

Native American Rights Fund, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2017 and 2016

Native American Rights Fund, Inc.
September 30, 2017 and 2016

Contents

Independent Auditor’s Report..... 1

Financial Statements

Statements of Financial Position 3
Statement of Activity – 2017..... 4
Statement of Activity – 2016..... 5
Statements of Cash Flows 6
Notes to Financial Statements 7

Supplementary Information

Statement of Functional Expenses..... 23

Independent Auditor's Report

Board of Directors
Native American Rights Fund, Inc.
Boulder, Colorado

We have audited the accompanying financial statements of Native American Rights Fund, Inc. (NARF), which comprise the statements of financial position as of September 30, 2017 and 2016, and the related statements of activities 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 of America; 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 of America. 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.

Board of Directors
Native American Rights Fund, Inc.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NARF as of September 30, 2017 and 2016, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of functional expenses listed in the table of contents is presented for purposes 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 of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

BKD, LLP

Denver, Colorado
February 2, 2018

Native American Rights Fund, Inc.
Statements of Financial Position
September 30, 2017 and 2016

	2017	2016
Assets		
Cash	\$ 7,771,676	\$ 747,988
Prepaid expenses and other assets	346,481	299,559
Other receivables, net of allowance of \$38,000 for 2017 and 2016	559,813	389,931
Government contracts receivable	439,535	599,475
Employee travel advances	45,002	32,759
Grants and contributions receivable, net	1,176,853	3,187,131
Bequests receivable	-	76,346
Investments	33,570,350	16,914,995
Assets held for others	562,310	190,971
Property and equipment	233,312	262,685
Total assets	\$ 44,705,332	\$ 22,701,840
Liabilities and Net Assets		
Accounts payable	\$ 1,102,478	\$ 453,078
Funds held on behalf of others	562,310	190,971
Accrued vacation payable	308,016	318,333
Other accrued expenses	153,057	153,267
Deferred revenue	17,963	22,202
Capital lease obligations	31,508	43,395
Employee retirement obligation	284,765	307,342
Total liabilities	2,460,097	1,488,588
Net Assets		
Unrestricted		
Future Legal Advocacy Fund	25,000,000	-
Undesignated	13,617,657	16,137,509
	38,617,657	16,137,509
Temporarily restricted	2,612,748	4,065,281
Permanently restricted	1,014,830	1,010,462
Total net assets	42,245,235	21,213,252
Total liabilities and net assets	\$ 44,705,332	\$ 22,701,840

Native American Rights Fund, Inc.
Statement of Activity
Year Ended September 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Governmental contracts	\$ 1,001,888	\$ -	\$ -	\$ 1,001,888
Foundation grants	225,580	681,485	-	907,065
Contributions	25,835,010	53,766	4,368	25,893,144
Legal fees	2,123,889	-	-	2,123,889
Other	55,646	-	-	55,646
Investment income	2,115,776	-	-	2,115,776
Net assets released from restrictions	2,187,784	(2,187,784)	-	-
	<u>33,545,573</u>	<u>(1,452,533)</u>	<u>4,368</u>	<u>32,097,408</u>
Total revenues, gains and other support				
Expenses				
Program services				
Litigation and client services	7,738,649	-	-	7,738,649
National Indian Law Library	356,178	-	-	356,178
	<u>8,094,827</u>	<u>-</u>	<u>-</u>	<u>8,094,827</u>
Total program services expenses				
Supporting services				
Management and general	902,350	-	-	902,350
Fundraising expenses	2,068,248	-	-	2,068,248
	<u>2,970,598</u>	<u>-</u>	<u>-</u>	<u>2,970,598</u>
Total supporting services expenses				
Total expenses	<u>11,065,425</u>	<u>-</u>	<u>-</u>	<u>11,065,425</u>
Change in Net Assets	22,480,148	(1,452,533)	4,368	21,031,983
Net Assets, Beginning of Year	<u>16,137,509</u>	<u>4,065,281</u>	<u>1,010,462</u>	<u>21,213,252</u>
Net Assets, End of Year	<u>\$ 38,617,657</u>	<u>\$ 2,612,748</u>	<u>\$ 1,014,830</u>	<u>\$ 42,245,235</u>

Native American Rights Fund, Inc.
Statement of Activity
Year Ended September 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, Gains and Other Support				
Governmental contracts	\$ 1,011,476	\$ -	\$ -	\$ 1,011,476
Foundation grants	371,000	2,737,832	-	3,108,832
Contributions	4,148,806	1,358,794	24,958	5,532,558
Legal fees	2,028,322	-	-	2,028,322
Other	58,233	-	-	58,233
Investment income	1,604,562	-	-	1,604,562
Net assets released from restrictions	2,108,618	(2,108,618)	-	-
	<u>11,331,017</u>	<u>1,988,008</u>	<u>24,958</u>	<u>13,343,983</u>
Total revenues, gains and other support				
	<u>11,331,017</u>	<u>1,988,008</u>	<u>24,958</u>	<u>13,343,983</u>
Expenses				
Program services				
Litigation and client services	7,749,780	-	-	7,749,780
National Indian Law Library	362,854	-	-	362,854
	<u>8,112,634</u>	<u>-</u>	<u>-</u>	<u>8,112,634</u>
Total program services expenses				
	<u>8,112,634</u>	<u>-</u>	<u>-</u>	<u>8,112,634</u>
Supporting services				
Management and general	861,057	-	-	861,057
Fundraising expenses	1,796,946	-	-	1,796,946
	<u>2,658,003</u>	<u>-</u>	<u>-</u>	<u>2,658,003</u>
Total supporting services expenses				
	<u>2,658,003</u>	<u>-</u>	<u>-</u>	<u>2,658,003</u>
Total expenses				
	<u>10,770,637</u>	<u>-</u>	<u>-</u>	<u>10,770,637</u>
Change in Net Assets	560,380	1,988,008	24,958	2,573,346
Net Assets, Beginning of Year	15,577,129	2,077,273	985,504	18,639,906
Net Assets, End of Year	<u>\$ 16,137,509</u>	<u>\$ 4,065,281</u>	<u>\$ 1,010,462</u>	<u>\$ 21,213,252</u>

Native American Rights Fund, Inc.
Statements of Cash Flows
Years Ended September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Operating Activities		
Change in net assets	\$ 21,031,983	\$ 2,573,346
Items not requiring (providing) cash		
Depreciation expense	68,629	63,205
Bad debt expense	-	64,654
Net realized and unrealized gains on investments	(1,446,210)	(1,214,819)
Contribution of securities	(32,821)	(243,599)
Changes in		
Other receivables	(169,882)	(55,502)
Government contract receivable	159,940	(295,023)
Grants and contributions receivable	2,010,278	(2,302,812)
Bequests receivable	76,346	(76,346)
Prepaid expenses and other assets	(59,165)	(96,904)
Accounts payable and accrued expenses	638,873	(118,150)
Retirement recognition program	(22,577)	19,228
Deferred revenue	(4,239)	709
	<u>22,251,155</u>	<u>(1,682,013)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Proceeds from sales of investments	121,317	314,459
Purchases of investments	(15,297,641)	(1,545,543)
Purchase of furniture and equipment	(29,443)	(61,764)
	<u>(15,205,767)</u>	<u>(1,292,848)</u>
Net cash used in investing activities		
Financing Activities		
Principal payments under capital lease obligation	(21,700)	(20,285)
	<u>(21,700)</u>	<u>(20,285)</u>
Net cash used in financing activities		
Increase (Decrease) in Cash	7,023,688	(2,995,146)
Cash, Beginning of Year	<u>747,988</u>	<u>3,743,134</u>
Cash, End of Year	<u>\$ 7,771,676</u>	<u>\$ 747,988</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 2,676</u>	<u>\$ 5,068</u>
Equipment purchased under capital lease	<u>\$ 9,813</u>	<u>\$ -</u>

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Native American Rights Fund, Inc. (NARF) is a not-for-profit organization whose mission and principal activities are to provide legal representation, assistance and education to Native American people. NARF's revenues and other support are derived principally from support from private foundations, the United States government, public contributions and a limited fee policy with the majority of its funding derived from grant and contribution support and legal fees.

The activities of NARF include the following programs:

Litigation and Client Services

NARF provides legal representation, assistance and education to Native American people. The major areas of concentration include tribal restoration and recognition, land claims settlements, hunting and fishing rights, the protection of Indian religious freedom and education rights.

National Indian Law Library (NILL)

NILL is the national repository of, and clearinghouse for, materials in Indian law. NILL collects and distributes catalogues and other materials used for legal and educational purposes. NILL also provides reference and research assistance.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash

Cash consists of bank deposits in federally insured accounts. At September 30, 2017, NARF's cash accounts exceeded federally insured limits by approximately \$8,173,000.

Accounts Receivable

Accounts receivable are stated at the amount billed to customers plus any accrued and unpaid interest. NARF provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual account evaluation and specific circumstances of the client.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Investments and Investment Return

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost (or fair value at time of donation, if acquired by contribution) or fair value. Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments.

Investment returns that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are recorded as temporarily restricted and then released from restriction. Other investment returns are reflected in the statements of activities as unrestricted, temporarily restricted or permanently restricted based upon the existence and nature of any donor or legally imposed restrictions.

Collections

Collections of works of art, historical treasures and similar assets are not capitalized in as much as the items are preserved and cared for continuously. Purchases of collection items are reported in the year of acquisition as decreases in unrestricted net assets, or in temporarily or permanently restricted net assets if the assets used to purchase the items were restricted to that use by donor stipulation. Contributions of collection items are not reported in the financial statements. Proceeds from disposal of and insurance recoveries related to collection items are reported as increases in the appropriate net asset classes.

NARF's collections consist of rare books and maps. These collections are held for educational and research purposes. They are subject to a policy that requires proceeds from the disposition of collection items to be used to acquire other collection items.

No collection items were sold or removed in 2017 and 2016.

Property and Equipment

Property and equipment are depreciated on a straight-line basis over the estimated useful life of each asset. Assets under capital lease obligations are depreciated over the shorter of the lease term or their respective estimated useful lives.

Deferred Revenue

Revenue from fees for legal services is deferred and recognized over the periods to which the fees relate.

Funds Held on Behalf of Others

Funds held on behalf of others represent assets collected from external donors for the benefit of other groups. NARF and the groups' mission statements align and NARF has not been granted variance power over how the funds received are spent. The unspent balance of the funds collected is accounted for as a liability by NARF.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Temporarily and Permanently Restricted Net Assets

Temporarily restricted net assets are those whose use by NARF has been limited by donors to a specific time period or purpose. Permanently restricted net assets have been restricted by donors to be maintained by NARF in perpetuity.

Future Legal Advocacy Fund

The Fund consists of amounts designated by the Board of Directors for future costs associated with representation of tribes and native organizations who do not have the resources to pay for the costs of preparing for protracted litigation. As the amounts are designated by the board and not donors, the amounts are considered unrestricted as the board can change the designation.

Contributions

Gifts of cash and other assets received without donor stipulations are reported as unrestricted revenue and net assets. Gifts received with a donor stipulation that limits their use are reported as temporarily or permanently restricted revenue and net assets. When a donor stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions. Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period are recorded as temporarily restricted and then released from restriction.

Gifts of land, buildings, equipment and other long-lived assets are reported as unrestricted revenue and net assets unless explicit donor stipulations specify how such assets must be used, in which case the gifts are reported as temporarily or permanently restricted revenue and net assets. Absent explicit donor stipulations for the time long-lived assets must be held, expirations of restrictions resulting in reclassification of temporarily restricted net assets as unrestricted net assets are reported when the long-lived assets are placed in service.

Unconditional gifts expected to be collected within one year are reported at their net realizable value. Unconditional gifts expected to be collected in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. The resulting discount is amortized using the level-yield method and is reported as contribution revenue.

Conditional gifts depend on the occurrence of a specified future and uncertain event to bind the potential donor and are recognized as assets and revenue when the conditions are substantially met and the gift becomes unconditional.

In-kind Contributions

Contributed goods and services are recorded as in-kind contributions and corresponding expenses at their estimated fair values at the date of donation. In-kind contributions for the years ended September 30, 2017 and 2016 consisted of in-kind public service announcements, which are not reflected in the accompanying financial statements because NARF provided minimal input in producing and placing the announcements.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Government Grants

Support funded by grants is recognized as NARF performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Income Taxes

NARF is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code and a similar provision of state law. However, NARF is subject to federal income tax on any unrelated business taxable income.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. Certain costs have been allocated among the programs and supporting services benefited.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the actual transaction date.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Note 2: Investments and Investment Return

Investments at September 30 consisted of the following:

	2017	2016	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Cash equivalents	\$ 2,089,954	\$ 1,052,444			
Fixed income securities	9,899,588	3,142,542			
Equities					
Domestic	7,133,363	3,984,972			
International	1,231,922	1,060,113			
Mutual funds					
Fixed income	142,870	136,588			
Equities	4,259,235	3,877,321			
Alternative investments					
REIT (A)	3,140,468	1,129,223	None	Quarterly	30 days
Equity long/short fund (B)	4,102,723	2,531,792	None	Quarterly	14 days
Private equity (C)	771,227	-	2,247,444	N/A	N/A
Non-traded REIT (D)	799,000	-	None	Quarterly	30 days
Total investments	<u>\$ 33,570,350</u>	<u>\$ 16,914,995</u>			

- (A) This category consists of an investment in the Carey Watermark Investors 2 Fund (the Fund) which is a non-traded real estate investment trust (REIT) formed for the purpose of acquiring, owning, disposing of, and managing and seeking to enhance the value of interests in lodging and lodging-related properties. Liquidity varies based on the amount the owners collectively wish to redeem and executed sales by the investment managers of the underlying real estate properties. Fund liquidation is planned in five years. After one year of investment, upon written request with one month notice, funds can be redeemed on a quarterly basis. All valuations are based on annual appraisals of underlying properties conducted by independent appraisers. NARF's position in the fund is valued using net asset value per share.
- (B) This category consists of an investment in the ACAP Strategic Fund (the Fund), a marketable alternative investment, which employs a long-short equity investment strategy with underlying investments being liquid in nature. Management of the Fund has the ability to shift investments among differing investment strategies. Investments can be liquidated with proper notice as indicated above. The Fund is priced daily and is therefore valued using the fair value method.
- (C) This category consists of an investment in the Owl Rock Capital Corporation (the Corporation) which is a direct lending platform to U.S. middle market companies. NARF's investment in the corporation is illiquid until the fund experiences a liquidity event. Therefore, NARF's funds are not redeemable. A significant portion of the underlying investments do not have readily determinable market prices. Valuation of underlying investments is based upon a third party valuation report. NARF's position in the fund is valued using net asset value per share.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

- (D) This category consists of an investment in the Black Creek Group – Industrial Property Trust (the Trust) which is a non-traded real estate investment trust (REIT) formed for the purpose of acquiring and operating distribution warehouses that generate rental revenue through leasing spaces to corporate customers. Liquidity of up to 5% of total assets is allowed on a quarterly basis after one year of ownership and with one month’s notice. Fund liquidation is planned in five to eight years. All valuations are based on annual appraisals of underlying properties conducted by independent appraisers. NARF’s position in the fund is valued using net asset value per share.

Total investment return is composed of the following:

	2017	2016
Interest and dividend income	\$ 669,566	\$ 389,743
Net realized and unrealized gains	1,446,210	1,214,819
	\$ 2,115,776	\$ 1,604,562

Note 3: Grants and Contributions Receivable

Grants and contributions receivable at September 30 consist of the following:

September 30, 2017			
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ -	\$ 704,027	\$ 704,027
Due in one to five years	-	500,000	500,000
Discount for time value of money	-	(27,174)	(27,174)
	\$ -	\$ 1,176,853	\$ 1,176,853

September 30, 2016			
	Unrestricted	Temporarily Restricted	Total
Due within one year	\$ 837,000	\$ 1,195,355	\$ 2,032,355
Due in one to five years	-	950,000	950,000
Due in six to ten years	-	250,000	250,000
Discount for time value of money	-	(45,224)	(45,224)
	\$ 837,000	\$ 2,350,131	\$ 3,187,131

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Note 4: Property and Equipment

Property and equipment at September 30 consist of the following:

	2017	2016
Land	\$ 58,937	\$ 58,937
Building and leasehold improvements	331,894	331,894
Equipment and furniture	1,002,190	973,134
	1,393,021	1,363,965
Less accumulated depreciation and amortization	(1,159,709)	(1,101,280)
	<u>\$ 233,312</u>	<u>\$ 262,685</u>

Note 5: Line-of-Credit

At September 30, 2016, NARF had a \$600,000 revolving bank line-of-credit expiring March 30, 2017. As of September 30, 2016, \$0 had been borrowed against this line. The line was collateralized by NARF's real property in Boulder, Colorado. Interest was accrued at the bank's prime rate, but shall not be less than 5.00% per annum or more than the maximum rate allowed by law. The line of credit expired during the year ended September 30, 2017 and was not renewed.

Note 6: Capital Lease Obligations

Capital leases include leases covering office equipment such as copiers, postage and fax machines. The capital leases expire in various years through 2019. Remaining payments on capital lease obligations, excluding interest, at September 30, 2017, are as follows:

Year Ended September 30,	
2018	\$ 17,271
2019	8,866
2020	2,062
2021	2,285
2022	1,024
	<u>\$ 31,508</u>

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Property and equipment include the following equipment under capital leases at September 30:

	2017	2016
Equipment	\$ 97,091	\$ 97,478
Less accumulated depreciation	69,074	60,470
	\$ 28,017	\$ 37,008

Note 7: Net Assets

Temporarily Restricted Net Assets

Temporarily restricted net assets at September 30 are available for the following purposes or periods:

	2017	2016
Purpose restrictions		
Alaska Native Global Warming	\$ 15,949	\$ 16,715
Bering Sea Elders Group	70,321	171,812
Boarding School Healing Coalition	35,000	117,688
Representation of Alaskan Villages	1,610,208	2,061,965
Native Vision Project	29,603	-
Traditional Waters Project	75,000	-
Indian Child Welfare Act Web Log	60,544	64,030
Indian Child Welfare Act Trainings	-	169,327
Supreme Court Project	366,667	565,332
Law Clerk Program	15,000	-
Voting Rights	84,456	51,837
Time restrictions		
Grants and contributions receivable for unrestricted purposes	250,000	846,575
	\$ 2,612,748	\$ 4,065,281

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2017	2016
Purpose restrictions accomplished		
Alaska Native Global Warming	\$ 766	\$ -
Bering Sea Elders Group	222,045	161,529
Boarding School Healing Coalition	82,688	240,982
Representation of Alaskan Villages	465,046	693,096
Native Vision Project	68,397	-
Indian Child Welfare Act Web Log	3,486	3,640
Indian Child Welfare Act Trainings	169,327	30,673
Supreme Court Project	200,000	138,333
Law Clerk Program	56,180	36,048
Voting Rights	224,951	576,329
National Indian Law Library	2,000	-
Standing Rock	9,326	-
Water Symposium	3,000	-
Native American Church	80,572	42,500
45th Anniversary Events	-	185,488
Time restrictions expired	600,000	-
	\$ 2,187,784	\$ 2,108,618

Permanently Restricted Net Assets

Permanently restricted net assets at September 30 are restricted to the following:

	2017	2016
21st Century Endowment	\$ 1,014,830	\$ 1,010,462

Note 8: Endowments

NARF's endowment consists of two funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds (21st Century Endowment) and funds designated by the governing body to function as endowments (board designated endowment funds titled Future Legal Advocacy Fund). As required by accounting principles generally accepted in the United States of America (GAAP), net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

NARF has interpreted the State of Colorado’s Prudent Management of Institutional Funds Act (UPMIFA) as requiring 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. Although NARF is incorporated in Washington, D.C., its headquarters are located in Boulder, Colorado. Management has compared the acts from the two jurisdictions and does not believe differences between the two jurisdictions to be significant. As a result of this interpretation, NARF 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 donor-restricted endowment funds is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by NARF in a manner consistent with the standard of prudence prescribed by UPMIFA.

The composition of net assets by type of endowment fund at September 30, 2017 and 2016:

	2017			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,010,462	\$ 1,010,462
Designation	25,000,000	-	-	25,000,000
Contributions	-	-	4,368	4,368
	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 1,014,830</u>	<u>\$ 26,014,830</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 985,504	\$ 985,504
Contributions	-	-	24,958	24,958
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010,462</u>	<u>\$ 1,010,462</u>

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Changes in endowment net assets for the years ended September 30, 2017 and 2016:

	2017			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ -	\$ -	\$ 1,010,462	\$ 1,010,462
Designation	25,000,000	-	-	25,000,000
Contributions	-	-	4,368	4,368
Endowment net assets, end of year	<u>\$ 25,000,000</u>	<u>\$ -</u>	<u>\$ 1,014,830</u>	<u>\$ 26,014,830</u>
	2016			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets, beginning of year	\$ -	\$ -	\$ 985,504	\$ 985,504
Contributions	-	-	24,958	24,958
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,010,462</u>	<u>\$ 1,010,462</u>

NARF has adopted investment and spending policies for endowment assets that attempt to invest all available endowment fund assets in a manner that will provide the highest total return while seeking to provide for the long- and short-term financial needs of NARF and maintain the original donated value of the endowment. Endowment assets include donor-restricted endowment funds NARF must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds.

Under NARF's policies, endowment assets are invested in a manner that is intended to produce results that exceed the rate of inflation as measured by the Consumer Price Index plus 4.5% while accepting a high level of risk tolerance.

To satisfy its long-term rate of return objectives, NARF relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). NARF targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

NARF has a spending policy of appropriating for expenditure each year the amounts needed and available for spending. NARF has interpreted that investment return generated by the endowment assets are unrestricted in accordance with donor stipulations. Under NARF's spending policy, any anticipated investment return from the endowment is included in NARF's internal budgeting process and fully appropriated for spending upon adoption of the budget. Management has elected to combine its investments related to the endowment with other investments. As the proceeds from endowment earnings are unrestricted, management has not allocated the earnings between those earned by endowment funds and other investments. As such, management has not included investment return in the tables above.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Note 9: Operating Leases

Noncancelable operating leases for office space and equipment expire in various years through 2022. Total rent expense for the years ended September 30, 2017 and 2016 was \$184,579 and \$184,610, respectively.

Future minimum lease payments at September 30, 2017:

2018	\$ 175,004
2019	180,254
2020	156,160
2021	72,338
2022	<u>74,508</u>
	<u><u>\$ 658,264</u></u>

Note 10: Retirement Benefits

On August 6, 1994, NARF's Board of Directors authorized the adoption of a noncontributory defined contribution plan for its employees. Effective March 18, 2005, this plan was amended to a Safe Harbor 401(k). Benefits payable under the plan include a 3% minimum safe harbor contribution plus an additional election of 3%, at the yearly discretion of the corporate officers, for those employees who have achieved a minimum of one year of employment and attainment of age 21. Pension expense was \$237,241 and \$246,823 for 2017 and 2016, respectively.

On August 17, 2007, NARF's executive committee authorized the adoption of the NARF Retirement Program. This program provides a one-time cash award payable at the date of retirement for eligible employees. The amount of this award is determined by incorporating years of service, age and average three-year salary. As of September 30, 2017 and 2016, NARF recognized a liability of \$284,765 and \$307,342, respectively, relating to this program.

Note 11: Allocation of Joint Costs

It is NARF's policy to allocate costs of activities that include requests for contributions, as well as program and management and general components to applicable functions. Activities include distribution of informational materials that included fundraising appeals. In 2017 and 2016, all activities conducted included requests for contributions. As a result, 100% of such activities were fundraising related and did not contain a programmatic component.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2017 and 2016

Note 12: Disclosures about Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Following is a description of the inputs and valuation methodologies used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended September 30, 2017.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. Level 1 securities include fixed income securities, equities and mutual funds. If quoted market prices are not available, then fair values are estimated by using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. Invested funds as reported by the investment manager and no further adjustments have been made. There were no Level 2 securities for fiscal year 2017 or 2016. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. NARF does not have any Level 3 investments.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2017 and 2016:

	2017			
	Fair Value Measurements Using			
	Total	Quoted Prices		Significant Unobservable Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)	Other Observable Inputs (Level 2)	
Investments				
Fixed income securities	\$ 9,899,588	\$ 9,899,588	\$ -	\$ -
Equities				
Domestic	7,133,363	7,133,363	-	-
International	1,231,922	1,231,922	-	-
Mutual funds				
Fixed income	142,870	142,870	-	-
Equities	4,259,235	4,259,235	-	-
Equity long/short fund	4,102,723	4,102,723	-	-
Alternative investments				
REIT (A)	3,140,468	-	-	-
Private equity (A)	771,227	-	-	-
Non-traded REIT (A)	799,000	-	-	-
	31,480,396	<u>\$ 26,769,701</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents	2,089,954			
	<u>\$ 33,570,350</u>			

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

	2016			
	Fair Value Measurements Using			
	Total	Quoted Prices	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)		
Investments				
Fixed income securities	\$ 3,142,542	\$ 3,142,542	\$ -	\$ -
Equities				
Domestic	3,984,972	3,984,972	-	-
International	1,060,113	1,060,113	-	-
Mutual funds				
Fixed income	136,588	136,588	-	-
Equities	3,877,321	3,877,321	-	-
Equity long/short fund	2,531,792	2,531,792	-	-
Alternative investments				
REIT (A)	1,129,223	-	-	-
	15,862,551	\$ 14,733,328	\$ -	\$ -
Cash equivalents	1,052,444			
	\$ 16,914,995			

- (A) Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Note 13: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Concentrations

Approximately 58% of all contributions received were from two donors in 2017.

Approximately 11% of all contributions were received from one donor in 2016.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2017 and 2016

Note 14: Related-party Transactions

During the years ended September 30, 2017 and 2016, NARF used the services of a consulting agency that is owned by a relative of NARF's executive management. Payments to the consulting agency amounted to \$55,000 and \$60,000, respectively. There was \$5,000 and \$0 owed to the related party as of September 30, 2017 and 2016, respectively.

Note 15: Subsequent Events

Subsequent events have been evaluated through February 2, 2018 which is the date the financial statements were available to be issued.

In October 2017, NARF received a donation to purchase land in Texas. Once the land is purchased by NARF, it will be contributed to a newly-formed not-for-profit organization to manage the land and associated efforts to preserve the culture and education of the Native American people which have a unique and particular interest in the lands of South Texas.

Supplementary Information

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2017
(With Comparative Totals for September 30, 2016)

	Litigation and Client Services	National Indian Law Library	Total Program Expenses	Management and General	Fund Raising	Total Supporting Expenses	Total Expenses	2016 Total Expenses
Salaries and wages								
Professional staff	\$ 2,847,346	\$ 194,663	\$ 3,042,009	\$ 350,632	\$ 399,285	\$ 749,917	\$ 3,791,926	\$ 3,599,036
Support staff	567,166	29,487	596,653	134,799	81,530	216,329	812,982	835,323
Fringe benefits	857,206	81,711	938,917	74,189	171,059	245,248	1,184,165	1,160,290
	<u>4,271,718</u>	<u>305,861</u>	<u>4,577,579</u>	<u>559,620</u>	<u>651,874</u>	<u>1,211,494</u>	<u>5,789,073</u>	<u>5,594,649</u>
Total salaries and related costs								
Contract fees and consultants	2,045,719	-	2,045,719	116,076	24,000	140,076	2,185,795	2,807,325
Travel	675,971	4,305	680,276	90,600	87,947	178,547	858,823	624,926
Space costs	238,316	8,497	246,813	12,285	8,218	20,503	267,316	273,542
Office expenses	307,274	14,848	322,122	77,879	1,267,626	1,345,505	1,667,627	1,162,517
Equipment maintenance and rental	80,388	13,424	93,812	40,175	9,938	50,113	143,925	103,574
Litigation costs	20,828	-	20,828	-	-	-	20,828	16,861
Bad debt expense	-	-	-	-	-	-	-	64,654
Depreciation	47,996	2,209	50,205	5,596	12,828	18,424	68,629	63,205
Library costs	50,439	7,034	57,473	119	5,817	5,936	63,409	59,384
	<u>7,738,649</u>	<u>356,178</u>	<u>8,094,827</u>	<u>902,350</u>	<u>2,068,248</u>	<u>2,970,598</u>	<u>11,065,425</u>	<u>10,770,637</u>
Total expenses								