

Native American Rights Fund, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2022 and 2021



Native American Rights Fund, Inc.
September 30, 2022 and 2021

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Independent Auditor's Report

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

Opinion

We have audited the financial statements of Native American Rights Fund, Inc. (NARF), which comprise the statements of financial position as of September 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NARF as of September 30, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NARF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about NARF's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Board of Directors
Native American Rights Fund, Inc.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 NARF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the NARF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

FORVIS,LLP

Denver, Colorado
January 30, 2023

Native American Rights Fund, Inc.
Statements of Financial Position
September 30, 2022 and 2021

Assets

	2022	2021
Cash	\$ 2,932,623	\$ 5,584,205
Prepaid expenses and other assets	349,311	245,288
Other receivables, net of allowance of \$0 for 2022 and 2021	6,089,822	6,060,008
Employee travel advances	15,980	13,983
Grants and contributions receivable, net	4,572,452	5,132,632
Investments	40,011,187	46,965,174
Assets held for others	-	64,793
Property and equipment	10,751,660	8,745,223
Total assets	\$ 64,723,035	\$ 72,811,306

Liabilities and Net Assets

Accounts payable	\$ 961,800	\$ 586,343
Funds held on behalf of others	-	64,793
Accrued vacation payable	464,355	381,240
Other accrued expenses	177,751	174,301
Deferred rent	8,855	12,288
Capital lease obligations	25,853	44,327
Employee retirement obligation	304,057	274,881
Total liabilities	1,942,671	1,538,173

Net Assets

Without donor restrictions		
Future Legal Advocacy Fund	30,000,000	25,000,000
Undesignated	23,867,316	36,157,766
	53,867,316	61,157,766
With donor restrictions		
Perpetual in nature	1,061,234	1,053,835
Purpose restrictions	7,851,814	9,061,532
	8,913,048	10,115,367
Total net assets	62,780,364	71,273,133
Total liabilities and net assets	\$ 64,723,035	\$ 72,811,306

Native American Rights Fund, Inc.
Statement of Activities
Year Ended September 30, 2022

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Foundation grants	\$ 1,620,001	\$ 5,192,030	\$ 6,812,031
Contributions	7,309,601	720,747	8,030,348
Legal fees	960,813	-	960,813
Other	23,115	-	23,115
Investment return, net	(9,942,415)	-	(9,942,415)
Loss on disposal of property	(2,035)	-	(2,035)
Return of grant funds	-	(19,879)	(19,879)
Net assets released from restrictions	7,095,217	(7,095,217)	-
Total revenues, gains and other support	7,064,297	(1,202,319)	5,861,978
Expenses			
Program services			
Litigation and client services	9,174,910	-	9,174,910
National Indian Law Library	385,186	-	385,186
Total program services	9,560,096	-	9,560,096
Supporting services			
Management and general	1,307,582	-	1,307,582
Fundraising expenses	3,487,069	-	3,487,069
Total supporting services	4,794,651	-	4,794,651
Total expenses	14,354,747	-	14,354,747
Change in Net Assets	(7,290,450)	(1,202,319)	(8,492,769)
Net Assets, Beginning of Year	61,157,766	10,115,367	71,273,133
Net Assets, End of Year	\$ 53,867,316	\$ 8,913,048	\$ 62,780,364

Native American Rights Fund, Inc.
Statement of Activities
Year Ended September 30, 2021

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Foundation grants	\$ 1,336,500	\$ 6,751,101	\$ 8,087,601
Contributions	8,235,482	991,244	9,226,726
Legal fees	6,901,657	-	6,901,657
Other	309,018	-	309,018
Investment return, net	7,543,952	-	7,543,952
Gain on sale of property	3,791,063	-	3,791,063
Net assets released from restrictions	4,693,974	(4,693,974)	-
	<u>32,811,646</u>	<u>3,048,371</u>	<u>35,860,017</u>
Total revenues, gains and other support			
Expenses			
Program services			
Litigation and client services	9,369,090	-	9,369,090
National Indian Law Library	254,924	-	254,924
	<u>9,624,014</u>	<u>-</u>	<u>9,624,014</u>
Total program services			
Supporting services			
Management and general	1,255,864	-	1,255,864
Fundraising expenses	2,957,912	-	2,957,912
	<u>4,213,776</u>	<u>-</u>	<u>4,213,776</u>
Total supporting services			
Total expenses	<u>13,837,790</u>	<u>-</u>	<u>13,837,790</u>
Change in Net Assets	18,973,856	3,048,371	22,022,227
Net Assets, Beginning of Year	<u>42,183,910</u>	<u>7,066,996</u>	<u>49,250,906</u>
Net Assets, End of Year	<u>\$ 61,157,766</u>	<u>\$ 10,115,367</u>	<u>\$ 71,273,133</u>

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2022

	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	\$ 4,063,534	\$ 208,791	\$ 4,272,325	\$ 563,675	\$ 666,410	\$ 1,230,085	\$ 5,502,410
Support staff	715,321	50,072	765,393	263,503	139,295	402,798	1,168,191
Fringe benefits	<u>1,053,565</u>	<u>65,005</u>	<u>1,118,570</u>	<u>174,306</u>	<u>249,596</u>	<u>423,902</u>	<u>1,542,472</u>
Total salaries and related costs	5,832,420	323,868	6,156,288	1,001,484	1,055,301	2,056,785	8,213,073
Contract fees and consultants	1,299,544	-	1,299,544	38,325	36,000	74,325	1,373,869
Travel	354,901	2,907	357,808	24,519	134,453	158,972	516,780
Space costs	418,901	17,492	436,393	37,383	32,227	69,610	506,003
Office expenses	947,586	12,601	960,187	90,933	2,159,304	2,250,237	3,210,424
Equipment maintenance and rental	88,876	11,885	100,761	94,411	10,903	105,314	206,075
Litigation costs	28,412	-	28,412	-	-	-	28,412
Library costs	<u>75,360</u>	<u>11,021</u>	<u>86,381</u>	<u>2,155</u>	<u>9,887</u>	<u>12,042</u>	<u>98,423</u>
Expenses before depreciation	9,046,000	379,774	9,425,774	1,289,210	3,438,075	4,727,285	14,153,059
Depreciation	<u>128,910</u>	<u>5,412</u>	<u>134,322</u>	<u>18,372</u>	<u>48,994</u>	<u>67,366</u>	<u>201,688</u>
Total expenses	<u>\$ 9,174,910</u>	<u>\$ 385,186</u>	<u>\$ 9,560,096</u>	<u>\$ 1,307,582</u>	<u>\$ 3,487,069</u>	<u>\$ 4,794,651</u>	<u>\$ 14,354,747</u>

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2021

	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	\$ 3,368,999	\$ 122,779	\$ 3,491,778	\$ 520,364	\$ 590,594	\$ 1,110,958	\$ 4,602,736
Support staff	477,021	42,994	520,015	217,729	106,842	324,571	844,586
Fringe benefits	918,152	42,522	960,674	173,737	230,394	404,131	1,364,805
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related costs	4,764,172	208,295	4,972,467	911,830	927,830	1,839,660	6,812,127
Contract fees and consultants	3,055,253	-	3,055,253	36,080	33,000	69,080	3,124,333
Travel	97,190	276	97,466	3,408	21,769	25,177	122,643
Space costs	350,777	10,479	361,256	29,309	21,689	50,998	412,254
Office expenses	821,870	11,360	833,230	187,004	1,905,349	2,092,353	2,925,583
Equipment maintenance and rental	72,085	17,239	89,324	73,521	11,630	85,151	174,475
Litigation costs	31,794	-	31,794	-	-	-	31,794
Library costs	64,749	4,801	69,550	2,522	7,935	10,457	80,007
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before bad debt and depreciation	9,257,890	252,450	9,510,340	1,243,674	2,929,202	4,172,876	13,683,216
Bad debt expense	20,459	-	20,459	-	-	-	20,459
Depreciation	90,741	2,474	93,215	12,190	28,710	40,900	134,115
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 9,369,090</u>	<u>\$ 254,924</u>	<u>\$ 9,624,014</u>	<u>\$ 1,255,864</u>	<u>\$ 2,957,912</u>	<u>\$ 4,213,776</u>	<u>\$ 13,837,790</u>

Native American Rights Fund, Inc.
Statements of Cash Flows
Years Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Operating Activities		
Change in net assets	\$ (8,492,769)	\$ 22,022,227
Items not requiring (providing) cash		
Depreciation expense	201,688	134,115
Net realized and unrealized loss (gain) on investments	10,744,797	(6,482,444)
Loss (gain) on sale of property	2,035	(3,791,063)
Contributions received for long-term investment	(7,399)	(11,944)
Changes in		
Other receivables	(29,814)	(5,853,090)
Grants and contributions receivable	560,180	(2,097,113)
Bequests receivable	-	24,000
Prepaid expenses and other assets	(106,020)	99,457
Accounts payable and accrued expenses	462,022	378,522
Funds held on behalf of others	(64,793)	-
Retirement recognition program	29,176	11,292
Refundable advance	-	(808,120)
Deferred rent	(3,433)	4,569
	<u>3,295,670</u>	<u>3,630,408</u>
Net cash provided by operating activities		
	<u>3,295,670</u>	<u>3,630,408</u>
Investing Activities		
Proceeds from sales of investments	5,220,453	4,312,277
Purchases of investments	(9,011,263)	(1,373,569)
Proceeds from sales of property	-	3,842,429
Purchase of property and equipment	(2,210,160)	(3,732,155)
	<u>(6,000,970)</u>	<u>3,048,982</u>
Net cash provided by (used in) investing activities		
	<u>(6,000,970)</u>	<u>3,048,982</u>
Financing Activities		
Contributions received for long-term investment	7,399	11,944
Principal payments on note payable	-	(4,000,000)
Principal payments under capital lease obligation	(18,474)	(20,987)
	<u>(11,075)</u>	<u>(4,009,043)</u>
Net cash used in financing activities		
	<u>(11,075)</u>	<u>(4,009,043)</u>
Net Increase (Decrease) in Cash	(2,716,375)	2,670,347
Cash, Beginning of Year	<u>5,648,998</u>	<u>2,978,651</u>
Cash, End of Year	<u>\$ 2,932,623</u>	<u>\$ 5,648,998</u>

Native American Rights Fund, Inc.
Statements of Cash Flows (continued)
Years Ended September 30, 2022 and 2021

	2022	2021
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 1,455	\$ 2,512
Purchase of property on note payable, paid in full by year-end	\$ -	\$ 4,000,000
Reconciliation of Cash to the Statements of Financial Position		
Cash	\$ 2,932,623	\$ 5,584,205
Assets held for others	-	64,793
Total cash in the statements of cash flows	\$ 2,932,623	\$ 5,648,998

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

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.

Cash

At September 30, 2022, NARF's cash accounts exceeded federally insured limits by approximately \$2.5 million. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash for financial reporting purposes.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

Other Receivables

Other receivables are stated at the amount of consideration from customers of which the NARF has an unconditional right to receive. 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.

At September 30, 2022 and 2021, other receivables primarily included a receivable from a legal settlement of approximately \$5.9 million that occurred during 2021. While NARF is awaiting receipt of settlement proceeds, management believes collectability is reasonably assured and any discount is insignificant.

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.

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, 2022 and 2021.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2022 and 2021

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 2022 and 2021.

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.

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

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

Nature of the Gift	Value Recognized
<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.

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.

Foundation 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 may be subject to audit and acceptance by the grantor and, as a result of such audit, adjustments could be required.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

Legal Fees

NARF provides a variety of legal services to clients, which are considered a single, bundled performance obligation. The related legal fees are derived from the related time and expenses incurred by NARF. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which NARF expects to be entitled in exchange for providing the legal services.

For the years ended September 30, 2022 and 2021, NARF recognized revenue of \$960,813 and \$6,901,657, respectively, from services that transfer to clients over time.

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.

Subsequent Events

Subsequent events have been evaluated through January 30, 2023, which is the date the financial statements were available to be issued.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

Note 2: 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, 2022 and 2021, comprise the following:

	<u>2022</u>	<u>2021</u>
Total financial assets	\$ 53,606,084	\$ 63,806,812
Less: Amounts due in more than one year		
Contributions receivable, net	2,016,002	1,950,085
Less: Private equity investments not available to be used within one year as they have lock-up periods extending past one year	5,628,808	5,802,040
Less: Donor-imposed restrictions		
Funds held on behalf of others	-	64,793
Endowments	<u>1,061,234</u>	<u>1,053,835</u>
	1,061,234	1,118,628
Less: Internal designations		
Board-designated endowment	<u>30,000,000</u>	<u>25,000,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 14,900,040</u>	<u>\$ 29,936,059</u>

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.

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 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.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2022 and 2021

Note 3: 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, 2022.

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 2022 or 2021. 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.

Native American Rights Fund, Inc.
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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, 2022 and 2021:

	2022			
	Fair Value Measurements Using			
	Total	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	\$ 1,563,934	\$ 1,563,934	\$ -	\$ -
Equities				
Domestic	14,065,017	14,065,017	-	-
International	1,127,388	1,127,388	-	-
Mutual funds				
Fixed income	572,154	572,154	-	-
Equities	1,692,489	1,692,489	-	-
Exchange traded funds	6,268,479	6,268,479	-	-
Equity long/short fund	5,519,665	5,519,665	-	-
Alternative investments (A)				
REIT	1,874,840	-	-	-
Private equity	2,668,159	-	-	-
Private equity	2,042,798	-	-	-
Private equity	917,851	-	-	-
	38,312,774	<u>\$ 30,809,126</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents, at cost	1,698,413			
	<u>\$ 40,011,187</u>			

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	2021				
	Fair Value Measurements Using				
	Total	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	\$ 1,743,848	\$ 1,743,848	\$ -	\$ -	
Equities					
Domestic	15,913,052	15,913,052	-	-	
International	1,400,490	1,400,490	-	-	
Mutual funds					
Fixed income	33,040	33,040	-	-	
Equities	2,058,771	2,058,771	-	-	
Exchange traded funds	5,385,877	5,385,877	-	-	
Equity long/short fund	9,581,010	9,581,010	-	-	
Alternative investments					
REIT (A)	1,642,746	-	-	-	
Private equity (A)	3,302,436	-	-	-	
Private equity (A)	1,966,042	-	-	-	
Private equity (A)	533,562	-	-	-	
	43,560,874	<u>\$ 36,116,088</u>	<u>\$ -</u>	<u>\$ -</u>	
Cash equivalents, at cost	3,404,300				
	<u>\$ 46,965,174</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.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	2022	2021	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments					
REIT (A)	\$ 1,874,840	\$ 1,642,746	\$ -	Quarterly	30 days
Private equity (B)	917,851	533,562	\$ 934,000	N/A	N/A
Private equity (B)	2,668,159	3,302,436	\$ -	N/A	N/A
Private equity (C)	2,042,798	1,966,042	\$ -	N/A	N/A
	<u>\$ 7,503,648</u>	<u>\$ 7,444,786</u>			
Total investments					

Native American Rights Fund, Inc.

Notes to Financial Statements

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- (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 fund consists of an investment in Alkeon Innovation Offshore Fund (the Fund). 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.
- (C) 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 three to five years.

Note 4: Grants and Contributions Receivable

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

	September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ -	\$ 2,556,450	\$ 2,556,450
Due in one to five years	-	2,089,705	2,089,705
Discount for time value of money	-	(73,703)	(73,703)
	<u>\$ -</u>	<u>\$ 4,572,452</u>	<u>\$ 4,572,452</u>

Native American Rights Fund, Inc.
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	September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 40,000	\$ 3,142,547	\$ 3,182,547
Due in one to five years	-	1,979,000	1,979,000
Discount for time value of money	-	(28,915)	(28,915)
	\$ 40,000	\$ 5,092,632	\$ 5,132,632

Note 5: Property and Equipment

Property and equipment at September 30 consist of the following:

	2022	2021
Land	\$ 4,452,131	\$ 4,452,131
Building and leasehold improvements	6,370,968	4,189,069
Equipment and furniture	654,355	603,758
	11,477,454	9,244,958
Less accumulated depreciation and amortization	(725,794)	(499,735)
	\$ 10,751,660	\$ 8,745,223

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, 2022, are as follows:

Year Ended September 30,	
2023	\$ 19,055
2024	6,798
	\$ 25,853

Native American Rights Fund, Inc.
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Property and equipment include the following equipment under capital leases at September 30:

	<u>2022</u>	<u>2021</u>
Equipment	\$ 88,981	\$ 88,981
Less accumulated depreciation	<u>68,714</u>	<u>50,918</u>
	<u>\$ 20,267</u>	<u>\$ 38,063</u>

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>2022</u>	<u>2021</u>
Subject to expenditure for specified purpose		
50th Anniversary Events	\$ -	\$ 142,944
Alaska Native Global Warming	-	14,357
Bears Ears National Monument	-	15,169
Bering Sea Protection	267,741	498,246
Boarding School Healing Coalition	576,008	500,000
Client Representation against Pipelines	-	45,518
Communications Capacity	-	21,000
Indian Child Welfare Act Web Log	47,444	48,305
Indigenous Peyote Conservation Initiative	29,547	85,491
Institutional Strengthening	358,373	570,699
Peacemaking Project	151,620	204,075
Representation of Alaskan Villages	427,689	682,419
Supreme Court Project	-	75,000
Voting Rights	1,857,931	1,963,705
Law Fellowships	366,471	450,000
Digital Needs	-	33,107
Water Rights	-	6,448
UN Declaration-Rights of Indigenous Peoples	274,559	372,606
Sacred Places	341,733	467,931
Subject to the passage of time		
Grants and contributions receivable, not included in other purpose restrictions above	3,152,698	2,864,512
Endowments – perpetual in nature		
21st Century Endowment	<u>1,061,234</u>	<u>1,053,835</u>
	<u>\$ 8,913,048</u>	<u>\$ 10,115,367</u>

Native American Rights Fund, Inc.
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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>2022</u>	<u>2021</u>
Purpose restrictions accomplished		
50th Anniversary Events	\$ 340,444	\$ 2,555
Alaska Native Global Warming	14,357	1,091
Bears Ears National Monument	15,169	52,292
Bering Sea Protection	409,626	142,714
Boarding School Healing Coalition	673,992	-
Client Representation against Pipelines	150,518	216,393
Communications Capacity	21,000	9,000
Indian Child Welfare Act Trainings	4,749	-
Indian Child Welfare Act Web Log	862	1,695
Indigenous Peyote Conservation Initiative	293,743	295,513
Institutional Strengthening	212,950	173,747
Law Clerk Program	33,500	28,700
Peacemaking Project	53,255	104,758
Representation of Alaskan Villages	779,729	646,724
Supreme Court Project	75,000	338,790
Census Outreach	-	17,842
Voting Rights	2,142,592	2,035,850
Water Symposium	-	25,000
Law Fellowships	83,529	40,000
Digital Needs	33,107	16,893
Water Rights	91,448	8,552
UN Declaration-Rights of Indigenous Peoples	198,047	27,394
Sacred Places	151,198	32,069
Time restrictions expired	<u>1,316,402</u>	<u>476,402</u>
	<u>\$ 7,095,217</u>	<u>\$ 4,693,974</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, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 30,000,000	\$ -	\$ 30,000,000
Donor-restricted endowment funds	-	1,061,234	1,061,234
	<u>\$ 30,000,000</u>	<u>\$ 1,061,234</u>	<u>\$ 31,061,234</u>
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 25,000,000	\$ -	\$ 25,000,000
Donor-restricted endowment funds	-	1,053,835	1,053,835
	<u>\$ 25,000,000</u>	<u>\$ 1,053,835</u>	<u>\$ 26,053,835</u>

Changes in endowment net assets for the years ended September 30, 2022 and 2021:

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,000,000	\$ 1,053,835	\$ 26,053,835
Contributions	5,000,000	7,399	5,007,399
Endowment net assets, end of year	<u>\$ 30,000,000</u>	<u>\$ 1,061,234</u>	<u>\$ 31,061,234</u>

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	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 25,000,000	\$ 1,041,891	\$ 26,041,891
Contributions	-	11,944	11,944
Endowment net assets, end of year	\$ 25,000,000	\$ 1,053,835	\$ 26,053,835

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, however no funds were underwater at September 30, 2022 or 2021.

Note 9: Operating Leases

Noncancelable operating leases for office space and equipment expire in various years through 2034. Total rent expense for the years ended September 30, 2022 and 2021 was \$318,132 and \$170,440, respectively. Deferred rent (to account for escalating leases) totals \$8,855 and \$12,288 at September 30, 2022 and 2021, respectively, and will be recognized over the term of the related leases.

Future minimum lease payments at September 30, 2022:

2023	\$ 320,633
2024	263,538
2025	243,311
2026	167,786
2027 and beyond	<u>1,383,092</u>
	<u><u>\$ 2,378,360</u></u>

During 2021, NARF sold their headquarters building to an unrelated party and entered into a sale-leaseback agreement with the buyer, with a lease commencement date of July 2021. An 8-month cancellable agreement, with two six-month extensions, was executed to lease the entire property. The agreement required monthly rental payments of \$12,833 (\$154,000 annually) starting in November 2021. As NARF's leaseback is considered to be "minor" (as defined by accounting standards), NARF recognized the full amount of the gain on the transaction of \$3,791,063 during 2021.

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 \$295,866 and \$273,155 for 2022 and 2021, 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, 2022 and 2021, NARF recognized a liability of \$304,057 and \$274,881, respectively, relating to this program.

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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 2022 and 2021, 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.

	2022	2021
Program expenses	\$ 535,080	\$ 456,490
Fundraising expenses	993,720	847,767
	\$ 1,528,800	\$ 1,304,257

Note 12: 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 2022, two donors contributed 15% of total contribution revenue and during 2021 two donors contributed approximately 11% of total contribution revenue.

General Litigation

NARF is subject to claims and lawsuits that arose primarily in the ordinary course of its activities. It is the opinion of management the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of NARF. Events could occur that would change this estimate materially in the near term.