

# **Native American Rights Fund, Inc.**

Independent Auditor's Reports and Financial Statements

September 30, 2017 and 2016

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

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## Independent Auditor's Report

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

### Report on the Financial Statements

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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 and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2018, on our consideration of NARF's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARF's internal control over financial reporting and compliance.

**BKD, LLP**

Denver, Colorado  
February 2, 2018

# Native American Rights Fund, Inc.

## Statements of Financial Position

September 30, 2017 and 2016

|   | <u>2017</u>                 | <u>2016</u>                 |
|---|-----------------------------|-----------------------------|
| <b>Assets</b>   |                             |                             |
| 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  | <u>233,312</u>              | <u>262,685</u>              |
| Total assets  | <u><u>\$ 44,705,332</u></u> | <u><u>\$ 22,701,840</u></u> |
| <b>Liabilities and Net Assets</b>                                 |                             |                             |
| 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                                    | <u>284,765</u>              | <u>307,342</u>              |
| Total liabilities   | <u>2,460,097</u>            | <u>1,488,588</u>            |
| <b>Net Assets</b>   |                             |                             |
| Unrestricted  |                             |                             |
| Future Legal Advocacy Fund  | 25,000,000                  | -                           |
| Undesignated  | <u>13,617,657</u>           | <u>16,137,509</u>           |
|   | 38,617,657                  | 16,137,509                  |
| Temporarily restricted  | 2,612,748                   | 4,065,281                   |
| Permanently restricted  | <u>1,014,830</u>            | <u>1,010,462</u>            |
| Total net assets  | <u>42,245,235</u>           | <u>21,213,252</u>           |
| Total liabilities and net assets                                  | <u><u>\$ 44,705,332</u></u> | <u><u>\$ 22,701,840</u></u> |

# Native American Rights Fund, Inc.

## Statement of Activity

Year Ended September 30, 2017

|  | Unrestricted         | Temporarily<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>Revenues, Gains and Other Support</b> |                      |                           |                           |                      |
| 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  |                      |                           |                           |                      |
| <b>Expenses</b>                          |                      |                           |                           |                      |
| 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>    |
| <b>Change in Net Assets</b>              | 22,480,148           | (1,452,533)               | 4,368                     | 21,031,983           |
| <b>Net Assets, Beginning of Year</b>     | <u>16,137,509</u>    | <u>4,065,281</u>          | <u>1,010,462</u>          | <u>21,213,252</u>    |
| <b>Net Assets, End of Year</b>           | <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<br>Restricted | Permanently<br>Restricted | Total                |
|--|----------------------|---------------------------|---------------------------|----------------------|
| <b>Revenues, Gains and Other Support</b> |                      |                           |                           |                      |
| 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  |                      |                           |                           |                      |
| <b>Expenses</b>                          |                      |                           |                           |                      |
| 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          |                      |                           |                           |                      |
| 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       |                      |                           |                           |                      |
| Total expenses                           | <u>10,770,637</u>    | <u>-</u>                  | <u>-</u>                  | <u>10,770,637</u>    |
| <b>Change in Net Assets</b>              | 560,380              | 1,988,008                 | 24,958                    | 2,573,346            |
| <b>Net Assets, Beginning of Year</b>     | <u>15,577,129</u>    | <u>2,077,273</u>          | <u>985,504</u>            | <u>18,639,906</u>    |
| <b>Net Assets, End of Year</b>           | <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**

|   | <b>2017</b>                | <b>2016</b>              |
|---|----------------------------|--------------------------|
| <b>Operating Activities</b>                             |                            |                          |
| 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                      |
| Net cash provided by (used in) operating activities     | <u>22,251,155</u>          | <u>(1,682,013)</u>       |
| <b>Investing Activities</b>                             |                            |                          |
| 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)                 |
| Net cash used in investing activities                   | <u>(15,205,767)</u>        | <u>(1,292,848)</u>       |
| <b>Financing Activities</b>                             |                            |                          |
| Principal payments under capital lease obligation       | (21,700)                   | (20,285)                 |
| Net cash used in financing activities                   | <u>(21,700)</u>            | <u>(20,285)</u>          |
| <b>Increase (Decrease) in Cash</b>                      | 7,023,688                  | (2,995,146)              |
| <b>Cash, Beginning of Year</b>                          | <u>747,988</u>             | <u>3,743,134</u>         |
| <b>Cash, End of Year</b>                                | <u><u>\$ 7,771,676</u></u> | <u><u>\$ 747,988</u></u> |
| <b>Supplemental Disclosure of Cash Flow Information</b> |                            |                          |
| 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<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice<br>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           |
|                                   | <u>\$ 2,115,776</u> | <u>\$ 1,604,562</u> |

### 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)            |
|                                  | <u>\$ -</u>        | <u>\$ 1,176,853</u>    | <u>\$ 1,176,853</u> |

  

|                                  | 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)            |
|                                  | <u>\$ 837,000</u>  | <u>\$ 2,350,131</u>    | <u>\$ 3,187,131</u> |

# 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:

|  | <u>2017</u>        | <u>2016</u>        |
|--|--------------------|--------------------|
| Land   | \$ 58,937          | \$ 58,937          |
| Building and leasehold improvements            | 331,894            | 331,894            |
| Equipment and furniture                        | <u>1,002,190</u>   | <u>973,134</u>     |
|  | 1,393,021          | 1,363,965          |
| Less accumulated depreciation and amortization | <u>(1,159,709)</u> | <u>(1,101,280)</u> |
|  | <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                     | <u>1,024</u>     |
|                          | <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:

|                               | <b>2017</b>             | <b>2016</b>             |
|-------------------------------|-------------------------|-------------------------|
| Equipment                     | \$ 97,091               | \$ 97,478               |
| Less accumulated depreciation | <u>69,074</u>           | <u>60,470</u>           |
|                               | <u><u>\$ 28,017</u></u> | <u><u>\$ 37,008</u></u> |

### **Note 7: Net Assets**

#### ***Temporarily Restricted Net Assets***

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

|                                     | <b>2017</b>                | <b>2016</b>                |
|-------------------------------------|----------------------------|----------------------------|
| 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           | <u>250,000</u>             | <u>846,575</u>             |
|                                     | <u><u>\$ 2,612,748</u></u> | <u><u>\$ 4,065,281</u></u> |



# 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.

|                                    | <b>2017</b>         | <b>2016</b>         |
|------------------------------------|---------------------|---------------------|
| 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             | -                   |
|                                    | <u>\$ 2,187,784</u> | <u>\$ 2,108,618</u> |

### ***Permanently Restricted Net Assets***

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

|                        | <b>2017</b>         | <b>2016</b>         |
|------------------------|---------------------|---------------------|
| 21st Century Endowment | <u>\$ 1,014,830</u> | <u>\$ 1,010,462</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 (21<sup>st</sup> 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:

| <b>2017</b>                                |                      |                                   |                                   |                      |
|--|----------------------|-----------------------------------|-----------------------------------|----------------------|
|  | <b>Unrestricted</b>  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
| Endowment net assets,<br>beginning of year | \$ -                 | \$ -                              | \$ 1,010,462                      | \$ 1,010,462         |
| Designation                                | 25,000,000           | -                                 | -                                 | 25,000,000           |
| Contributions                              | -                    | -                                 | 4,368                             | 4,368                |
| Endowment net assets,<br>end of year       | <u>\$ 25,000,000</u> | <u>\$ -</u>                       | <u>\$ 1,014,830</u>               | <u>\$ 26,014,830</u> |
| <b>2016</b>                                |                      |                                   |                                   |                      |
|  | <b>Unrestricted</b>  | <b>Temporarily<br/>Restricted</b> | <b>Permanently<br/>Restricted</b> | <b>Total</b>         |
| Endowment net assets,<br>beginning of year | \$ -                 | \$ -                              | \$ 985,504                        | \$ 985,504           |
| Contributions                              | -                    | -                                 | 24,958                            | 24,958               |
| Endowment net assets,<br>end of year       | <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                 |                        |                        |                      |
|---|----------------------|------------------------|------------------------|----------------------|
|   | 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                |
| 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 |    | 74,508         |
|      |    | <hr/>          |
|      | \$ | <u>658,264</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:

| <b>2017</b>                          |                      |   |  |  |
|--------------------------------------|----------------------|---|--|--|
| <b>Fair Value Measurements Using</b> |                      |   |  |  |
|                                      |                      | <b>Quoted Prices<br/>in Active<br/>Markets for<br/>Identical<br/>Assets<br/>(Level 1)</b> | <b>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</b> | <b>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</b> |
|                                      | <b>Total</b>         |   |  |  |
| 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<br>in Active<br>Markets for<br>Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| 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                     |   |   |  |
|                         | <u>\$ 16,914,995</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 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)**

|                                     | <b>Litigation<br/>and Client<br/>Services</b> | <b>National<br/>Indian Law<br/>Library</b> | <b>Total<br/>Program<br/>Expenses</b> | <b>Management<br/>and General</b> | <b>Fund<br/>Raising</b> | <b>Total<br/>Supporting<br/>Expenses</b> | <b>Total<br/>Expenses</b> | <b>2016<br/>Total<br/>Expenses</b> |
|-------------------------------------|---|--|---------------------------------------|-----------------------------------|-------------------------|--|---------------------------|------------------------------------|
| 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                          |
| Total salaries and<br>related costs | 4,271,718                                     | 305,861                                    | 4,577,579                             | 559,620                           | 651,874                 | 1,211,494                                | 5,789,073                 | 5,594,649                          |
| 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<br>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                             |
| Total expenses                      | <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>               |

**Native American Rights Fund, Inc.**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2017**

| <b>Federal Grantor/Pass-through Grantor/<br/>Program or Cluster Title</b> | <b>Assistance<br/>Identification<br/>Number</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Total<br/>Federal<br/>Expenditures</b> | <b>Passed<br/>Through to<br/>Subrecipients</b> |
|---|---|------------------------------------|---|--|
| <b>U.S. Department of Justice - Office of Justice Programs</b>            |   |                                    |   |  |
| Bureau of Justice Assistance  |   |                                    |   |  |
| Tribal Criminal Legal Assistance  | 2013-AL-BX-0002                                 | 16.815                             | \$ 162,594                                | \$ 147,564                                     |
| Tribal Civil Legal Assistance   | 2013-AL-BX-0005                                 | 16.815                             | 34,928                                    | 28,485   |
| Tribal Criminal Legal Assistance  | 2015-AL-BX-0002                                 | 16.815                             | 399,969                                   | 390,451  |
| Tribal Civil Legal Assistance   | 2015-AL-BX-0001                                 | 16.815                             | 404,397                                   | 392,893  |
|   |   |                                    | <u>\$ 1,001,888</u>                       | <u>\$ 959,393</u>                              |
| Total   |   |                                    |   |  |

**Notes to Schedule**

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Native American Rights Fund (NARF) under programs of the federal government for the year ended September 30, 2017. The accompanying notes are an integral part of this Schedule. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of NARF, it is not intended to and does not present the financial position, changes in net assets or cash flows of NARF.
2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-122 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. NARF has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control Over Financial  
Reporting and on Compliance and Other Matters Based on an Audit  
of the Financial Statements Performed in Accordance with  
*Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Native American Rights Fund, Inc. (NARF), which comprise the statement of financial position as of September 30, 2017, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated February 2, 2018.

***Internal Control Over Financial Reporting***

Management of NARF is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered NARF's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NARF's internal control. Accordingly, we do not express an opinion on the effectiveness of NARF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of NARF's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors  
Native American Rights Fund, Inc.

### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether NARF's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to NARF's management in a separate letter dated February 2, 2018.

### ***Purpose of This Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NARF's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*BKD, LLP*

Denver, Colorado  
February 2, 2018

## Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance

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

### Report on Compliance for Each Major Federal Program

We have audited Native American Rights Fund, Inc.'s (NARF) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended September 30, 2017. NARF's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, contracts and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for NARF's major federal program based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NARF's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NARF's compliance.

Board of Directors  
Native American Rights Fund, Inc.

### ***Opinion on NARF's Major Federal Program***

In our opinion, NARF complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

### **Report on Internal Control Over Compliance**

Management of NARF is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NARF's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NARF's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*BKD, LLP*

Denver, Colorado  
February 2, 2018

**Native American Rights Fund, Inc.**  
**Schedule of Findings and Questioned Costs**  
**Year Ended September 30, 2017**

**Summary of Auditor's Results**

*Financial Statements*

1. The type of report auditor issued on whether the financial statements were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimed
2. The independent auditor's report on internal control over financial reporting disclosed:  
 Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
 Material weakness(es)?      ☐ Yes      ☒ No
3. Noncompliance considered material to financial statements was disclosed by the audit?      ☐ Yes      ☒ No

*Federal Awards*

4. The independent auditor's report on internal control over compliance for major federal awards programs disclosed:  
 Significant deficiency(ies)?      ☐ Yes      ☒ None reported  
 Material weakness(es)?      ☐ Yes      ☒ No
5. The opinion expressed in the independent auditor's report on compliance for major federal awards was:  
☒ Unmodified      ☐ Qualified      ☐ Adverse      ☐ Disclaimed
6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)?      ☐ Yes      ☒ No
7. NARF's major programs were:

| <b>Cluster/Program</b>                     | <b>CFDA Number</b> |
|--|--------------------|
| Tribal Civil and Criminal Legal Assistance | 16.815             |

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. NARF qualified as a low-risk auditee?      ☒ Yes      ☐ No



**Native American Rights Fund, Inc.**  
**Schedule of Findings and Questioned Costs (continued)**  
**Year Ended September 30, 2017**

**Findings Required to be Reported by *Government Auditing Standards***

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
| No matters are reportable   |                |                             |

**Findings Required to be Reported by Uniform Guidance**

| <b>Reference<br/>Number</b> | <b>Finding</b> | <b>Questioned<br/>Costs</b> |
|-----------------------------|----------------|-----------------------------|
| No matters are reportable   |                |                             |

**Native American Rights Fund, Inc.**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended September 30, 2017**

| Reference<br>Number       | Summary of Finding | Status |
|---------------------------|--------------------|--------|
|                           |                    |        |
|                           |                    |        |
| No matters are reportable |                    |        |