

Native American Rights Fund, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2020 and 2019

Native American Rights Fund, Inc.
September 30, 2020 and 2019

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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, 2020 and 2019, 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 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, 2020 and 2019, 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.

Emphasis of Matters

As described in Note 2 to the financial statements, in 2020 NARF adopted ASU 2018-08, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made (Topic 958)* and ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. Our opinion is not modified with respect to these matters.

BKD, LLP

Denver, Colorado
February 9, 2021

Native American Rights Fund, Inc.
Statements of Financial Position
September 30, 2020 and 2019

	2020	2019
Assets		
Cash	\$ 2,913,858	\$ 1,440,568
Prepaid expenses and other assets	316,988	201,713
Other receivables, net of allowance of \$38,000 for 2020 and 2019	206,918	269,596
Government contracts receivable	-	254,395
Employee travel advances	41,740	32,214
Grants and contributions receivable, net	3,035,519	1,859,680
Bequests receivable	24,000	189,000
Investments	43,421,438	40,380,502
Assets held for others	64,793	34,002
Property and equipment	1,198,549	1,174,248
	<u>\$ 51,223,803</u>	<u>\$ 45,835,918</u>
Total assets		
Liabilities and Net Assets		
Accounts payable	\$ 288,567	\$ 539,980
Funds held on behalf of others	64,793	34,002
Accrued vacation payable	384,976	330,981
Refundable advance	808,120	-
Other accrued expenses	89,819	166,680
Deferred revenue	7,719	13,355
Capital lease obligations	65,314	84,324
Employee retirement obligation	263,589	240,344
	<u>1,972,897</u>	<u>1,409,666</u>
Total liabilities		
Net Assets		
Without donor restrictions		
Future Legal Advocacy Fund	25,000,000	25,000,000
Undesignated	17,183,910	14,943,793
	<u>42,183,910</u>	<u>39,943,793</u>
With donor restrictions		
Perpetual in nature	1,041,891	1,034,947
Purpose restrictions	6,025,105	3,447,512
	<u>7,066,996</u>	<u>4,482,459</u>
Total net assets	<u>49,250,906</u>	<u>44,426,252</u>
Total liabilities and net assets	<u>\$ 51,223,803</u>	<u>\$ 45,835,918</u>

Native American Rights Fund, Inc.
Statement of Activities
Year Ended September 30, 2020

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Governmental contracts	\$ 10,000	\$ -	\$ 10,000
Foundation grants	1,606,402	5,362,061	6,968,463
Contributions	4,699,153	1,223,417	5,922,570
Legal fees	583,904	-	583,904
Other	33,706	-	33,706
Investment return, net	2,552,705	-	2,552,705
Net assets released from restrictions	<u>4,000,941</u>	<u>(4,000,941)</u>	<u>-</u>
Total revenues, gains and other support	<u>13,486,811</u>	<u>2,584,537</u>	<u>16,071,348</u>
Expenses			
Program services			
Litigation and client services	7,359,178	-	7,359,178
National Indian Law Library	<u>206,046</u>	<u>-</u>	<u>206,046</u>
Total program services	<u>7,565,224</u>	<u>-</u>	<u>7,565,224</u>
Supporting services			
Management and general	1,033,813	-	1,033,813
Fundraising expenses	<u>2,647,657</u>	<u>-</u>	<u>2,647,657</u>
Total supporting services	<u>3,681,470</u>	<u>-</u>	<u>3,681,470</u>
Total expenses	<u>11,246,694</u>	<u>-</u>	<u>11,246,694</u>
Change in Net Assets	2,240,117	2,584,537	4,824,654
Net Assets, Beginning of Year	<u>39,943,793</u>	<u>4,482,459</u>	<u>44,426,252</u>
Net Assets, End of Year	<u>\$ 42,183,910</u>	<u>\$ 7,066,996</u>	<u>\$ 49,250,906</u>

Native American Rights Fund, Inc.
Statement of Activities
Year Ended September 30, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Governmental contracts	\$ 660,317	\$ -	\$ 660,317
Foundation grants	609,508	2,102,496	2,712,004
Contributions	6,321,019	979,158	7,300,177
Legal fees	479,327	-	479,327
Other	33,765	-	33,765
Investment return, net	1,858,413	-	1,858,413
Net assets released from restrictions	<u>3,024,211</u>	<u>(3,024,211)</u>	<u>-</u>
Total revenues, gains and other support	<u>12,986,560</u>	<u>57,443</u>	<u>13,044,003</u>
Expenses			
Program services			
Litigation and client services	8,311,609	-	8,311,609
National Indian Law Library	<u>299,671</u>	<u>-</u>	<u>299,671</u>
Total program services	<u>8,611,280</u>	<u>-</u>	<u>8,611,280</u>
Supporting services			
Management and general	1,072,494	-	1,072,494
Fundraising expenses	<u>2,812,050</u>	<u>-</u>	<u>2,812,050</u>
Total supporting services	<u>3,884,544</u>	<u>-</u>	<u>3,884,544</u>
Total expenses	<u>12,495,824</u>	<u>-</u>	<u>12,495,824</u>
Change in Net Assets	490,736	57,443	548,179
Net Assets, Beginning of Year	<u>39,453,057</u>	<u>4,425,016</u>	<u>43,878,073</u>
Net Assets, End of Year	<u>\$ 39,943,793</u>	<u>\$ 4,482,459</u>	<u>\$ 44,426,252</u>

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2020

	Litigation and Client Services	National Indian Law Library	Total Program Expenses	Management and General	Fund Raising	Total Supporting Expenses	Total Expenses
Salaries and related costs							
Professional staff	\$ 2,972,179	\$ 111,772	\$ 3,083,951	\$ 448,369	\$ 467,944	\$ 916,313	\$ 4,000,264
Support staff	496,004	28,956	524,960	162,565	93,219	255,784	780,744
Fringe benefits	791,528	37,479	829,007	180,704	192,314	373,018	1,202,025
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related costs	4,259,711	178,207	4,437,918	791,638	753,477	1,545,115	5,983,033
Contract fees and consultants	1,482,045	-	1,482,045	33,590	33,000	66,590	1,548,635
Travel	199,506	460	199,966	22,572	63,912	86,484	286,450
Space costs	338,567	6,670	345,237	29,672	8,998	38,670	383,907
Office expenses	884,191	6,861	891,052	91,152	1,756,474	1,847,626	2,738,678
Equipment maintenance and rental	79,882	11,509	91,391	57,688	8,747	66,435	157,826
Litigation costs	8,082	-	8,082	-	-	-	8,082
Library costs	54,924	1,194	56,118	1,755	8,333	10,088	66,206
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before bad debt and depreciation	7,306,908	204,901	7,511,809	1,028,067	2,632,941	3,661,008	11,172,817
Bad debt expense	11,431	-	11,431	-	-	-	11,431
Depreciation	40,839	1,145	41,984	5,746	14,716	20,462	62,446
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 7,359,178</u>	<u>\$ 206,046</u>	<u>\$ 7,565,224</u>	<u>\$ 1,033,813</u>	<u>\$ 2,647,657</u>	<u>\$ 3,681,470</u>	<u>\$ 11,246,694</u>

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2019

	Litigation and Client Services	National Indian Law Library	Total Program Expenses	Management and General	Fund Raising	Total Supporting Expenses	Total Expenses
Salaries and related costs							
Professional staff	\$ 2,965,223	\$ 184,093	\$ 3,149,316	\$ 419,103	\$ 394,496	\$ 813,599	\$ 3,962,915
Support staff	518,745	9,516	528,261	214,082	86,358	300,440	828,701
Fringe benefits	823,983	68,385	892,368	168,217	181,779	349,996	1,242,364
Total salaries and related costs	4,307,951	261,994	4,569,945	801,402	662,633	1,464,035	6,033,980
Contract fees and consultants	1,425,226	-	1,425,226	33,605	30,000	63,605	1,488,831
Travel	532,115	5,962	538,077	77,006	78,972	155,978	694,055
Space costs	252,752	8,260	261,012	12,385	8,055	20,440	281,452
Office expenses	1,636,586	7,848	1,644,434	95,813	2,002,170	2,097,983	3,742,417
Equipment maintenance and rental	55,973	12,978	68,951	45,763	9,839	55,602	124,553
Litigation costs	7,763	-	7,763	-	-	-	7,763
Library costs	50,159	1,195	51,354	226	6,926	7,152	58,506
Expenses before bad debt and depreciation	8,268,525	298,237	8,566,762	1,066,200	2,798,595	3,864,795	12,431,557
Bad debt expense	3,330	-	3,330	-	-	-	3,330
Depreciation	39,754	1,434	41,188	6,294	13,455	19,749	60,937
Total expenses	<u>\$ 8,311,609</u>	<u>\$ 299,671</u>	<u>\$ 8,611,280</u>	<u>\$ 1,072,494</u>	<u>\$ 2,812,050</u>	<u>\$ 3,884,544</u>	<u>\$ 12,495,824</u>

Native American Rights Fund, Inc.
Statements of Cash Flows
Years Ended September 30, 2020 and 2019

	2020	2019
Operating Activities		
Change in net assets	\$ 4,824,654	\$ 548,179
Items not requiring (providing) cash		
Depreciation expense	62,446	60,937
Net realized and unrealized gains on investments	(1,353,124)	(522,423)
Contribution of land	-	(50,000)
Changes in		
Other receivables	62,678	128,800
Government contract receivable	254,395	501,214
Grants and contributions receivable	(1,175,839)	(287,867)
Bequests receivable	165,000	(189,000)
Prepaid expenses and other assets	(124,801)	10,131
Accounts payable and accrued expenses	(274,279)	(177,032)
Funds held on behalf of others	30,791	6,648
Retirement recognition program	23,245	(36,520)
Refundable advance	808,120	-
Deferred revenue	(5,636)	(4,929)
	<u>3,297,650</u>	<u>(11,862)</u>
Net cash provided by (used in) operating activities		
Investing Activities		
Proceeds from sales of investments	1,342,515	2,255,847
Purchases of investments	(3,030,327)	(2,335,538)
Purchase of furniture and equipment	(86,747)	(18,327)
	<u>(1,774,559)</u>	<u>(98,018)</u>
Net cash used in investing activities		
Financing Activities		
Principal payments under capital lease obligation	(19,010)	(18,716)
	<u>(19,010)</u>	<u>(18,716)</u>
Net cash used in financing activities		
Increase (Decrease) in Cash	1,504,081	(128,596)
Cash, Beginning of Year	<u>1,474,570</u>	<u>1,603,166</u>
Cash, End of Year	<u>\$ 2,978,651</u>	<u>\$ 1,474,570</u>
Supplemental Disclosure of Cash Flow Information		
Interest paid	<u>\$ 3,439</u>	<u>\$ 4,033</u>
Land acquired through noncash contribution	<u>\$ -</u>	<u>\$ 50,000</u>
Equipment purchased under capital lease	<u>\$ -</u>	<u>\$ 56,843</u>

Native American Rights Fund, Inc.
Statements of Cash Flows (continued)
Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Reconciliation of Cash to the Balance Sheets		
Cash	\$ 2,913,858	\$ 1,440,568
Assets held for others	<u>64,793</u>	<u>34,002</u>
Total cash in the statements of cash flows	<u>\$ 2,978,651</u>	<u>\$ 1,474,570</u>

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

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.

Fiscal Sponsorship

NARF is also the fiscal sponsor to an organization formed to manage land associated with 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. This group operates under the umbrella of NARF's 501(c)(3) status and receives administrative support, including accounting services and guidance regarding non-profit management best practices. As fiscal sponsor, NARF assumes all fiscal and administrative responsibility for the group. Amounts received and expended on behalf of the group constitute NARF activities and are recognized in the statement of activities.

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.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

Cash

Cash consists of bank deposits in federally insured accounts. At September 30, 2020, NARF's cash accounts exceeded federally insured limits by approximately \$2,800,000. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash.

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.

Investments and Net 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, less external and direct internal investment expenses.

Investments in private equity funds are recorded at net asset value (NAV), as a practical expedient.

Investment returns that are initially restricted by donor stipulation and for which the restriction will be satisfied in the same year are recorded as with donor restrictions and then released from restriction. Other investment returns are reflected in the statement of activities as with or without donor restriction 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 net assets without donor restriction, or in net assets with donor restriction 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 2020 and 2019.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

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. The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Buildings and improvements	30-50 years
Leasehold improvements	7-10 years
Furniture and equipment	5-10 years

Long-lived Asset Impairment

NARF evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended September 30, 2020 and 2019.

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.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor or grantor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor or certain grantor restrictions. The governing board has designated, from net assets without donor or certain grantor restrictions, net assets for a board-designated endowment, the Future Legal Advocacy Fund.

Net assets with donor restrictions are subject to donor or certain grantor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor or grantor stipulates that resources be maintained in perpetuity.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

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 without donor restriction as the board can change the designation.

Contributions

Contributions are provided to NARF either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on NARF overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2020 and 2019

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

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, 2020 and 2019 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.

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 statement of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general and fundraising categories based on the estimated time expended by professional staff to that function and other methods.

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, 2020 and 2019

Note 2: Change in Accounting Principle

ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*

On October 1, 2019, NARF adopted ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*, using a modified prospective basis method of adoption for all agreements with donors that are either not completed as of October 1, 2020 or were entered into during the 2020 fiscal year.

The core guidance in ASU 2018-08 is to help entities in evaluating whether transactions are considered nonreciprocal transactions and should be accounted for as contributions or if the transactions are considered reciprocal and should be accounted for as exchange transactions, and help entities evaluate whether a contribution is conditional or unconditional.

Adoption of ASU 2018-08 did not result in any classification of certain donor agreements as contributions, not exchange transactions, thereby requiring disclosure of any conditional contributions (*i.e.*, contributions that are available to NARF upon the satisfaction of certain conditions and the submission of the related invoice to the donor). In accordance with ASU 2018-08, NARF's grants are accounted for as contributions as NARF is not providing commensurate value to the resource provider in exchange for the funds received.

ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*

During the 2020 fiscal year, NARF changed its method of accounting for restricted cash by adopting the provisions of Accounting Standards Update No. 2016-18 (ASU 2016-18), *Statement of Cash Flows (Topic 230): Restricted Cash*. The new accounting guidance in ASU 2016-18 requires balances generally described as restricted cash to be included with cash when reconciling beginning and end of the year balances on the statements of cash flows. This change had no impact on the previous or current year change in net assets. This change was applied retrospectively to all periods presented which resulted in the following changes within the 2019 fiscal year statement of cash flows:

	As Originally Reported	As Reported Under ASU 2016-18	Effect of Change
Changes in funds held on behalf of others	\$ -	\$ 6,648	\$ 6,648
Net cash provided by operating activities	\$ (18,510)	\$ (11,862)	\$ 6,648
Increase (decrease) in cash	\$ (135,244)	\$ (128,596)	\$ 6,648
Cash, beginning of year	\$ 1,575,812	\$ 1,603,166	\$ 27,354
Cash, end of year	\$ 1,440,568	\$ 1,474,570	\$ 34,002

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2020 and 2019

Note 3: Investments and Investment Return

Investments at September 30 consisted of the following:

	2020	2019	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Cash equivalents	\$ 2,480,704	\$ 1,711,438			
Fixed income securities	1,437,856	1,439,290			
Equities					
Domestic	13,884,779	14,801,435			
International	1,112,738	1,220,269			
Mutual funds					
Fixed income	17,250	30,974			
Equities	5,166,805	3,359,301			
Exchange traded funds	6,000,623	6,197,165			
Alternative investments					
REIT (A)	1,642,746	3,418,871	None	Quarterly	30 days
Equity long/short fund (B)	9,421,460	6,319,885	None	Quarterly	14 days
Non-traded REIT (C)	-	1,011,465	None	Quarterly	30 days
Private equity (D)	1,003,870	510,409	1,020,545	N/A	N/A
Private equity (E)	1,252,607	360,000	786,000	N/A	N/A
Total investments	<u>\$ 43,421,438</u>	<u>\$ 40,380,502</u>			

- (A) This category consists of an investment in the Watermark Lodging Trust, Inc. (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 to seven years depending on market conditions. 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 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. During 2020 NARF sold all investments held in the Industrial Property Trust.

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- (D) This category consists of an investment in the Owl Rock Technology Finance Corporation, which was organized to originate and make debt and equity investments in technology-related companies based primarily in the United States. NARF's investment in the corporation is illiquid. The fund is planning on listing as a mutual fund with daily liquidity in approximately 3-5 years.
- (E) This fund consists of an investment in Alkeon Innovation Offshore Fund (the Fund), which formed on May 1, 2019. The Fund will follow similar strategies as the ACAP Registered Mutual Fund and will invest 40-60% of the Fund into private equity as opportunities are identified. NARF's investment in the Fund are illiquid. After four years, the Fund will allow liquidation of the public investment portion of the Fund, which can be liquidated 25% after four years up to full liquidation after year seven.

Note 4: Grants and Contributions Receivable

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

	September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 2,120,462	\$ 2,120,462
Due in one to five years	-	925,000	925,000
Discount for time value of money	-	(9,943)	(9,943)
	\$ -	\$ 3,035,519	\$ 3,035,519
	September 30, 2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 1,617,955	\$ 1,617,955
Due in one to five years	-	250,000	250,000
Discount for time value of money	-	(8,275)	(8,275)
	\$ -	\$ 1,859,680	\$ 1,859,680

Native American Rights Fund, Inc.
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Note 5: Property and Equipment

Property and equipment at September 30 consist of the following:

	2020	2019
Land	\$ 991,066	\$ 991,066
Building and leasehold improvements	111,139	331,894
Equipment and furniture	551,777	1,050,806
	1,653,982	2,373,766
Less accumulated depreciation and amortization	(455,433)	(1,199,518)
	\$ 1,198,549	\$ 1,174,248

In 2019, NARF received land in Missouri in a bequest.

Note 6: Capital Lease Obligations

Capital leases include leases covering office equipment such as copiers and postage. The capital leases expire in various years through 2024. Remaining payments on capital lease obligations, excluding interest, at September 30, 2020, are as follows:

Year Ended September 30,	
2021	\$ 19,964
2022	19,498
2023	19,055
2024	6,797
	\$ 65,314

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

	2020	2019
Equipment	\$ 98,794	\$ 98,794
Less accumulated depreciation	39,991	20,232
	\$ 58,803	\$ 78,562

Native American Rights Fund, Inc.
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Note 7: Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30 are available for the following purposes or periods:

	<u>2020</u>	<u>2019</u>
Subject to expenditure for specified purpose		
50th Anniversary Events	\$ 145,499	\$ 118,500
Alaska Native Global Warming	15,448	15,949
Bears Ears National Monument	67,461	145,525
Bering Sea Protection	426,802	393,345
Boarding School Healing Coalition	-	4,222
Client Representation against Keystone XL Pipeline	161,911	-
Communications Capacity	30,000	43,622
Indian Child Welfare Act Web Log	50,000	53,716
Indigenous Peyote Conservation Initiative	-	63,426
Institutional Strengthening	741,960	105,136
Peacemaking Project	253,833	15,898
Protecting Tribal Natural Resources	-	260,031
Representation of Alaskan Villages	864,365	923,877
Supreme Court Project	413,790	-
Census Outreach	17,842	-
Voting Rights	1,911,044	804,265
Subject to the passage of time		
Grants and contributions receivable for purposes without donor restriction	925,150	500,000
Endowments - perpetual in nature		
21st Century Endowment	<u>1,041,891</u>	<u>1,034,947</u>
	<u>\$ 7,066,996</u>	<u>\$ 4,482,459</u>

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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.

	<u>2020</u>	<u>2019</u>
Purpose restrictions accomplished		
50th Anniversary Events	\$ 48,001	\$ -
Alaska Native Global Warming	501	-
Bears Ears National Monument	79,662	941,033
Bering Sea Protection	261,438	233,489
Boarding School Healing Coalition	4,222	11,961
Client Representation against Keystone XL Pipeline	28,250	99,821
Communications Capacity	43,622	16,378
Indian Child Welfare Act Trainings	14,000	15,000
Indian Child Welfare Act Web Log	3,716	3,445
Indigenous Peyote Conservation Initiative	425,096	195,908
Institutional Strengthening	54,459	14,864
Law Clerk Program	63,500	33,500
Peacemaking Project	39,065	9,102
Protecting Tribal Natural Resources	271,575	39,969
Representation of Alaskan Villages	382,157	591,296
Supreme Court Project	186,210	166,667
Tribal Elders' Film Project	-	3,797
Census Outreach	82,158	-
Voting Rights	1,513,309	496,481
Water Symposium	-	1,500
Time restrictions expired	<u>500,000</u>	<u>150,000</u>
	<u>\$ 4,000,941</u>	<u>\$ 3,024,211</u>

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.

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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 net assets with donor restrictions – perpetual in nature (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment and (c) accumulations to the perpetual 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 net assets with donor restrictions 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, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 25,000,000	\$ -	\$ 25,000,000
Donor-restricted endowment funds	-	1,041,891	1,041,891
	\$ 25,000,000	\$ 1,041,891	\$ 26,041,891

	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 25,000,000	\$ -	\$ 25,000,000
Donor-restricted endowment funds	-	1,034,947	1,034,947
	\$ 25,000,000	\$ 1,034,947	\$ 26,034,947

Changes in endowment net assets for the years ended September 30, 2020 and 2019:

	2020		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,000,000	\$ 1,034,947	\$ 26,034,947
Contributions	-	6,944	6,944
Endowment net assets, end of year	\$ 25,000,000	\$ 1,041,891	\$ 26,041,891

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	2019		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,000,000	\$ 1,027,503	\$ 26,027,503
Contributions	-	7,444	7,444
Endowment net assets, end of year	<u>\$ 25,000,000</u>	<u>\$ 1,034,947</u>	<u>\$ 26,034,947</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 are comparable to or exceed the appropriate benchmarks for the asset categories.

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 without donor restriction 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.

As the proceeds from endowment earnings are without donor restriction, 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.

Underwater Endowments

The governing body of NARF has interpreted UPMIFA as not requiring the maintenance of purchasing power of the original gift amount contribution to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, NARF considers a fund to be underwater if the fair value of the fund is less than the sum of:

- a) the original value of initial and subsequent gift amounts donated to the fund, and
- b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

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NARF has interpreted UPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

Note 9: Operating Leases

Noncancelable operating leases for office space and equipment expire in various years through 2025. Total rent expense for the years ended September 30, 2020 and 2019 was \$179,739 and \$195,271, respectively.

Future minimum lease payments at September 30, 2020:

2021	\$ 167,362
2022	172,382
2023	100,811
2024	103,835
2025	<u>79,615</u>
	<u><u>\$ 624,005</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 \$261,275 and \$263,165 for 2020 and 2019, 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, 2020 and 2019, NARF recognized a liability of \$263,589 and \$240,344, respectively, relating to this program.

Native American Rights Fund, Inc.

Notes to Financial Statements

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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 2020 and 2019, such activities included program communications included with requests for contributions. As a result, the cost of these activities were allocated between fundraising and programmatic as noted below.

	<u>2020</u>	<u>2019</u>
Program expenses	\$ 409,927	\$ 532,479
Fundraising expenses	<u>761,292</u>	<u>988,889</u>
	<u>\$ 1,171,219</u>	<u>\$ 1,521,368</u>

Note 12: Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of September 30, 2020 and 2019, comprise the following:

	<u>2020</u>	<u>2019</u>
Total financial assets	\$ 49,666,526	\$ 44,427,743
Less: Amounts due in more than one year		
Contributions receivable, net	915,057	241,725
Less: Amounts not available to be used within one year as they have lock-up periods extending past one year	2,256,477	870,409
Less: Donor-imposed restrictions		
Funds held on behalf of others	64,793	34,002
Endowments	<u>1,041,891</u>	<u>1,034,947</u>
	1,106,684	1,068,949
Less: Internal designations		
Board-designated endowment	<u>25,000,000</u>	<u>25,000,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 20,388,308</u>	<u>\$ 17,246,660</u>

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NARF receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended September 30, 2020 and 2019, restricted contributions of \$6,585,478 and \$3,081,654, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

NARF's endowment funds consist of donor-restricted endowments and funds designated by the board as an endowment. Income from donor-restricted endowments is available for general expenditure. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of \$25,000,000 is described in Note 1. Although NARF does not intend to spend from this board-designated endowment, these amounts could be made available, if necessary.

NARF manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 13: 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, 2020.

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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 2020 or 2019. 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 2 or Level 3 investments.

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, 2020 and 2019:

	2020			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed income securities	\$ 1,437,856	\$ 1,437,856	\$ -	\$ -
Equities				
Domestic	13,884,779	13,884,779	-	-
International	1,112,738	1,112,738	-	-
Mutual funds				
Fixed income	17,250	17,250	-	-
Equities	5,166,805	5,166,805	-	-
Exchange traded funds	6,000,623	6,000,623	-	-
Equity long/short fund	9,421,460	9,421,460	-	-
Alternative investments				
REIT (A)	1,642,746	-	-	-
Private equity (A)	1,003,870	-	-	-
Private equity (A)	1,252,607	-	-	-
	40,940,734	<u>\$ 37,041,511</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents	2,480,704			
	<u>\$ 43,421,438</u>			

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	2019			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed income securities	\$ 1,439,290	\$ 1,439,290	\$ -	\$ -
Equities				
Domestic	14,801,435	14,801,435	-	-
International	1,220,269	1,220,269	-	-
Mutual funds				
Fixed income	30,974	30,974	-	-
Equities	3,359,301	3,359,301	-	-
Exchange traded funds	6,197,165	6,197,165	-	-
Equity long/short fund	6,319,885	6,319,885	-	-
Alternative investments				
REIT (A)	3,418,871	-	-	-
Private equity (A)	510,409	-	-	-
Private equity (A)	360,000	-	-	-
Non-traded REIT (A)	1,011,465	-	-	-
	38,669,064	<u>\$ 33,368,319</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents	1,711,438			
	<u>\$ 40,380,502</u>			

- (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 14: 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

During the year ended September 30, 2020, one donor contributed approximately 12% of total contribution revenue. No concentrations existed for the year ended September 30, 2019.

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Note 15: Refundable Advance

NARF received a Paycheck Protection Program (PPP) loan established by the *Coronavirus Aid, Relief, and Economic Security Act* (CARES Act) and has elected to account for the funding as a conditional contribution by applying ASC Topic 958-605, *Revenue Recognition*. Revenue is recognized when conditions are met, which include meeting FTE and salary reduction requirements and incurring eligible expenditures. PPP loans are subject to audit and acceptance by the U.S. Department of Treasury, Small Business Administration, or lender; as a result of such audit, adjustments could be required to the recognition of revenue. If conditions are met, the amount of the refundable advance will be forgiven. As of September 30, 2020, no amount has been recorded as being forgiven as conditions have not been met, including the covered period, which ended after September 30, 2020.

Note 16: Subsequent Events

On December 1, 2020, NARF purchased property for a new location for its headquarters for total consideration of \$7,690,000. In conjunction with this purchase a \$4,000,000 loan was obtained at an interest rate of 3.33% with monthly payments due through December 1, 2030. On December 1, 2025, the interest rate shall be adjusted to a maximum of 3.25% and remaining amortization adjusted accordingly.

As a result of the spread of the SARS-CoV-2 virus and the incidence of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of NARF. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Subsequent events have been evaluated through February 9, 2021, which is the date the financial statements were available to be issued.