

# Indian Law Resource Center, Inc.

Financial Statements

Years Ended December 31, 2018 and 2017

**WIPFLi**<sup>LLP</sup>  
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 statement of financial position as of December 31, 2018, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year 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 audit. We conducted our audit 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, 2018 and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.



**Report on Comparative Information**

We have previously audited the Center's 2017 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated April 3, 2018. In our opinion, the summarized comparative information presented herein as of and for the period ended June 30, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Wipfli LLP*

Wipfli LLP

June 14, 2019  
Helena, MT

# Indian Law Resource Center, Inc.

## Statements of Financial Position

<i>As of December 31,</i>	2018	2017
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 708,445	\$ 385,717
Current grants receivable, net	132,040	171,985
Accounts receivable	511	511
Prepaid expenses	3,192	3,146
<b>Total current assets</b>	<b>844,188</b>	<b>561,359</b>
<b>Property and Equipment - at cost</b>		
Net depreciable assets	5,675	8,494
<b>Net property and equipment - at cost</b>	<b>5,675</b>	<b>8,494</b>
<b>Other Assets</b>		
Deposits	1,325	1,325
Gar Creek Seminole land purchase	420,269	420,269
Investments, restricted	87,146	48,029
Investments, board restricted operating reserve	579,418	589,764
Restricted cash - operating reserve	6,173	5,068
Restricted cash	202	41,886
<b>Total other assets</b>	<b>1,094,533</b>	<b>1,106,341</b>
<b>Total assets</b>	<b>\$ 1,944,396</b>	<b>\$ 1,676,194</b>
<b>Liabilities and Net Assets</b>		
<b>Current liabilities</b>		
Grants and accounts payable	\$ 14,574	\$ 10,912
Accrued expenses	38,510	45,754
Current portion of capital lease	692	661
<b>Total current liabilities</b>	<b>53,776</b>	<b>57,327</b>
<b>Other liabilities</b>		
Long-term capital lease	972	1,664
<b>Total other liabilities</b>	<b>972</b>	<b>1,664</b>
<b>Net assets</b>		
Without donor restriction	463,860	104,046
With donor restriction	1,425,788	1,513,157
<b>Total net assets</b>	<b>1,889,648</b>	<b>1,617,203</b>
<b>Total liabilities and net assets</b>	<b>\$ 1,944,396</b>	<b>\$ 1,676,194</b>

See accompanying notes to financial statements.

**Indian Law Resource Center, Inc.**  
**Statements of Activities and Changes in Net Assets with Summarized Prior**  
**Year Information**

<i>Years Ended December 31,</i>	2018			2017	
	Without Donor Restriction	With Donor Restriction	Total	Total	
Support and revenue					
Contributions	\$ 245,246	\$ 1,350	\$ 246,596	\$ 82,662	
Grants	25,791	1,028,500	1,054,291	685,230	
Bequests and trusts	8,835	-	8,835	8,878	
Interest	-	17,467	17,467	46,707	
Other	1,123	-	1,123	13,695	
Realized and unrealized gains (losses) on investments	(3,871)	(22,455)	(26,326)	44,391	
Released from restrictions	1,112,231	(1,112,231)	-	-	
<b>Total support and revenue</b>	<b>1,389,355</b>	<b>(87,369)</b>	<b>1,301,986</b>	<b>881,563</b>	
Expenses					
Program services	810,729	-	810,729	956,091	
Management and general	115,622	-	115,622	215,255	
Fundraising	103,190	-	103,190	96,972	
Grants repaid	-	-	-	250	
<b>Total expenses</b>	<b>1,029,541</b>	<b>-</b>	<b>1,029,541</b>	<b>1,268,568</b>	
Change in net assets	359,814	(87,369)	272,445	(387,005)	
Net assets, beginning of year	104,046	1,513,157	1,617,203	2,004,208	
<b>Net assets, end of year</b>	<b>\$ 463,860</b>	<b>\$ 1,425,788</b>	<b>\$ 1,889,648</b>	<b>\$ 1,617,203</b>	

See accompanying notes to financial statements.

# Indian Law Resource Center, Inc.

## Statements of Functional Expenses with Summarized Prior Year Information

<i>Years Ended December 31,</i>	2018			2017	
	Program	Management and General	Fundraising	Total	Total
Functional expenses					
Salaries and wages	\$ 470,035	\$ 55,989	\$ 62,857	\$ 588,881	\$ 687,784
Employee fringe benefits and payroll taxes	117,647	14,301	15,921	147,869	220,784
Contract services	109,895	24,299	4,736	138,930	185,495
Travel	17,905	7,997	8,683	34,585	50,410
Occupancy expenses	48,873	6,502	5,100	60,475	65,542
Property and equipment	5,605	521	507	6,633	9,271
Telephone	9,384	3,190	1,383	13,957	13,771
Online services	11,888	899	750	13,537	12,719
Hosting and meals	243	464	18	725	510
Dues and registration	2,555	185	935	3,675	5,518
Insurance	6,384	543	292	7,219	5,407
Supplies	1,231	296	191	1,718	2,644
Postage and delivery	252	51	124	427	591
Duplicating and printing	1,143	102	82	1,327	6,089
Miscellaneous	6,911	283	39	7,233	1,367
Subscriptions and books	57	-	1,572	1,629	416
Advertising	721	-	-	721	-
<b>Subtotal</b>	<b>810,729</b>	<b>115,622</b>	<b>103,190</b>	<b>1,029,541</b>	<b>1,268,318</b>
Grants repaid	-	-	-	-	250
<b>Total</b>	<b>\$ 810,729</b>	<b>\$ 115,622</b>	<b>\$ 103,190</b>	<b>\$ 1,029,541</b>	<b>\$ 1,268,568</b>

See accompanying notes to financial statements.

# Indian Law Resource Center, Inc.

## Statements of Cash Flows

<i>Years Ended December 31,</i>	2018	2017
Cash flow from operating activities		
Change in net assets	\$ 272,445	\$ (387,005)
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	2,819	3,369
Unrealized (gain) loss on investments	(68,810)	(58,673)
Receipt of permanently restricted net assets	-	(500)
Change in assets and liabilities		
(Increase) decrease in receivables	39,945	444,513
Decrease in prepaid expenses and deposits	(46)	929
Decrease in accounts payable	3,662	(4,220)
Increase in accrued expenses	(7,244)	1,607
Net cash from operating activities	242,771	20
Cash flows from investing activities		
Cash payments for CD's and investments	(501,983)	(2,450)
Donated stock received	122,026	-
Cash received for sale of CD's and investments	419,996	-
Net cash from investing activities	40,039	(2,450)
Cash flows from financing activities		
Increase (decrease) in restricted cash	40,579	(6,798)
Increase (decrease) in capital lease payable	(661)	(632)
Receipt of permanently restricted net assets	-	500
Net cash from financing activities	39,918	(6,930)
Net change in cash	322,728	(9,360)
Cash balance, beginning of period	385,717	395,077
Cash balance, end of period	\$ 708,445	\$ 385,717

See accompanying notes to financial statements.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### 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:

##### Net Assets Without Donor Restrictions

Net assets without donor restrictions are net assets available for use in general operations and are not subject to donor (or certain grantor) restrictions. Net assets without donor restrictions can be designated by the board for a certain purpose and are reported as board designated on the statement of financial position. As of December 31, 2018 and 2017, \$463,860 and \$104,046 were classified as net assets without donor restrictions by the Center, respectively.

##### Net Assets With Donor Restrictions

Net assets with donor restrictions are net assets subject to donor or certain grantor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time, long-lived assets placed into service, or other events specified by the donor. Other explicit donor-imposed restrictions are perpetual in nature, meaning the donor stipulates that resources be maintained in perpetuity. Donor imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. The Center classified \$1,425,788 and \$1,513,157 of its net assets as having donor-imposed restrictions as of December 31, 2018 and 2017, respectively.

#### 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

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### **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, donor restricted net assets are reclassified to net assets without donor restrictions 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. The Center incurred \$721 and \$- in advertising expense during 2018 and 2017, respectively.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### **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 charitable contribution 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 previous three tax years. Although management believes that the amounts reflected in their tax returns substantially comply 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.

#### **Subsequent Events**

The Center has evaluated events and transactions for potential recognition or disclosure in the financial statements through June 14, 2019, which is the date the financial statements were available to be issued. No items requiring disclosure have been noted.

#### **New Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU, as amended, provides comprehensive guidance on the recognition of revenue from customers arising from the transfer of goods and services, guidance on accounting for certain contract costs, and new disclosures. The new standard supersedes current revenue recognition requirements in FASB Accounting Standards Codification (ASC) Topic 606, *Revenue Recognition*, and most industry-specific guidance. When adopted, the amendments in the ASU must be applied using one of two retrospective methods. ASU No. 2014-09 is effective for nonpublic entities for annual periods beginning after December 15, 2018. The Center is currently evaluating the impact of the provisions of ASC 606.

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*. This ASU provides guidance on the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous accounting standards and new disclosures on key information about leasing arrangements. The new standard supersedes current lease accounting requirements in FASB Accounting Standards Codification (ASC) Topic 840, *Leases*. When adopted, the amendments in the ASU must be applied using a modified retrospective approach. ASU No. 2016-02 is effective for nonpublic companies for annual periods beginning after December 15, 2019. The Center is currently evaluating the impact of the provisions of ASC 842.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### New Accounting Pronouncements (Continued)

On June 21, 2018, the FASB issued ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*. The amendments in this update will assist entities in evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or as exchange (reciprocal) transactions and determining whether a transaction is conditional. The amendments in this update are effective for annual financial statements issued for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019, for transactions in which the entity serves as the resource recipient. Early application of the amendments in this update is permitted. Center is still evaluating the impact of the provisions of ASU Topic 958.

#### Change in Accounting Policy

On August 18, 2016, FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958) – Presentation of Financial Statements of Not-for-Profit Entities*. The update addresses the complexity and understandability of net asset classification, deficiencies in information about liquidity and availability of resources, and the lack of consistency in the type of information provided about expenses and investment return. The Center has adjusted the presentation of these statements accordingly. The ASU has been applied retrospectively to all periods presented.

The changes have the following effect on net assets at December 31:

<i>Net Asset Class</i>	2018		2017	
	As Originally Presented	After Adoption of ASU 2016-14	As Originally Presented	After Adoption of ASU 2016-14
Unrestricted net assets	\$ 463,860	\$ -	\$ 104,046	\$ -
Temporarily restricted net assets	857,644	-	945,863	-
Permanently restricted net assets	568,144	-	567,294	-
Net assets without donor restrictions	-	463,860	-	104,046
Net assets with donor restrictions	-	1,425,788	-	1,513,157
<b>Total net assets</b>	<b>\$ 1,889,648</b>	<b>\$ 1,889,648</b>	<b>\$ 1,617,203</b>	<b>\$ 1,617,203</b>

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### 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.

### Note 3: Grants Receivable

<i>As of December 31,</i>	2018	2017
Within one year	\$ 135,000	\$ 177,145
More than one year	-	-
Less: Discounts for the time-value of money	(2,960)	(5,160)
Current grant receivable (net of long term portion)	\$ 132,040	\$ 171,985

### Note 4: Property and Equipment

<i>As of December 31,</i>	2018	2017
Furniture and fixtures	\$ 25,923	\$ 25,923
Office equipment	90,328	90,328
Research library	28,787	28,787
Leasehold improvements	5,331	5,331
	150,369	150,369
Accumulated depreciation	(144,694)	(141,875)
Total property and equipment - at cost	\$ 5,675	\$ 8,494

### 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 at a future date.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 6: Investments

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

As of December 31,	2018		2017	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds and Bonds	\$ 687,353	\$ 666,564	\$ 611,144	\$ 637,793

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.

### Note 7: Net Assets with Donor Restrictions

Net assets with donor restrictions are restricted for the following purposes or periods:

<i>Years ended December 31,</i>	2018	2017
Time restricted:		
General operations	\$ -	\$ 232,951
Purpose restricted:		
Kuskowim Watershed	8,066	8,066
Safe Women Strong Nations	1,561	-
Land Titling	-	26,134
Guatemala	35,000	-
Transition	25,000	-
ADRIP	46,868	-
Native Rights and Tribal Sovereignty	50,000	100,000
MDB	161,709	46,784
Rapa Nui	2,000	-
Reserve fund	568,144	567,294
Seminole land purchase	420,269	420,269
Endowment earnings	107,171	111,659
<b>Total</b>	<b>\$ 1,425,788</b>	<b>\$ 1,513,157</b>

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 7: Net Assets with Donor Restrictions (Continued)

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows for the years ended December 31:

<i>Years ended December 31,</i>	2018	2017
Time restricted:		
General operations	\$ 857,950	\$ 767,046
Purpose restricted:		
Safe Women Strong Nations	14,706	10,000
Land Titling	26,134	18,987
Guatemala	35,000	-
ADRIP	43,366	93,617
Native Rights and Tribal Sovereignty	50,000	-
MDB	85,075	83,895
Rapa Nui	-	582
Human Rights Training	-	4,735
<b>Total</b>	<b>\$ 1,112,231</b>	<b>\$ 978,862</b>

In 2000, the Center's Board of Directors established a permanent endowment fund.

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.

As of December 31, 2018 and 2017 the operating fund balance was \$568,144 and \$567,294, respectively. See Note 14 for more detail.

### Note 8: 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 and has been extended on a month-to-month basis.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 9: 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>2018</i>	Direct Operating Expenses	Management and General Expenses	Total
Program services	\$ 810,729	\$ 106,907	\$ 917,636
Fundraising	103,190	8,715	111,905
<b>Total</b>	<b>\$ 913,919</b>	<b>\$ 115,622</b>	<b>\$ 1,029,541</b>

<i>2017</i>	Direct Operating Expenses	Management and General Expenses	Total
Program Services	\$ 956,091	\$ 195,445	\$ 1,151,536
Grants repaid	250	-	250
Fundraising	96,972	19,810	116,782
<b>Total</b>	<b>\$ 1,053,313</b>	<b>\$ 215,255</b>	<b>\$ 1,268,568</b>

### Note 10: 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 2018 or 2017 and the entire amount of \$20,000 per year, was donated by the Center's executive director and his spouse. Beginning in 2018, the agreement changed to The Center no longer paying the property taxes. Accordingly, The Center paid \$- and \$4,104 in property taxes in 2018 and 2017, respectively.

### Note 11: Retirement Plan

In July 1991, the Center started a defined contribution retirement plan. For the year ended December 31, 2017, the Center contributed 7% of compensation of those eligible to participate in the plan. In June 2018, this contribution amount changed to 2% of compensation of those eligible to participate in the plan. Total contributions for 2018 and 2017 were \$25,574 and \$54,725, respectively.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### Note 12: 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, 2018 and 2017, the principal balance of the Endowment was \$179,570 and \$202,517, 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 13: 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.

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



# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 13: Fair Value Measurements (Continued)

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, 2018			
	Level 1	Level 2	Level 3	Total
Mutual funds:				
Foreign large bond	\$ 22,377	\$ -	\$ -	\$ 22,377
Large growth	34,341	-	-	34,341
Short-term bond	273,228	-	-	273,228
Large value	60,192	-	-	60,192
Intermediate core-plus	276,426	-	-	276,426
<b>Total investments</b>	<b>\$ 666,564</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 666,564</b>

	Assets at Fair Market Value as of December 31, 2017			
	Level 1	Level 2	Level 3	Total
Bonds:				
US government securities	\$ 108,157	\$ -	\$ -	\$ 108,157
Mutual funds:				
High yield bond	107,756	-	-	107,756
Consumer Goods	2,369	-	-	2,369
Intermediate term bond	19,047	-	-	19,047
Large value	394,051	-	-	394,051
World stock	6,413	-	-	6,413
<b>Total investments</b>	<b>\$ 637,793</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 637,793</b>

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### Note 14: 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 endowment assets restricted into perpetuity (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 assets restricted into perpetuity is classified as restricted for purpose 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.

Change in net asset composition by type of fund for the years ended December 31, 2018 and 2017 is as follows:

	Restricted for purpose	Restricted into perpetuity	Total
Endowment Net Assets, January 1, 2017	\$ 51,508	\$ 566,794	\$ 618,302
Investment Return			
Investment income	17,106	-	17,106
Net appreciation	43,045	-	43,045
Total investment return	60,151	-	60,151
Grants and contributions	-	500	500
Endowment Net Assets, December 31, 2017	111,659	567,294	678,953

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 14: Endowment Funds (Continued)

Investment Return			
Investment income	24,351	-	24,351
Net appreciation (depreciation)	(28,839)	-	(28,839)
Total investment return (loss)	(4,488)	-	(4,488)
Grants and contribution	-	850	-
Endowment Net Assets, December 31, 2018	\$ 107,171	\$ 568,144	\$ 674,465

#### *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 net assets without donor restrictions. There were no such deficiencies as of December 31, 2018 and 2017.

#### *Return Objectives and Risk Parameters*

The Center has adopted an investment and spending approach 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.

#### *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 an approach of appropriating for distribution each year 5% or less 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 approach, 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.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### **Note 15: Liquidity and Availability of Financial Resources**

The Center has \$509,741 of financial assets available within one year of the statement of financial position date consisting of cash of \$509,230 and accounts receivable of \$511. None of the financial assets are subject to donor or other contractual restrictions that make them unavailable for general expenditure within one year of the statement of financial position date. The Center has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet 60 days of normal operating expenses, which are, on average, approximately \$172,000.