

FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT

**Indian Law Resource Center, Inc.**

*December 31, 2005 and 2004*

# Indian Law Resource Center, Inc.

*December 31, 2005 and 2004*

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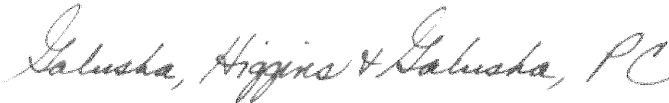
## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Indian Law Resource Center  
Helena, Montana

We have audited the accompanying statements of financial position of the Indian Law Resource Center, Inc., (the Center) as of December 31, 2005 and 2004 and the related statements of activities, statements of functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Organization's management. 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 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indian Law Resource Center, Inc., as of December 31, 2005 and 2004, and the changes in net assets and cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.



GALUSHA, HIGGINS AND GALUSHA, PC  
Certified Public Accountants and Advisors

Helena, Montana  
March 6, 2006

**Indian Law Resource Center, Inc.**  
**STATEMENTS OF FINANCIAL POSITION**  
*December 31,*

ASSETS		2004
	2005	(Restated)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 179,147	\$ 481,563
Certificates of deposit	30,000	-
Grants receivable (net)	492,171	185,904
Other receivables	1,028	1,828
Prepaid expenses	2,445	8,553
Total current assets	704,791	677,848
 <b>PROPERTY AND EQUIPMENT - AT COST</b>		
Net depreciable assets	14,533	16,112
 <b>OTHER ASSETS</b>		
Grants receivable	-	192,171
Deposits	1,350	1,325
Seminole and Gar Creek land purchase	420,269	420,269
Investments	9,734	147,510
	431,353	761,275
<b>TOTAL ASSETS</b>	<b>\$ 1,150,677</b>	<b>\$1,455,235</b>
<b>LIABILITIES AND NET ASSETS</b>		
 <b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 23,100	\$ 12,044
Accrued salaries and vacation payable	32,239	14,329
Payroll taxes payable	1,324	1,614
Total current liabilities	56,663	27,987
 <b>NET ASSETS</b>		
Unrestricted	189,832	254,305
Temporarily restricted	877,724	1,157,145
Permanently restricted	26,458	15,798
TOTAL NET ASSETS	1,094,014	1,427,248
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 1,150,677</b>	<b>\$1,455,235</b>

The accompanying notes are an integral part of these financial statements.

**Indian Law Resource Center, Inc.**  
**STATEMENT OF ACTIVITIES**  
*for the year ended December 31, 2005*

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 58,793	\$ -	\$ 10,660	\$ 69,453
Grants	490,096	547,000	-	1,037,096
Bequests and trusts	22,330	-	-	22,330
Interest	4,115	438	-	4,553
Other	1,057	-	-	1,057
Realized and unrealized gains and (losses) on investments	1,618	(267)	-	1,351
Released from restrictions	826,592	(826,592)	-	-
Total support and receipts	<u>1,404,601</u>	<u>(279,421)</u>	10,660	<u>1,135,840</u>
<b>EXPENSES</b>				
Program services	1,168,366	-	-	1,168,366
Management and general	158,406	-	-	158,406
Fund raising	142,302	-	-	142,302
Total expenses	<u>1,469,074</u>	<u>-</u>	<u>-</u>	<u>1,469,074</u>
Decrease in net assets	(64,473)	(279,421)	10,660	(333,234)
Net assets at beginning of year	254,305	1,157,145	15,798	1,427,248
Net assets at end of year	<u>\$ 189,832</u>	<u>\$ 877,724</u>	<u>\$ 26,458</u>	<u>\$ 1,094,014</u>

The accompanying notes are an integral part of these financial statements.

**Indian Law Resource Center, Inc.**  
**STATEMENT OF ACTIVITIES**  
*for the year ended December 31, 2004 (Restated)*

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	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE</b>				
Contributions	\$ 66,966	\$ -	\$ 12,030	\$ 78,996
Grants	491,000	1,180,075	-	1,671,075
Bequests and trusts	38,817	-	-	38,817
Interest	1,873	18	-	1,891
Other	1,594	-	-	1,594
Realized and unrealized gains and (losses) on investments	10,806	-	-	10,806
Released from restrictions	<u>675,038</u>	<u>(675,038)</u>	<u>-</u>	<u>-</u>
Total support and receipts	1,286,094	505,055	12,030	1,803,179
<b>EXPENSES</b>				
Program services	873,694	-	-	873,694
Management and general	232,781	-	-	232,781
Fund raising	107,020	-	-	107,020
Total expenses	<u>1,213,495</u>	<u>-</u>	<u>-</u>	<u>1,213,495</u>
Increase in net assets	72,599	505,055	12,030	589,684
Net assets at beginning of year	181,706	652,090	3,768	837,564
Net assets at end of year	<u>\$ 254,305</u>	<u>\$ 1,157,145</u>	<u>\$ 15,798</u>	<u>\$ 1,427,248</u>

The accompanying notes are an integral part of these financial statements.

**Indian Law Resource Center, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*for the year ended December 31, 2005*

	Program Services	Supporting Services			Total Program Services and Supporting Services
	Total	Management and General	Fund Raising	Total	
<b>FUNCTIONAL EXPENSES</b>					
Audit and outside accounting	\$ 6,398	\$ 1,857	\$ -	\$ 1,857	\$ 8,255
Advertising	1,424	224	100	324	1,748
Casual labor	3,063	751	606	1,357	4,420
Client travel and food	1,386	-	-	-	1,386
Consulting	128,302	851	348	1,199	129,501
Contribution expense	71,000	-	-	-	71,000
Depreciation and amortization	5,311	2,713	-	2,713	8,024
Dues and registration	4,482	103	1,765	1,868	6,350
Duplicating and printing	15,682	233	2,218	2,451	18,133
Equipment rental and maintenance	5,201	1,277	-	1,277	6,478
Employee fringe benefits and payroll taxes	167,242	28,015	28,838	56,853	224,095
Filing fees and court costs	-	-	-	-	-
Insurance	3,928	956	-	956	4,884
Miscellaneous	12,822	1,127	1,058	2,185	15,007
Office repairs and maintenance	2,991	776	-	776	3,767
On-line services	10,737	437	-	437	11,174
Postage and delivery	5,182	923	1,369	2,292	7,474
Rent	26,515	13,522	-	13,522	40,037
Salaries	531,708	92,945	97,597	190,542	722,250
Staff training	1,223	1,248	100	1,348	2,571
Subscriptions and books	4,871	-	329	329	5,200
Supplies	12,026	2,796	565	3,361	15,387
Telephone	13,743	1,878	144	2,022	15,765
Travel	126,471	4,052	7,265	11,317	137,788
Utilities	6,658	1,722	-	1,722	8,380
<b>Totals</b>	<b>\$ 1,168,366</b>	<b>\$ 158,406</b>	<b>\$ 142,302</b>	<b>\$ 300,708</b>	<b>\$ 1,469,074</b>

The accompanying notes are an integral part of these financial statements.

**Indian Law Resource Center, Inc.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
*for the year ended December 31, 2004*

	Program Services	Supporting Services			Total Program Services and Supporting Services
	Total	Management and General	Fund Raising	Total	
<b>FUNCTIONAL EXPENSES</b>					
Audit and outside accounting	\$ -	\$ 7,580	\$ -	\$ 7,580	\$ 7,580
Advertising	-	2,223	217	2,440	2,440
Casual labor	-	4,373	521	4,894	4,894
Client travel and food	6,446	-	-	-	6,446
Consulting	34,760	6,265	11,509	17,774	52,534
Contribution expense	13,500	-	-	-	13,500
Depreciation and amortization	-	9,740	-	9,740	9,740
Dues and registration	4,093	660	1,491	2,151	6,244
Duplicating and printing	15,748	275	1,377	1,652	17,400
Equipment rental and maintenance	-	8,125	-	8,125	8,125
Employee fringe benefits and payroll taxes	159,068	23,847	19,864	43,711	202,779
Filing fees and court costs	450	-	-	-	450
Insurance	-	4,893	-	4,893	4,893
Miscellaneous	7,200	5,867	369	6,236	13,436
Office repairs and maintenance	-	1,540	-	1,540	1,540
On-line services	8,744	2,066	-	2,066	10,810
Postage and delivery	1,809	2,187	1,202	3,389	5,198
Rent	-	39,969	-	39,969	39,969
Salaries	518,005	81,313	66,692	148,005	666,010
Staff training	635	100	-	100	735
Subscriptions and books	3,998	-	381	381	4,379
Supplies	564	10,322	100	10,422	10,986
Telephone	7,645	9,794	161	9,955	17,600
Travel	91,029	4,795	3,136	7,931	98,960
Utilities	-	6,847	-	6,847	6,847
<b>Totals</b>	<b>\$ 873,694</b>	<b>\$ 232,781</b>	<b>\$ 107,020</b>	<b>\$ 339,801</b>	<b>\$ 1,213,495</b>

The accompanying notes are an integral part of these financial statements.



**Indian Law Resource Center, Inc.**  
**STATEMENTS OF CASH FLOWS**  
*for the years ended December 31,*

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	<b>2005</b>	2004 (Restated)
Cash Flows From Operating Activities		
Increase (decrease) in net assets	<b>\$ (333,234)</b>	\$ 589,684
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	<b>8,024</b>	9,740
(Gains) losses on investments	<b>(1,351)</b>	(10,806)
(Increase) decrease in accounts receivable	<b>(113,296)</b>	(372,525)
(Increase) decrease in prepaid expenses and deposits	<b>6,083</b>	(535)
(Decrease) increase in accounts payable	<b>11,056</b>	(11,646)
(Decrease) increase in accrued expenses	<b>17,910</b>	(2,734)
Increase (decrease) in payroll taxes payable	<b>(290)</b>	(27)
Receipt of permanently restricted net assets	<b>(10,660)</b>	(12,030)
Net cash provided by (used in) operating activities	<b>(415,758)</b>	189,121
Cash Flows From Investing Activities		
Cash received from sales of investments	<b>149,127</b>	150,000
Cash payments for equipment	<b>(6,445)</b>	(3,815)
Cash payments for investments	<b>(40,000)</b>	(125,000)
Net cash provided by investing activities	<b>102,682</b>	21,185
Cash Flows From Financing Activities		
Receipt of permanently restricted net assets	<b>10,660</b>	12,030
Net increase (decrease) in cash	<b>(302,416)</b>	222,336
Cash balance, January 1,	<b>481,563</b>	259,227
Cash balance, December 31,	<b>\$ 179,147</b>	<b>\$ 481,563</b>

The accompanying notes are an integral part of these financial statements.

## Indian Law Resource Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Center's significant accounting policies consistently applied in the preparation of the accompanying financial statements:

1. Nature of Activities - The Indian Law Resource 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.
2. Basis of Accounting - The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.
3. Financial Statement Presentation - The Center has adopted Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Made", and SFAS No. 117, "Financial Statements of Not-for-Profit Organizations". SFAS No. 116 requires that unconditional promises to give (pledges) be recorded as receivables and revenues. It also requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. SFAS No. 117 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

**Unrestricted net assets** include assets which are available for general operations of the Center.

**Temporarily restricted net assets** include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

**Permanently restricted net assets** include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

4. Property and Equipment - Furniture, fixtures, and equipment are recorded at cost less accumulated depreciation. Donated assets are recorded at fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Asset lives range from 5 to 10 years.

Continued

## Indian Law Resource Center, Inc.

### NOTES TO THE FINANCIAL STATEMENTS

December 31, 2005 and 2004

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#### NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

5. 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.
6. Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments that mature in three months or less.
7. Grants Receivable - For the purposes of recording grants receivable a present value factor is applied to arrive at the amounts reported. See Note C for further information. The Center considers grants receivable fully collectible; accordingly, no allowance for uncollectible grants has been provided.
8. Investments - The Center adopted SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under SFAS No. 124, 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 net assets unless the income or loss is restricted by donor or law.
9. General and Administrative Expenses - General and administrative expenses which are not directly chargeable to specific projects are reported as supporting services - management and general.
10. Advertising - The Center uses advertising to promote its programs among the audiences it serves. The production costs of advertising are expensed as incurred. During 2005 and 2004, advertising costs totaled \$1,749 and \$2,440, respectively.
11. Income Taxes - The Center was incorporated on April 5, 1978 in Washington, D.C. pursuant to the D.C. 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.
12. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.
13. Compensated Absences - The Center accrues a liability for earned but unused vacation benefits.

Continued

**Indian Law Resource Center, Inc.**

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2005 and 2004

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**NOTE B - CONCENTRATION OF CREDIT RISK**

The Center has cash on deposit at D.A. Davidson of \$135,968 in 2005 and \$369,966 in 2004. The SIPC limit of \$500,000 sufficiently covers the deposits.

**NOTE C - GRANTS RECEIVABLE**

Unconditional grants to be collected:

	<u>2005</u>	<u>2004</u>
Within one year	\$500,000	\$200,000
In one to five years	<u>-</u>	<u>200,000</u>
	500,000	400,000
Less:		
Discounts for the time-value of money	<u>(7,829)</u>	<u>(21,925)</u>
Amount of statement of financial position	<u>\$492,171</u>	<u>\$378,075</u>
Grant Receivable:		
Current portion	\$492,171	\$185,904
Long-term portion	<u>-</u>	<u>192,171</u>
Total	<u>\$492,171</u>	<u>\$378,075</u>

Conditional Grants:

If grant provisions are met, collection will be as follows:

2006	\$250,000
2007	150,000
2008	100,000

Based on the conditional nature of these grants, revenues have not been recognized and receivables have not been recorded.

**NOTE D - PROPERTY AND EQUIPMENT, NET**

A summary of property and equipment is as follows:

	<u>2005</u>	<u>2004</u>
Furniture and fixtures	\$ 26,491	\$25,721
Office equipment	44,348	42,591
Research library	28,787	28,787
Leasehold improvements	<u>1,393</u>	<u>1,393</u>
	101,019	98,492
Accumulated depreciation	<u>86,486</u>	<u>82,380</u>
Net property and equipment	<u>\$ 14,533</u>	<u>\$16,112</u>

Continued

**Indian Law Resource Center, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2005 and 2004*

**NOTE E - 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 is being formed to which the land will be transferred.

**NOTE F - INVESTMENTS**

Investments are carried at fair market value. Investments for the years ending December 31, 2005 and 2004 are as follows:

	2005		2004	
	Cost	Fair Market Value	Cost	Fair Market Value
	Certificates of Deposit	\$ -	\$ -	\$ 25,000
Mutual Funds	<u>10,000</u>	<u>9,734</u>	<u>79,534</u>	<u>122,510</u>
	<u>\$10,000</u>	<u>\$9,734</u>	<u>\$104,534</u>	<u>\$147,510</u>

**NOTE G - 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.

	2005	2004
Educational Foundation of America	\$ -	\$ 42,327
Ford Foundation (Communications)	181,696	147,377
Harris Foundation	-	2,000
Hearst Foundation	-	2,425
Lannan Foundation (Seminole Land Purchase)	420,269	420,269
Lannan Foundation	192,171	378,075
Libra Foundation	-	41,000
CS Mott	29,922	-
Oak Foundation	-	13,917
Oak Foundation (Regranting)	43,125	58,125
Patagonia, Inc.	7,779	4,035
Peace Development Fund	-	21,000
True North Foundation	-	8,500
Wilburforce Foundation	-	15,000
Vine Deloria Jr. Library Fund	2,422	2,927
Interest on Endowment	<u>340</u>	<u>168</u>
	<u>\$877,724</u>	<u>\$1,157,145</u>

Continued

**Indian Law Resource Center, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2005 and 2004*

**NOTE G - TEMPORARILY RESTRICTED NET ASSETS, continued**

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

	<u>2005</u>	<u>2004</u>
Cinnabar Foundation	\$ 4,000	\$ 6,000
Educational Foundation for America	42,326	31,506
Ford Foundation (International Human Rights)	100,000	100,000
Ford Foundation (World Conference Against Racism)	-	15,580
Ford Foundation (Communications)	115,681	2,623
Harris Foundation	2,000	2,000
Hearst Foundation	2,425	13,246
Hewlett Foundation	-	60,000
International Foundation	-	5,000
Diana Bonnor Lewis Foundation	-	3,000
Lannan Foundation	185,904	-
Libra Foundation	41,000	15,000
C.S. Mott Foundation	120,078	100,000
New World Foundation	-	5,787
Oak Foundation	13,917	167,750
Oak Foundation (Regranting)	45,000	11,167
Patagonia, Inc.	4,256	3,965
Peace Development Fund	21,000	-
Racial Justice Collaborative	100,000	100,000
Tonawanda Band of Senecas	5,000	-
True North Foundation	8,500	1,500
Wilburforce Foundation	15,000	30,000
Vine Deloria Jr. Library Fund	505	314
Temporarily Restricted Contributions	-	600
	<u>\$826,592</u>	<u>\$675,038</u>

**NOTE H - 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, 2005 and 2004, this fund has a permanently restricted balance of \$26,458 and \$15,798 (restated), respectively.

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**Indian Law Resource Center, Inc.**

NOTES TO THE FINANCIAL STATEMENTS  
*December 31, 2005 and 2004*

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**NOTE I - COMMITMENTS**

1. Office Lease

The Center has the following lease agreements for office space:

*Washington, DC* - Under a three-year lease agreement ending July 31, 1997, the Center leased office space for \$2,182 per month. The lease became a month-to-month lease in August, 1997, at the same monthly rate. There are no minimum future lease payments.

*Helena, Montana* - The Center leases space under a five-year lease which expires April 30, 2010. The current rent is approximately \$1,160 per month. As more fully described in Note K, the lease is with the Center's executive director.

2. Copier Lease

The Center is leasing a copier from Mountain West Bank. It is a 60-month lease beginning May 7, 2002 for \$95 per month.

Future minimum lease payments are as follows as of December 31, 2005.

2006	\$1,140
2007	380

3. Sub Grant

In July 2002, the Center received a three-year grant totaling \$600,000 (payable \$200,000 annually) from the Oak Foundation. The grantor requires that the Center give sub-grants tallying \$100,000 over the three-year period. As of December 31, 2004 and 2005, the Center had received the entire \$600,000 from the Oak Foundation and had given sub-grants totaling \$41,875 and \$86,875, respectively. Thus, as of December 31, 2004 and 2005, the Center is committed to giving \$58,125 and \$13,125 in sub-grants under the Oak Foundation's requirements. This grant was renewed in 2005 for a three-year period with \$30,000 committed for sub-grants for year one.

**NOTE J - ALLOCATION OF MANAGEMENT AND GENERAL 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 year ended December 31:

	<u>2005</u>		
	<u>Direct Operating Expenses</u>	<u>Management and General Expenses</u>	<u>Totals</u>
Program services	\$1,168,366	\$140,376	\$1,308,742
Fund raising	<u>142,302</u>	<u>18,030</u>	<u>160,332</u>
Total expenses	<u>\$1,310,668</u>	<u>\$158,406</u>	<u>\$1,469,074</u>

Continued

**Indian Law Resource Center, Inc.**

NOTES TO THE FINANCIAL STATEMENTS

*December 31, 2005 and 2004*

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**NOTE J - ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES**, continued

	<u>2004</u>		
	Direct Operating <u>Expenses</u>	Management and General <u>Expenses</u>	<u>Totals</u>
Program services	\$873,694	\$203,660	\$1,077,354
Fund raising	<u>107,020</u>	<u>29,121</u>	<u>136,141</u>
Total expenses	<u>\$980,714</u>	<u>\$232,781</u>	<u>\$1,213,495</u>

**NOTE K - RELATED PARTY TRANSACTIONS**

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 and May 1, 2005. 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 \$1,666.67. In 2005, the Center paid an equivalent of \$1,160 per month. In 2004, the Center paid an equivalent of \$1,170 per month.

Future minimum lease payments are as follows as of December 31, 2005:

2006	\$13,920
2007	13,920
2008	13,920
2009	13,920
2010	4,640

From time to time, the Center seeks the opinion of a real estate professional to ensure that the rent paid on the Helena office is at or below market value. The most recent such opinion estimated the market value of this space at \$2,750 per month. The Center continues to rent its office space at significantly below market value.

**NOTE L - PENSION PLAN**

In July 1991, the Center started a defined contribution retirement plan. The Center contributes 7.0% of compensation of those eligible to participate in the plan. Total contribution for 2005 was \$53,673 and for 2004 was \$50,084.

Continued



**Indian Law Resource Center, Inc.**

**NOTES TO THE FINANCIAL STATEMENTS**

*December 31, 2005 and 2004*

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**NOTE M - CHARITABLE REMAINDER ANNUITY TRUST**

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, 2005 and 2004, the principal balance of the Endowment was \$186,033 and \$186,185, 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 N - RETROACTIVE CHANGE IN THE METHOD OF RECOGNIZING REVENUE**

In prior years, management had viewed the future year portion of selected grants as being dependent upon the Center meeting certain performance standards. Pursuant to generally accepted accounting principles, revenue associated with these types of grants (referred to as conditional grants) is recognized in the year to which the grant applies. During 2005 management made a determination that there were no conditions associated with these grants (referred to as unconditional grants). Under generally accepted accounting principles, revenue on unconditional grants is recognized in its entirety in the year of award. During 2005, the Center corrected prior financial statements and gave recognition to all unconditional grant revenue in the year awarded.

The financial statements for the year ended December 31, 2004, have been restated to reflect this change. This change had the effect of increasing grant revenue, net assets, and grant receivable by \$378,075, as of and for the year ending December 31, 2004, as compared to the amounts previously reported.

**NOTE O - PRIOR PERIOD ADJUSTMENT**

During 2005 it was discovered that a 2004 contribution for \$11,420 given specifically for an endowed fellowship in memoriam of former board member, Terrence A. Sidley, had been booked as unrestricted revenue and should have been considered permanently restricted revenue. The permanently restricted net assets have been increased by \$11,420 and the unrestricted net assets have been decreased by \$11,420.

Concluded