments are stated at fair value and are summarized for the years ended December 31, 2009 and 2008, respectively, as follows:

	2009			2008
Cost	Fair Value	Carrying Value	Carrying Value	
Time Deposits	\$ 25,000	\$ 25,746	\$ 25,746	\$ 25,000
Equity Securities	140,851	126,468	126,468	102,047
Marketable Debt Securities	63,692	55,322	55,322	49,474
Total	\$ 229,543	\$ 207,536	\$ 207,536	\$ 176,521

In accordance with FASB Statement No. 157 related to the measurement and disclosure of financial assets, the Center's investments are classified at the Level 1 category, unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted investments.

(3) Property and Equipment

Property and Equipment consists of the following as of December 31, 2009 and 2008:

	2009	2008
Property and equipment	\$ 122,820	\$ 111,547
Less accumulated depreciation	(109,921)	(104,223)
Total	\$ 12,899	\$ 7,324

(4) In-Kind Services

In-kind services consist of volunteers support for the office and the Indian Market. During 2009, volunteers contributed approximately 4,750 hours to the Indian Market at a value of \$47,500. For 2008, 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 SFAS 116, these amounts have not been recorded in the Institute's financial statements.

(5) Temporarily Restricted Net Assets

As of December 31, 2009, and 2008, temporarily restricted net assets consisted of the following:

	2009	2008
Purpose restriction accomplished:		
Grants and endowments	\$ 41,250	\$ -

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(6) 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 \$7,656 and \$8,127 in 2009 and 2008, respectively. Employees may become eligible for the plan after six months of employment.

(7) 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. A postage meter with an annual term that will expire September 30, 2009, incurs quarterly payments of \$239. The current office lease will expire December 31, 2011; monthly lease payments in 2009 are \$6,500, increasing to \$6,650 in 2010. The lessor is a related party; see Note 9. Storage rental is paid on a month-to-month basis. Future minimum lease payments for these leases are as follows:

	Equipment	Facilities
2009	\$ 17,516	\$ 78,000
2010	17,516	79,800
2011	17,516	81,600
2012	14,756	-
2013	-	-
Thereafter	-	-
Total	\$ 67,304	\$ 239,400

Equipment and facilities rental expenses during the year are \$17,516 and \$78,000 respectively for 2009, and \$17,516 and \$74,700, respectively for 2008.

(8) Related Party Transactions

SWAIA leased its main office facilities in Santa Fe, New Mexico effective March 24, 2004 from a related party, Coronado Building LLC, due to common ownership and control. Rental payments to the landlord totaled \$78,000 and \$74,700, for the years ended December 31, 2009 and 2008, respectively. *Note 7* details future obligations under this lease between the related parties.

SOUTHWESTERN ASSOCIATION FOR INDIAN ARTS, INC.

NOTES TO FINANCIAL STATEMENTS

December 31, 2009 and 2008

(9) Permanently Restricted Net Assets

SWAIA maintains several permanently restricted endowment funds in its permanently restricted net assets. These funds as of December 31, 2009 and 2008 are as follows:

	<u>2009</u>	<u>2008</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>

In prior years, the John Moores Endowment of \$50,000 had been considered unrestricted. After reviewing the donor requirements, SWAIA management considers the contribution to be permanently restricted.

(10) Deferred Revenue

Deferred revenue represents fees received in advance of the period in which they relate. For years ended December 31, 2009 and 2008, deferred revenue is \$10,000 and \$3,500, respectively.

(11) Concentration of Credit Risk

Financial instruments that potentially subject the Organization to credit risk include cash on deposit with a financial institution in excess of FDIC insured limits, \$250,000. At various times during the years ended December 31, 2009 and 2008, the Organization's balance in its checking account has exceeded the federally insured limit by \$126,009 and \$39,946, respectively.