

Indian Law Resource Center, Inc.

Financial Statements and
Supplementary Information

Years ended December 31, 2016 and 2015

WIPFLi^{LLP}
CPAs and Consultants



Independent Auditor's Report

Board of Directors
Indian Law Resource Center, Inc.
Helena, Montana

Report on the Financial Statements

We have audited the accompanying financial statements of Indian Law Resource Center, Inc. (the "Center"), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the years then ended and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Indian Law Resource Center, Inc. as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information, Supplemental Statement of Other Programs' Functional Support, Revenue and Expenses, appearing on pages 20 through 23 is presented for the purpose of additional analysis and is not a required part of the 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 additional 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. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Wipfli LLP

Wipfli LLP

June 16, 2017

Helena, MT

Indian Law Resource Center, Inc.

Statements of Financial Position

<i>As of December 31,</i>	2016	2015
Assets		
Current Assets		
Cash and cash equivalents	\$ 395,077	\$ 571,097
Current grants receivable (net of long term portion)	385,000	310,000
Accounts receivable	504	738
Prepaid expenses	4,075	8,826
Total current assets	784,656	890,661
Property and Equipment - at cost		
Net depreciable assets	11,863	12,931
Total property and equipment - at cost	11,863	12,931
Other Assets		
Deposits	1,325	1,325
Long term grants receivable	231,505	231,993
Gar Creek Seminole land purchase	420,269	420,269
Investments, restricted	42,255	41,014
Investments, board restricted operating reserve	534,415	490,972
Restricted cash - operating reserve	2,234	1,733
Restricted cash	37,922	34,882
Total other assets	1,269,925	1,222,188
Total assets	\$ 2,066,444	\$ 2,125,780
Liabilities and Net Assets		
Current liabilities		
Grants and accounts payable	\$ 15,132	\$ 66,347
Accrued expenses	44,147	44,028
Current portion of long-term debt	632	-
Total current liabilities	59,911	110,375
Other liabilities		
Long-term debt	2,325	-
Total other liabilities	2,325	-
Net assets		
Unrestricted	193,570	322,772
Unrestricted - Board Designated - Guatemala	35,000	-
Temporarily restricted	1,208,844	1,128,339
Permanently restricted	566,794	564,294
Total net assets	2,004,208	2,015,405
Total liabilities and net assets	\$ 2,066,444	\$ 2,125,780

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.
Statements of Activities and Changes in Net Assets

<i>Years Ended December 31,</i>	2016			2015	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Support and revenue					
Contributions	\$ 77,664	\$ -	\$ 2,500	\$ 80,164	\$ 90,965
Grants	24,198	1,236,000	-	1,260,198	1,239,195
Bequests and trusts	8,802	-	-	8,802	8,406
Interest	150	16,076	-	16,226	14,328
Other	105	-	-	105	3,656
Realized and unrealized gains (losses) on investments	-	29,649	-	29,649	(31,997)
Released from restrictions	1,201,220	(1,201,220)	-	-	-
Total support and revenue	1,312,139	80,505	2,500	1,395,144	1,324,553
Expenses					
Program services	1,128,763	-	-	1,128,763	1,036,798
Management and general	158,196	-	-	158,196	143,010
Fundraising	112,807	-	-	112,807	125,234
Grants repaid	6,575	-	-	6,575	55,200
Total expenses	1,406,341	-	-	1,406,341	1,360,242
Change in net assets	(94,202)	80,505	2,500	(11,197)	(35,689)
Net assets, beginning of year	322,772	1,128,339	564,294	2,015,405	2,051,094
Net assets, end of year	\$ 228,570	\$ 1,208,844	\$ 566,794	\$ 2,004,208	\$ 2,015,405

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Statements of Functional Expenses

<i>Years Ended December 31,</i>	2016			2015	
	Program	Management and General	Fundraising	Total	Total
Functional expenses					
Salaries and wages	\$ 629,908	\$ 75,657	\$ 61,686	\$ 767,251	\$ 721,068
Employee fringe benefits and payroll taxes	163,931	19,685	16,019	199,635	182,435
Contract services	141,612	20,987	15,156	177,755	214,070
Travel	96,389	24,659	1,644	122,692	71,655
Occupancy expenses	46,750	10,439	6,408	63,597	42,582
Property and equipment	7,047	1,517	948	9,512	10,071
Telephone	9,967	2,499	715	13,181	12,765
Online services	8,824	426	4,018	13,268	14,938
Hosting and meals	430	184	11	625	8,020
Dues and registration	6,271	474	903	7,648	4,988
Insurance	5,880	625	349	6,854	4,946
Supplies	3,141	463	293	3,897	6,882
Postage and delivery	1,431	150	381	1,962	2,175
Duplicating and printing	5,166	50	4,253	9,469	3,079
Miscellaneous	1,736	381	13	2,130	4,660
Subscriptions and books	280	-	10	290	450
Advertising	-	-	-	-	258
Total	\$ 1,128,763	\$ 158,196	\$ 112,807	\$ 1,399,766	\$ 1,305,042

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Statements of Cash Flows

<i>Years Ended December 31,</i>	2016	2015
Cash flow from operating activities		
Change in net assets	\$ (11,197)	\$ (35,689)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	4,431	4,180
Unrealized (gain) loss on investments	(26,471)	38,130
Receipt of permanently restricted net assets	(2,500)	(2,575)
Change in assets and liabilities		
Increase in receivables	(74,278)	(177,114)
Decrease in prepaid expenses and deposits	4,751	2,464
Increase (decrease) in accounts payable	(51,215)	61,736
Increase in accrued expenses	119	4,434
Net cash from operating activities	(156,360)	(104,434)
Cash flows from investing activities		
Cash payments for equipment	-	(5,442)
Cash payments for CD's and investments	(18,213)	(18,638)
Net cash from investing activities	(18,213)	(24,080)
Cash flows from financing activities		
Increase in restricted cash	(3,541)	(2,189)
Increase (decrease) in capital lease payable	2,957	-
Receipt of permanently restricted net assets	2,500	2,575
Cash payments for capital lease equipment	(3,363)	-
Net cash from financing activities	(1,447)	386
Net change in cash	(176,020)	(128,128)
Cash balance, beginning of period	571,097	699,225
Cash balance, end of period	\$ 395,077	\$ 571,097

See accompanying notes to financial statements.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies

Nature of Activities

Indian Law Resource Center, Inc. (the "Center") is a non-profit law and advocacy organization established and directed by Native Americans. The Center provides assistance to tribes and other indigenous peoples in the United States and in Central America and South America, who are working to protect their land, resources, human rights, environment and cultural heritage.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States (GAAP).

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the Center and changes therein are classified and reported as follows:

Unrestricted net assets are the net assets of the Center that are neither permanently restricted nor temporarily restricted. Thus, they include all net assets whose use has not been restricted by donors or by law.

Temporarily restricted net assets are subject to donor-imposed stipulations that may or may not be met, either by actions of the Center and/or the passage of time. When a restriction expires, temporarily restricted net assets are transferred to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets are subject to donor-imposed stipulations that they be maintained permanently by the Center. Generally, the donors of these assets permit the Center to use all or part of the income earned on any related investments for general or specific purposes.

Property and Equipment

All acquisitions and improvements of property and equipment of \$500 or more are capitalized while all expenditures for repairs and maintenance that do not materially prolong the useful lives of assets are expensed. Purchased property and equipment is carried at cost. Donated property and equipment are carried at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated lives of the assets. Asset lives range from 5 to 10 years.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Estimates

Management uses estimates and assumptions in preparing the financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Recognition of Donor Restrictions

The Center reports gifts of cash and other assets as restricted support if they are 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 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.

Cash and Cash Equivalents

The Center considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents.

Grants Receivable

For the purposes of recording grants receivable, a present value factor is applied to arrive at the amounts reported. See Note 3 for further information. The Center considers grants receivable fully collectible. Accordingly, no allowance for uncollectible grants has been provided.

Investments

The Center has adopted *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under this standard, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in unrestricted net assets unless the income or loss is restricted by donor or law.

General and Administrative Expenses

General and administrative expenses which are not directly chargeable to specific projects are reported as supporting services - management and general.

Advertising and Promotion

The Center uses advertising to encourage contributions and to announce employment opportunities. The production costs of advertising are expensed as incurred. During 2016, they incurred no advertising expense; during 2015, advertising costs totaled \$258.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Center was incorporated on April 5, 1978 in Washington D.C. pursuant to the non-profit corporation act and is exempt from federal taxation under Section 501 (c) (3) of the Internal Revenue Code. It is a publicly supported non-profit organization that is not a private foundation under Section 509 (a) (2) of Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors. The Center is also exempt from D.C. Corporate Franchise Tax. The Center conducts programs of public education and legal representation on issues concerning Indian peoples worldwide. It has offices in Washington D.C. and Helena, Montana.

As a matter of law, Indian Law Resource Center, Inc. is subject to examination by federal and state taxing authorities for the 2014 through 2016 tax years. Although management believes that the amounts reflected in their tax returns substantially complies with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to their position based on IRS interpretation of the law. A tax position that is challenged by a taxing authority could result in an adjustment, which would be recorded in the year assessed on the statement of activities.

Compensated Absences

The Center accrues a liability for earned but unused vacation benefits.

Reclassification

Certain amounts as previously reported in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Such reclassifications have no effect on reported amounts of net assets or change in net assets.

Subsequent Events

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 16, 2017, which is the date the financial statements were available to be issued. Management determined no events or transactions require disclosure.

Note 2: Concentration of Credit Risk

The Center maintains cash balances at financial institutions where the accounts are insured by the Federal Deposit Insurance Corporation (FDIC) for up to \$250,000. At certain times during the year, cash balances may be in excess of FDIC coverage. The Center has not experienced any losses in such accounts, and believes it is not exposed to any significant credit risk on cash.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 3: Grants Receivable

<i>Years Ended December 31,</i>	2016	2015
Within one year	\$ 385,000	\$ 310,000
More than one year	250,000	250,000
Less: Discounts for the time-value of money	(18,495)	(18,007)
Current grant receivable (net of long term portion)	\$ 616,505	\$ 541,993

Note 4: Property and Equipment

<i>Years Ended December 31,</i>	2016	2015
Furniture and fixtures	\$ 25,923	\$ 25,923
Office equipment	90,328	86,965
Research library	28,787	28,787
Leasehold improvements	5,331	5,331
	150,369	147,006
Accumulated depreciation	(138,506)	(134,075)
Total property and equipment - at cost	\$ 11,863	\$ 12,931

Note 5: Gar Creek Seminole Land Purchase

The Center began work in 1998 to assist the Gar Creek Seminoles of Oklahoma in acquiring land for use for their cultural preservation and ceremonial purposes. To this end, 590 acres in Seminole County, Oklahoma were purchased with a grant from Lannan Foundation. A new non-profit corporation has been formed to which the land will be transferred.

Note 6: Investments

Investments are carried at fair market value. Investments are as follows:

<i>As of December 31,</i>	2016		2015	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds and Bonds	\$ 587,301	\$ 576,670	\$ 569,993	\$ 531,986

Investments, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with various investments, it is reasonably possible that changes in the values of certain investments will occur in the near term and that such changes could materially affect the amounts reported on the financial statements.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 7: Temporarily Restricted Net Assets

Temporarily restricted net assets result from inflows whose use is restricted by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by action of the organization. Temporarily restricted assets are as follows:

<i>As of December 31,</i>	2016	2015
Time restricted:		
General operations	\$ 500,000	\$ 560,001
Purpose restricted:		
Kuskowim watershed	8,066	8,066
Land titling	120	-
World conference	-	45,365
Bush foundation	4,734	18,945
ADRIP	93,617	-
MDB	130,678	69,910
REDD	-	730
Rapa Nui	582	-
Seminole land purchase	420,269	420,269
Endowment earnings	50,778	5,053
Total	\$ 1,208,844	\$ 1,128,339

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 7: Temporarily Restricted Net Assets (Continued)

Net assets released from restrictions by incurring expenses satisfying the purpose specified are as follows:

<i>As of December 31,</i>	2016	2015
Time restricted:		
General operations	\$ 810,000	\$ 952,083
Purpose restricted:		
Safe women strong nations	35,000	16,420
Land titling	49,880	-
Law reform	25,000	16,380
World conference	45,365	125,285
Bush foundation	14,210	-
ADRIP	6,383	-
Guatemala	75,000	35,000
MDB	139,233	75,796
REDD	730	4,270
Rapa Nui	419	-
Total	\$ 1,201,220	\$ 1,225,234

In 2015, management decided that the fund held by the Center to pay for possible expert witnesses for the Mohawk Nation land claim should be held by the attorney that is now representing the Mohawk Nation. The Center had earlier resigned from representing the Mohawk Nation. The fund was transferred to the attorney with the approval of the granting authority in May of 2016.

Note 8: Permanently Restricted Net Assets

Permanently restricted net assets result from inflows whose use is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled by actions of the organization.

In 2000, the Center's Board of Directors established a permanent endowment fund. As of December 31, 2016 and 2015 this fund has a permanently restricted balance of \$566,794 and \$564,294, respectively. See Note 15 for more detail.

In 2013, the Center received a grant from the Ford Foundation of \$500,000 for an operating reserve fund, which is required to be classified as permanently restricted net assets. The grant term began September 1, 2013 and ended December 31, 2016. The funds continue to be held in the operating reserve fund. According to the restrictions established by the Ford Foundation, the reserve fund can be used only under very narrowly defined circumstances for operational expenses. When funds are withdrawn from the reserve, a plan for repayment of the funds to the reserve must be established. The reserve fund is managed according to a written plan adopted by the Center's Board and approved by the Ford Foundation.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 9: Commitments

The Center has the following lease agreements for office space:

Washington, DC - The Center entered into a three-year lease beginning June 1, 2015 and extending until May 31, 2018. The rent is \$2,500 per month. The future minimum lease payments for 2017 total \$30,000 and for 2018 total \$12,500.

Note 10: Functional Classification of Expenses

The Center allocates general and administrative expenses to its programs in order to accurately account for program costs. The allocation is based on direct expenses and direct time incurred by each program and has been allocated as follows for the years ended December 31:

<i>2016</i>	Direct Operating Expenses	Management and General Expenses	Total
Program services	\$ 1,128,763	\$ 143,823	\$ 1,272,586
Fundraising	112,807	14,373	127,180
Total	\$ 1,241,570	\$ 158,196	\$ 1,399,766

<i>2015</i>	Direct Operating Expenses	Management and General Expenses	Total
Program Services	\$ 1,036,798	\$ 127,598	\$ 1,164,396
Fundraising	125,234	15,412	140,646
Total	\$ 1,162,032	\$ 143,010	\$ 1,305,042

Note 11: Related Parties

Beginning May 15, 1995, the Center entered into a five-year lease to rent its Helena, Montana office space from related-party owners, the Center's executive director and his spouse. The lease was renewed for additional five-year terms beginning May 1, 2000, May 1, 2005 and May 1, 2010. Terms of the lease state that "the annual rent shall not exceed the total of principal, interest, taxes and insurance that is payable by Lessors each year." Thus, the rent amount is adjusted each year to reflect changes in these items. However, to limit the potential liability to the Center, the lease also sets a maximum monthly rent amount of \$1,667. In 2015, an oral agreement was made whereas the Center pays the insurance and taxes on the building while the rent is being donated. No rent was paid by the Center in 2016 or 2015 and the entire amount of \$20,000 and \$14,088, respectively, was donated by the Center's executive director and his spouse.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 12: Retirement Plan

In July 1991, the Center started a defined contribution retirement plan. For the year ended December 2013, the Center contributed 7% of compensation of those eligible to participate in the plan. In April of 2014, the Board of Directors changed the contribution from 7% to 2% of compensation of those eligible to participate in the plan. This motion was reversed in April 2015 changing the contribution back to 7%. Total contributions for 2016 and 2015 were \$52,936 and \$40,524, respectively.

Note 13: Montana Community Foundation

In October 1998, the Indian Law Resource Center was designated the beneficiary of a charitable remainder annuity trust in the amount of \$100,000. As a condition of the trust, assets of the trust are owned by the Montana Community Foundation. In January 1999, the Center received a second trust from the same donor, also in the amount of \$100,000. During 2002, the donor of the two trusts passed away. As established in the original trust agreements, the principal of the two trusts was then transferred to the Indian Law Resource Center Endowment at the Montana Community Foundation. As of December 31, 2016 and 2015, the principal balance of the Endowment was \$183,054 and \$191,044, respectively. The endowment is not carried as an asset on the statement of financial position since the Center does not have variance power over the endowment.

Note 14: Fair Value Measurements

The framework for measuring fair value 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) and the lowest priority to unobservable inputs (Level 3). Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy are described as follows:

Level 1- Inputs to the valuation methodology are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Plan can access at the measurement date.

Level 2- Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, such as:

- 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.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 14: Fair Value Measurements (Continued)

Level 3- Inputs that are unobservable inputs for the asset or liability.

In May 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) NO. 2015-07, Fair Value Measurement. This ASU amends Accounting Standards Codification (ASC) Topic 820 and removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share practical expedient. This ASU also removes the requirement to make certain disclosures for all investments that are eligible to be measured at fair value using the net asset value per share practical expedient. Rather, those disclosures are limited to investments for which the entity has elected to measure the fair value using the practical expedient. The guidance in this ASU is effective for the Center's year ending December 31, 2016.

Following is a description of the valuation methodologies used for assets measured at fair value.

Quoted market prices are used to determine the fair value of investments in publicly traded equity securities (common and preferred stock). Money market funds, equity funds, and fixed income funds are valued using quotes from pricing vendors based on recent trading activity and other observable market data. The fair value of alternative investments is based on the net asset value per share as a practical expedient. Beneficial interest in charitable remainder trusts held by others are measured at the present value of future cash flows considering the estimated return on the invested assets during the expected terms of the agreements, the contractual obligations under the agreement, and a discount rate based on the risks involved.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair value. Furthermore, while the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables present the balances of assets and liabilities measured at fair value on a recurring basis by level within the fair value hierarchy at December 31:

Assets at Fair Market Value as of December 31, 2016						
	Cost Basis	Level 1	Level 2	Level 3	Total	
Bonds:						
US government securities	\$ 108,645	\$ 106,040	\$ -	\$ -	106,040	
Mutual funds:						
High yield bond	112,500	101,737	-	-	101,737	
Intermediate term bond	18,001	18,445	-	-	18,445	
Large value	343,155	345,201	-	-	345,201	
World stock	5,000	5,247	-	-	5,247	
Total investments	\$ 587,301	\$ 576,670	\$ -	\$ -	576,670	

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 14: Fair Value Measurements (Continued)

Assets at Fair Market Value as of December 31, 2015						
	Cost Basis	Level 1	Level 2	Level 3		Total
Bonds:						
US government securities	\$ 106,558	\$ 105,751	\$ -	\$ -		105,751
Mutual funds:						
High yield bond	107,640	88,040	-	-		88,040
Intermediate term bond	17,686	17,949	-	-		17,949
Large value	333,109	314,895	-	-		314,895
World stock	5,000	5,351	-	-		5,351
Total investments	\$ 569,993	\$ 531,986	\$ -	\$ -		531,986

Note 15: Endowment Funds

The endowment consists of numerous individual funds established for a variety of purposes. The Center's endowment includes donor-restricted endowment funds. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based upon the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Directors of the Center has interpreted the Montana Uniform Prudent Management of Institutional Funds Act (MUPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary.

As a result of this interpretation, the Center classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Center in a manner consistent with the standard of the prudence prescribed by the MUPMIFA. In accordance with the MUPMIFA, the Center considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund;
2. The purposes of the Center and the donor-restricted endowment fund;
3. General economic conditions;
4. The expected total return from income and the appreciation of investments;
5. Other resources of the Center; and
6. The investment policies of the Center.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 15: Endowment Funds (Continued)

Change in net asset composition by type of fund for the years ended December 31, 2016 and 2015 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2015	\$ 24,185	\$ 561,719	\$ 585,904
Investment Return			
Investment income	13,595	-	13,595
Net depreciation	(31,997)	-	(31,997)
Total investment return	(18,402)	-	(18,402)
Grants and contributions	-	2,575	2,575
Endowment net assets December 31, 2015	5,783	564,294	570,077
Investment Return			
Investment income	13,711	-	-
Net appreciation	32,014	-	32,014
Total investment return	45,725	-	32,014
Grants and contribution	-	2,500	-
Endowment net assets December 31, 2016	\$ 51,508	\$ 566,794	\$ 602,091

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 MUPMIFA requires the Center to retain as a fund of perpetual duration. In accordance with GAAP, deficiencies of this nature would be reported in unrestricted net assets. There were no such deficiencies as of December 31, 2016 and 2015.

Return Objectives and Risk Parameters

The Center has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Center must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

Under this policy, as approved by the Board of Directors, the endowment assets are invested in a manner that is intended to preserve endowment capital. Funds shall be invested such that no less than 50% and no more than 70% of such funds shall be invested in equities, with the balance invested in fixed income securities, while assuming a moderate level of investment risk. The Center expects its endowment funds, over time, to provide a reasonable current rate of return.

Indian Law Resource Center, Inc.

Notes to Financial Statements

Note 15: Endowment Funds (Continued)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the Center relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The Center targets a diversified asset allocation including cash equivalents, fixed income, and equity securities to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How Investment Objectives Relate to Spending Policy

The Center has a policy of appropriating for distribution each year 5% of its endowment fund's average fair value over the prior 3 years through the calendar year-end preceding the fiscal year in which the distribution is planned, assuming this does not result in withdrawal of principal. In establishing this policy, the Center considered the long-term expected return on its endowment. This is consistent with the Center's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.