

Indian Law Resource Center, Inc.

**Financial Statements and  
Independent Auditor's Report**

**December 31, 2015 and 2014**



## **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, 2015 and 2014, and the related statements of activities, 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, 2015 and 2014, 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, Schedule of Other Programs' Functional Support, Revenue and Expenses, appearing on pages 18-21 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

April 18, 2016

Helena, MT

# Indian Law Resource Center, Inc.

## Statements of Financial Position

<i>As of December 31,</i>	2015	2014
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 571,097	\$ 699,225
Current grants receivable (net of long term portion)	541,993	360,000
Accounts receivable	738	5,617
Prepaid expenses	8,826	11,290
<b>Total current assets</b>	<b>1,122,654</b>	<b>1,076,132</b>
<b>Property and Equipment - at cost</b>		
Net depreciable assets	12,931	11,669
<b>Total property and equipment - at cost</b>	<b>12,931</b>	<b>11,669</b>
<b>Other Assets</b>		
Deposits	1,325	1,325
Gar Creek Seminole land purchase	420,269	420,269
Investments, restricted	41,014	41,814
Board restricted operating reserve	490,972	509,664
Restricted cash - operating reserve	1,733	733
Restricted cash	34,882	33,693
<b>Total other assets</b>	<b>990,195</b>	<b>1,007,498</b>
<b>TOTAL ASSETS</b>	<b>\$ 2,125,780</b>	<b>\$ 2,095,299</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Grants and accounts payable	\$ 66,347	\$ 4,611
Accrued expenses	44,028	39,594
<b>Total current liabilities</b>	<b>110,375</b>	<b>44,205</b>
<b>Net assets</b>		
Unrestricted	322,772	425,623
Temporarily restricted	1,128,339	1,063,752
Permanently restricted	564,294	561,719
<b>Total net assets</b>	<b>2,015,405</b>	<b>2,051,094</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 2,125,780</b>	<b>\$ 2,095,299</b>

See accompanying notes to financial statements.

## Indian Law Resource Center, Inc.

### Statements of Activities

<i>Years Ended December 31,</i>	2015			2014	
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
<b>Support and revenue</b>					
Contributions	\$ 88,390	\$ -	\$ 2,575	\$ 90,965	\$ 126,429
Grants	547,125	692,070	-	1,239,195	1,902,364
Bequests and trusts	8,406	-	-	8,406	7,185
Interest	734	13,594	-	14,328	9,837
Other	3,656	-	-	3,656	844
Realized and unrealized gains (losses) on investments	-	(31,997)	-	(31,997)	2,161
Released from restrictions	609,080	(609,080)	-	-	-
<b>Total support and revenue</b>	<b>1,257,391</b>	<b>64,587</b>	<b>2,575</b>	<b>1,324,553</b>	<b>2,048,820</b>
 Program services	 1,036,798	 -	 -	 1,036,798	 906,021
Management and general	143,010	-	-	143,010	299,964
Fund raising	125,234	-	-	125,234	184,772
Grants repaid	55,200	-	-	55,200	-
<b>Total expenses</b>	<b>1,360,242</b>	<b>-</b>	<b>-</b>	<b>1,360,242</b>	<b>1,390,757</b>
 Change in net assets	 (102,851)	 64,587	 2,575	 (35,689)	 658,063
Net assets at beginning of year	425,623	1,063,752	561,719	2,051,094	1,393,031
<b>Net assets at end of year</b>	<b>\$ 322,772</b>	<b>\$ 1,128,339</b>	<b>\$ 564,294</b>	<b>\$ 2,015,405</b>	<b>\$ 2,051,094</b>

See accompanying notes to financial statements.

## Indian Law Resource Center, Inc.

### Statements of Functional Expenses

<i>Years Ended December 31,</i>	2015			2014	
	Program	Management and General	Fund Raising	Total	Total
<b>Functional expenses</b>					
Salaries and wages	\$ 622,432	\$ 44,132	\$ 54,504	\$ 721,068	\$ 800,646
Employee fringe benefits and payroll taxes	113,464	43,284	25,687	182,435	181,090
Contract services	179,333	16,806	17,931	214,070	162,524
Travel	42,702	21,216	7,737	71,655	98,187
Occupancy expenses	26,023	9,629	6,930	42,582	59,200
Property and equipment	6,598	1,579	1,894	10,071	17,145
Telephone	9,163	2,291	1,311	12,765	14,670
Online services	10,806	-	4,132	14,938	14,593
Hosting and meals	5,419	1,696	905	8,020	10,870
Dues and registration	3,299	378	1,311	4,988	9,960
Insurance	4,116	624	206	4,946	6,206
Supplies	5,115	834	933	6,882	6,122
Postage and delivery	1,069	413	693	2,175	4,144
Duplicating and printing	2,591	83	405	3,079	2,721
Miscellaneous	4,134	-	526	4,660	1,335
Staff development	-	-	-	-	864
Subscriptions and books	450	-	-	450	365
Advertising	84	45	129	258	115
<b>Total</b>	<b>\$ 1,036,798</b>	<b>\$ 143,010</b>	<b>\$ 125,234</b>	<b>\$ 1,305,042</b>	<b>\$ 1,390,757</b>

See accompanying notes to financial statements.

## Indian Law Resource Center, Inc.

### Statements of Cash Flows

<i>Years Ended December 31,</i>	2015	2014
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Change in net assets	\$ (35,689)	\$ 658,063
Adjustments to reconcile change in net assets to net cash from operating activities		
Depreciation and amortization	4,180	6,734
(Gain) loss on investments	38,130	(2,161)
Receipt of permanently restricted net assets	(2,575)	(3,852)
Change in assets and liabilities		
Increase in receivables	(177,114)	(219,109)
Decrease in prepaid expenses and deposits	2,464	1,559
Increase (decrease) in accounts payable	61,736	(21,828)
Increase (decrease) in accrued expenses	4,434	(1,276)
<b>Net cash from operating activities</b>	<b>(104,434)</b>	<b>418,130</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash receipts for CD's and investments	-	50,000
Cash payments for equipment	(5,442)	(2,520)
Cash payments for CD's and investments	(18,638)	(508,956)
<b>Net cash from investing activities</b>	<b>(24,080)</b>	<b>(461,476)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in restricted cash	(2,189)	(4,074)
Receipt of permanently restricted net assets	2,575	3,852
<b>Net cash from financing activities</b>	<b>386</b>	<b>(222)</b>
<b>NET CHANGE IN CASH</b>	<b>(128,128)</b>	<b>(43,568)</b>
Cash balance, January 1	699,225	742,793
<b>Cash balance, December 31</b>	<b>\$ 571,097</b>	<b>\$ 699,225</b>

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:

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

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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, 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 2015 and 2014, advertising costs totaled \$258 and \$115, 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 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 2012 through 2015 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 2014 financial statements have been reclassified to conform to the 2015 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 April 18, 2016, which is the date the financial statements were available to be issued.

### **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>	2015	2014
Within one year	\$ 310,000	\$ 360,000
More than one year	250,000	-
Less: Discounts for the time-value of money	\$ (18,007)	\$ -
Amount on statement of financial position	541,993	360,000

### Note 4: Property and Equipment

<i>Years Ended December 31,</i>	2015	2014
Furniture and fixtures	\$ 25,923	\$ 25,923
Office equipment	86,965	81,523
Research library	28,787	28,787
Leasehold improvements	5,331	5,331
	147,006	141,564
Accumulated depreciation	(134,075)	(129,895)
Total	\$ 12,931	\$ 11,669

### 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>	2015		2014	
	Cost	Fair Value	Cost	Fair Value
Mutual Funds	\$ 569,993	\$ 531,986	\$ 551,355	\$ 551,478

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>	2015	2014
Bay and Paul Foundation	\$ -	\$ 30,000
Bush Foundation	18,520	24,350
Christensen Foundation	45,365	100,000
CS Mott Foundation	69,911	120,707
Ford Foundation	-	250,000
Mohawk Project	-	55,200
Lannan Foundation	8,066	8,066
Lannan Foundation (Seminole Land Purchase)	420,269	420,269
Libra Foundation	60,000	15,000
Rights and Resources Group	-	5,000
Sweetgrass Foundation	425	10,975
Tides Foundation	500,000	-
Interest on Endowment	5,783	24,185
<b>Total</b>	<b>\$ 1,128,339</b>	<b>\$ 1,063,752</b>

# 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>	2015	2014
Atlantic Philanthropies	\$ -	\$ 44,206
Bancker Williams Foundation	16,420	27,000
Bay and Paul Foundation	30,000	30,000
Bush Foundation	5,830	-
Christensen Foundation	110,285	25,000
Conservation and Indigenous People	-	17,000
CS Mott Foundation	75,795	29,293
Debley Inc.	-	4,000
Ford Foundation	250,000	80,000
Ford Land Law	-	13,409
Lannan Foundation	-	65,000
Libra Foundation	15,000	-
Mohawk Project	55,200	-
Overbrook Foundation	35,000	35,000
Rights and Resources Group	5,000	37,979
Sweetgrass Foundation	10,550	6,025
<b>Total</b>	<b>\$ 609,080</b>	<b>\$ 413,912</b>

During 2015, management estimated that the Mohawk grant would need to be repaid to the granting authority because the funds were not used for the designated purpose. As such, this grant has been released from restriction during 2015 with a repaid grant expense and is currently shown on the balance sheet as a grant payable.

### 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, 2015 and 2014 this fund has a permanently restricted balance of \$564,294 and \$561,719, 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. Funds are available for a forty month period starting September 1, 2013 and can be withdrawn for operational expenses. However, when funds are withdrawn from the reserve, a plan for repayment of the funds is established. At the end of the grant term, the grant could remain restricted indefinitely, the restriction could be removed, or the grant could revert back to the Ford Foundation, at the discretion of 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 2016 and 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:

<u>2015</u>	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
<b>Total</b>	<b>\$ 1,162,032</b>	<b>\$ 143,010</b>	<b>\$ 1,305,042</b>

<u>2014</u>	Direct Operating Expenses	Management and General Expenses	Total
Program Services	\$ 906,021	\$ 249,152	\$ 1,155,173
Fundraising	184,772	50,812	235,584
<b>Total</b>	<b>\$ 1,090,793</b>	<b>\$ 299,964</b>	<b>\$ 1,390,757</b>

### 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 2014, the Center paid \$1,174 per month. In 2014, the Center's executive director and his spouse donated in-kind rent of \$10,524. 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 2015 and the entire amount of \$14,088 was donated by the Center's executive director and his spouse.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

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### **Note 11: Related Parties (Continued)**

The Center's executive director and his spouse donated \$50,226 to the Center in 2014.

### **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 2015 and 2014 were \$40,524 and \$12,975, respectively.

### **Note 13: 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, 2015 and 2014, the principal balance of the Endowment was \$191,044 and \$197,747, 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**

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 Agency 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.

# Indian Law Resource Center, Inc.

## Notes to Financial Statements

### Note 14: Fair Value Measurements (Continued)

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

<i>Year Ended December 31, 2015</i>	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>	\$ 531,986	\$ -	\$ -	\$ 531,986
<i>Year Ended December 31, 2014</i>	Level 1	Level 2	Level 3	Total
<b>Mutual Funds</b>	\$ 551,478	\$ -	\$ -	\$ 551,478

### 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, 2015 and 2014 is as follows:

	Temporarily Restricted	Permanently Restricted	Total
Endowment Net Assets, January 1, 2014	\$ 12,778	\$ 557,867	\$ 570,645
Investment Return			
Investment income	9,246	-	9,246
Net appreciation	2,161	-	2,161
Total investment return	11,407	-	11,407
Grants and contributions	-	3,852	3,852
<b>Endowment net assets December 31, 2014</b>	<b>\$ 24,185</b>	<b>\$ 561,719</b>	<b>\$ 585,904</b>
Investment Return			
Investment income	13,595	-	13,595
Net appreciation	(31,997)	-	(31,997)
Total investment return	(18,402)	-	(18,402)
Grants and contribution	-	2,575	2,575
<b>Endowment net assets December 31, 2015</b>	<b>\$ 5,783</b>	<b>\$ 564,294</b>	<b>\$ 570,077</b>

#### *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, 2015 and 2014.

#### *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

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### **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 principle. 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.