




Native American Rights Fund, Inc.

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022



Native American Rights Fund, Inc.
September 30, 2023 and 2022

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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, 2023 and 2022, 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, 2023 and 2022, 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.

Emphasis of Matter

As described in Note 6 to the financial statements, in 2023, NARF adopted Accounting Standard Update (ASU) 2016-02, *Leases* (Topic 842). Our opinion is not modified with respect to this matter.

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.

Board of Directors
Native American Rights Fund, Inc.

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.

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
April 1, 2024

Native American Rights Fund, Inc.
Statements of Financial Position
September 30, 2023 and 2022

Assets

	<u>2023</u>	<u>2022</u>
Cash	\$ 6,841,033	\$ 2,932,623
Prepaid expenses and other assets	422,918	349,311
Other receivables, net of allowance of \$0 for 2023 and 2022	236,176	6,089,822
Employee travel advances	13,677	15,980
Grants and contributions receivable, net	3,211,834	4,572,452
Investments	46,901,592	40,011,187
Right-of-use assets - operating leases	1,657,023	-
Property and equipment	<u>12,068,905</u>	<u>10,751,660</u>
Total assets	<u>\$ 71,353,158</u>	<u>\$ 64,723,035</u>

Liabilities and Net Assets

Accounts payable	\$ 627,897	\$ 961,800
Accrued vacation payable	577,379	464,355
Other accrued expenses	232,529	203,604
Deferred rent	-	8,855
Operating lease liability	1,692,003	-
Employee retirement obligation	<u>362,837</u>	<u>304,057</u>
Total liabilities	<u>3,492,645</u>	<u>1,942,671</u>

Net Assets

Without donor restrictions		
Future Legal Advocacy Fund	30,000,000	30,000,000
Undesignated	<u>31,486,304</u>	<u>23,867,316</u>
	<u>61,486,304</u>	<u>53,867,316</u>
With donor restrictions		
Perpetual in nature	1,068,058	1,061,234
Purpose restrictions	<u>5,306,151</u>	<u>7,851,814</u>
	<u>6,374,209</u>	<u>8,913,048</u>
Total net assets	<u>67,860,513</u>	<u>62,780,364</u>
Total liabilities and net assets	<u>\$ 71,353,158</u>	<u>\$ 64,723,035</u>

Native American Rights Fund, Inc.
Statement of Activities
Year Ended September 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Foundation grants	\$ 1,316,350	\$ 3,379,384	\$ 4,695,734
Contributions	12,316,731	927,028	13,243,759
Legal fees	757,586	-	757,586
Other	56,289	-	56,289
Investment return, net	4,751,728	-	4,751,728
Net assets released from restrictions	<u>6,845,251</u>	<u>(6,845,251)</u>	<u>-</u>
Total revenues, gains and other support	<u>26,043,935</u>	<u>(2,538,839)</u>	<u>23,505,096</u>
Expenses			
Program services			
Litigation and client services	12,683,944	-	12,683,944
National Indian Law Library	<u>536,267</u>	<u>-</u>	<u>536,267</u>
Total program services	<u>13,220,211</u>	<u>-</u>	<u>13,220,211</u>
Supporting services			
Management and general	1,700,973	-	1,700,973
Fundraising expenses	<u>3,503,763</u>	<u>-</u>	<u>3,503,763</u>
Total supporting services	<u>5,204,736</u>	<u>-</u>	<u>5,204,736</u>
Total expenses	<u>18,424,947</u>	<u>-</u>	<u>18,424,947</u>
Change in Net Assets	7,618,988	(2,538,839)	5,080,149
Net Assets, Beginning of Year	<u>53,867,316</u>	<u>8,913,048</u>	<u>62,780,364</u>
Net Assets, End of Year	<u>\$ 61,486,304</u>	<u>\$ 6,374,209</u>	<u>\$ 67,860,513</u>

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	21,080	-	21,080
Investment return, net	(9,942,415)	-	(9,942,415)
Return of grant funds	-	(19,879)	(19,879)
Net assets released from restrictions	7,095,217	(7,095,217)	-
	<u>7,064,297</u>	<u>(1,202,319)</u>	<u>5,861,978</u>
Total revenues, gains and other support			
Expenses			
Program services			
Litigation and client services	9,174,910	-	9,174,910
National Indian Law Library	385,186	-	385,186
	<u>9,560,096</u>	<u>-</u>	<u>9,560,096</u>
Total program services			
Supporting services			
Management and general	1,307,582	-	1,307,582
Fundraising expenses	3,487,069	-	3,487,069
	<u>4,794,651</u>	<u>-</u>	<u>4,794,651</u>
Total supporting services			
Total expenses	<u>14,354,747</u>	<u>-</u>	<u>14,354,747</u>
Change in Net Assets	(7,290,450)	(1,202,319)	(8,492,769)
Net Assets, Beginning of Year	<u>61,157,766</u>	<u>10,115,367</u>	<u>71,273,133</u>
Net Assets, End of Year	<u>\$ 53,867,316</u>	<u>\$ 8,913,048</u>	<u>\$ 62,780,364</u>

Native American Rights Fund, Inc.
Statement of Functional Expenses
Year Ended September 30, 2023

	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	\$ 5,196,421	\$ 335,159	\$ 5,531,580	\$ 635,962	\$ 673,265	\$ 1,309,227	\$ 6,840,807
Support staff	858,079	10,278	868,357	278,321	142,935	421,256	1,289,613
Fringe benefits	1,296,949	106,437	1,403,386	229,976	267,311	497,287	1,900,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total salaries and related costs	7,351,449	451,874	7,803,323	1,144,259	1,083,511	2,227,770	10,031,093
Contract fees and consultants	1,390,054	-	1,390,054	38,750	36,000	74,750	1,464,804
Travel	536,846	5,037	541,883	130,685	78,255	208,940	750,823
Space costs	534,753	11,230	545,983	72,636	21,344	93,980	639,963
Office expenses	1,296,085	30,048	1,326,133	158,175	2,207,689	2,365,864	3,691,997
Grants	1,103,168	-	1,103,168	-	-	-	1,103,168
Equipment maintenance and rental	130,924	10,074	140,998	125,048	12,122	137,170	278,168
Litigation costs	25,976	-	25,976	-	-	-	25,976
Library costs	102,720	19,042	121,762	2,994	6,290	9,284	131,046
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before depreciation	12,471,975	527,305	12,999,280	1,672,547	3,445,211	5,117,758	18,117,038
Depreciation	211,969	8,962	220,931	28,426	58,552	86,978	307,909
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	<u>\$ 12,683,944</u>	<u>\$ 536,267</u>	<u>\$ 13,220,211</u>	<u>\$ 1,700,973</u>	<u>\$ 3,503,763</u>	<u>\$ 5,204,736</u>	<u>\$ 18,424,947</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	1,053,565	65,005	1,118,570	174,306	249,596	423,902	1,542,472
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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	75,360	11,021	86,381	2,155	9,887	12,042	98,423
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Expenses before depreciation	9,046,000	379,774	9,425,774	1,289,210	3,438,075	4,727,285	14,153,059
Depreciation	128,910	5,412	134,322	18,372	48,994	67,366	201,688
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
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.
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	2023	2022
Operating Activities		
Change in net assets	\$ 5,080,149	\$ (8,492,769)
Items not requiring (providing) cash		
Depreciation expense	307,909	201,688
Net realized and unrealized loss (gain) on investments	(3,796,219)	10,744,797
Loss on disposal of property	-	2,035
Contributions received for long-term investment	(6,824)	(7,399)
Noncash donation of property	882,129	-
Noncash lease expense	218,864	-
Changes in		
Other receivables	5,853,646	(29,814)
Grants and contributions receivable	1,360,618	560,180
Prepaid expenses and other assets	(71,304)	(106,020)
Accounts payable and accrued expenses	(172,899)	462,022
Funds held on behalf of others	-	(64,793)
Retirement recognition program	58,780	29,176
Lease liability	(183,884)	-
Deferred rent	(8,855)	(3,433)
Net cash provided by operating activities	9,522,110	3,295,670
Investing Activities		
Proceeds from sales of investments	3,133,074	5,220,453
Purchases of investments	(6,227,260)	(9,011,263)
Purchase of property and equipment	(2,507,283)	(2,210,160)
Net cash used in investing activities	(5,601,469)	(6,000,970)
Financing Activities		
Contributions received for long-term investment	6,824	7,399
Principal payments under finance lease obligations	(19,055)	(18,474)
Net cash used in financing activities	(12,231)	(11,075)
Net Increase (Decrease) in Cash	3,908,410	(2,716,375)
Cash, Beginning of Year	2,932,623	5,648,998
Cash, End of Year	\$ 6,841,033	\$ 2,932,623
Supplemental Disclosure of Cash Flow Information		
Interest paid	\$ 589	\$ 1,455

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2023 and 2022

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 statements 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, 2023, NARF's cash accounts exceeded federally insured limits by approximately \$6.8 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, 2023 and 2022

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, other receivables primarily included a receivable from a legal settlement of approximately \$5.9 million that occurred during 2021. This settlement was collected in full during 2023.

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 statements 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, 2023 and 2022.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2023 and 2022

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 2023 and 2022.

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.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2023 and 2022

Contributions

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

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

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

When a donor stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements 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.

Native American Rights Fund, Inc.

Notes to Financial Statements

September 30, 2023 and 2022

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.

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, 2023 and 2022, NARF recognized revenue of \$757,586 and \$960,813, 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 statements 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.

Reclassifications

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on the change in net assets.

Subsequent Events

Subsequent events have been evaluated through April 1, 2024, which is the date the financial statements were available to be issued.

Native American Rights Fund, Inc.
Notes to Financial Statements
September 30, 2023 and 2022

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, 2023 and 2022, comprise the following:

	<u>2023</u>	<u>2022</u>
Total financial assets	\$ 57,190,633	\$ 53,606,084
Less: Amounts due in more than one year		
Contributions receivable, net	1,097,425	2,016,002
Less: Private equity investments not available to be used within one year as they have lock-up periods extending past one year	5,536,904	5,628,808
Less: Perpetual donor restrictions	1,068,058	1,061,234
Less: Board-designated endowment	<u>30,000,000</u>	<u>30,000,000</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 19,488,246</u>	<u>\$ 14,900,040</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, 2023 and 2022

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, 2023.

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 2023 or 2022. 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, 2023 and 2022:

	2023			
	Total	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments				
Fixed income securities	\$ 2,327,547	\$ 2,327,547	\$ -	\$ -
Equities				
Domestic	18,445,634	18,445,634	-	-
International	1,494,981	1,494,981	-	-
Mutual funds				
Fixed income	889,797	889,797	-	-
Equities	1,629,092	1,629,092	-	-
Exchange traded funds	7,137,931	7,137,931	-	-
Equity long/short fund	6,340,298	6,340,298	-	-
Alternative investments (A)				
Private equity	1,010,833	-	-	-
Private equity	2,392,984	-	-	-
Private equity	2,133,087	-	-	-
	43,802,184	<u>\$ 38,265,280</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents, at cost	3,099,408			
	<u>\$ 46,901,592</u>			

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	2022			
	Fair Value Measurements Using			
	Total	Quoted Prices	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		in Active Markets for Identical Assets (Level 1)		
Investments				
Fixed income securities	\$ 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	917,851	-	-	-
Private equity	2,668,159	-	-	-
Private equity	2,042,798	-	-	-
	38,312,774	<u>\$ 30,809,126</u>	<u>\$ -</u>	<u>\$ -</u>
Cash equivalents, at cost	<u>1,698,413</u>			
	<u>\$ 40,011,187</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.

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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:

	2023	2022	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Alternative investments					
REIT (A)	\$ -	\$ 1,874,840	\$ -	Quarterly	30 days
Private equity (B)	1,010,833	917,851	\$ 806,000	N/A	N/A
Private equity (B)	2,392,984	2,668,159	\$ -	N/A	N/A
Private equity (C)	<u>2,133,087</u>	<u>2,042,798</u>	\$ -	N/A	N/A
Total investments	<u>\$ 5,536,904</u>	<u>\$ 7,503,648</u>			

- (A) This category consists of an investment in the Watermark Lodging Trust, Inc. (the Fund) which is a non-traded real estate investment trust (REIT) formed for the purpose of acquiring, owning, disposing of, and managing and seeking to enhance the value of interests in lodging and lodging-related properties. Liquidity varies based on the amount the owners collectively wish to redeem and executed sales by the investment managers of the underlying real estate properties. Fund liquidation is planned in five to seven years depending on market conditions. After one year of investment, upon written request with one month notice, funds can be redeemed on a quarterly basis. All valuations are based on annual appraisals of underlying properties conducted by independent appraisers. NARF's position in the fund was liquidated during 2023.
- (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 is 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 Blue Owl 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.

Native American Rights Fund, Inc.

Notes to Financial Statements

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Note 4: Grants and Contributions Receivable

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

	September 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 5,000	\$ 2,109,409	\$ 2,114,409
Due in one to five years	-	1,150,000	1,150,000
Discount for time value of money	-	(52,575)	(52,575)
	\$ 5,000	\$ 3,206,834	\$ 3,211,834
	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)
	\$ -	\$ 4,572,452	\$ 4,572,452

Discount rates ranged from 3% to 5% for 2023 and 2022.

Note 5: Property and Equipment

Property and equipment at September 30 consist of the following:

	2023	2022
Land	\$ 3,570,000	\$ 4,452,131
Building and leasehold improvements	7,954,141	6,370,968
Equipment and furniture	1,529,726	654,355
	13,053,867	11,477,454
Less accumulated depreciation and amortization	(984,962)	(725,794)
	\$ 12,068,905	\$ 10,751,660

Native American Rights Fund, Inc.

Notes to Financial Statements

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Note 6: Operating Leases

Change in Accounting Principle

In February 2016, the FASB issued ASU 2016-02, *Leases* (Topic 842). This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements. Disclosures are required to enable users of financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or, as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

NARF adopted Topic 842 on October 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. NARF elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. NARF has lease agreements with only insignificant non-lease components that relate to the lease components. Also, NARF elected to keep short-term leases with an initial term of 12 months or less off the consolidated balance sheets. NARF did not elect the hindsight practical expedient in determining the lease term for existing leases as of October 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets and operating lease liabilities of \$1,875,887, at October 1, 2022, while the accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged. As part of adopting the standard, previously recognized liabilities for deferred rent and lease incentives were reclassified as a component of the ROU assets.

The standard did not significantly affect our statements of activities, functional expenses or cash flows.

Accounting Policies

NARF determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. NARF determines lease classification as operating or finance at the lease commencement date.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. NARF has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

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Notes to Financial Statements

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The lease term may include options to extend or to terminate the lease that NARF is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

NARF has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

NARF has entered into two operating leases for office space in Alaska and Washington D.C. that expire in 2025 and 2034, respectively. These leases contain renewal options for ten one-year periods for the Alaska lease and one five-year period for the D.C. lease which management is not reasonably certain to extend. Lease payments have an escalating fee schedule at 3.00% for Alaska and 2.50% for D.C, annually. Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

All Leases

NARF has no material related-party leases.

NARF's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

NARF has certain month-to-month arrangements for storage and other short-term operational needs. The total annual cost on these arrangements is not significant.

Quantitative Disclosures

The lease cost and other required information for the year ended September 30, 2023 are:

Lease cost		
Operating lease cost	\$	328,973
Short-term (month-to-month) leases		<u>72,280</u>
	\$	<u><u>401,253</u></u>
Other information		
Cash paid for amounts included in the measurement of lease liability		
Operating cash flows from operating leases	\$	251,973
Right-of-use assets obtained in exchange for new operating lease liabilities	\$	1,875,887
Weighted-average remaining lease term		
Operating lease		10.25 years
Weighted-average discount rate		
Operating lease		4.10%

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Future minimum lease payments and reconciliation to the statements of financial position at September 30, 2023 are as follows:

	Operating Lease
2024	\$ 263,214
2025	242,978
2026	167,445
2027	171,624
2028	175,901
Thereafter	1,032,513
Total future undiscounted lease payments	2,053,675
Less imputed interest	(361,672)
	<u>\$ 1,692,003</u>

Note 7: Finance Leases

Finance leases include leases covering office equipment such as copiers and postage. The finance leases expire in various years through 2024. Remaining payments on finance lease obligations, excluding interest, at September 30, 2023, are reported in other accrued expenses, and total \$6,799 at September 30, 2023.

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

	2023	2022
Equipment	\$ 88,981	\$ 88,981
Less accumulated depreciation	83,296	68,714
	<u>\$ 5,685</u>	<u>\$ 20,267</u>

Native American Rights Fund, Inc.
Notes to Financial Statements
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Note 8: Net Assets

Net Assets with Donor Restrictions

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

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Bering Sea Protection	\$ 150,000	\$ 267,741
Boarding School Healing Coalition	148,186	576,008
Indian Child Welfare Act Web Log	46,004	47,444
Indigenous Peyote Conservation Initiative	-	29,547
Institutional Strengthening	166,879	358,373
Peacemaking Project	52,537	151,620
Representation of Alaskan Villages	128,325	427,689
Supreme Court Project	300,000	-
Voting Rights	815,167	1,857,931
Law Fellowships	363,053	366,471
UN Declaration-Rights of Indigenous Peoples	220,713	274,559
Sacred Places	219,362	341,733
Subject to the passage of time		
Grants and contributions receivable, not included in other purpose restrictions above	2,695,925	3,152,698
Endowments – perpetual in nature		
21st Century Endowment	<u>1,068,058</u>	<u>1,061,234</u>
	<u>\$ 6,374,209</u>	<u>\$ 8,913,048</u>

Native American Rights Fund, Inc.

Notes to Financial Statements

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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.

	2023	2022
Purpose restrictions accomplished		
50th Anniversary Events	\$ -	\$ 340,444
Alaska Native Global Warming	-	14,357
Bears Ears National Monument	1,500	15,169
Bering Sea Protection	267,741	409,626
Boarding School Healing Coalition	677,822	673,992
Client Representation against Pipelines	110,000	150,518
Communications Capacity	-	21,000
Indian Child Welfare Act Trainings	101,000	4,749
Indian Child Welfare Act Web Log	1,440	862
Indigenous Peyote Conservation Initiative	62,547	293,743
Institutional Strengthening	221,494	212,950
Law Clerk Program	41,600	33,500
Peacemaking Project	99,083	53,255
Representation of Alaskan Villages	1,039,364	779,729
Supreme Court Project	300,000	75,000
Voting Rights	1,837,020	2,142,592
Tribal Conservation Finance Toolbox	50,000	-
Water Symposium	10,000	-
Law Fellowships	119,522	83,529
Digital Needs	-	33,107
Water Rights	15,000	91,448
UN Declaration-Rights of Indigenous Peoples	191,346	198,047
Sacred Places	122,371	151,198
Time restrictions expired	1,576,401	1,316,402
	\$ 6,845,251	\$ 7,095,217

Native American Rights Fund, Inc.

Notes to Financial Statements

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Note 9: 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.

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, 2023 and 2022:

		2023		
		Without Donor Restrictions	With Donor Restrictions	Total
	Board-designated endowment funds	\$ 30,000,000	\$ -	\$ 30,000,000
	Donor-restricted endowment funds	-	1,068,058	1,068,058
		<u>\$ 30,000,000</u>	<u>\$ 1,068,058</u>	<u>\$ 31,068,058</u>
		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>

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Changes in endowment net assets for the years ended September 30, 2023 and 2022:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 30,000,000	\$ 1,061,234	\$ 31,061,234
Contributions	-	6,824	6,824
	<u>\$ 30,000,000</u>	<u>\$ 1,068,058</u>	<u>\$ 31,068,058</u>
Endowment net assets, end of year	<u>\$ 30,000,000</u>	<u>\$ 1,068,058</u>	<u>\$ 31,068,058</u>
	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
	<u>\$ 30,000,000</u>	<u>\$ 1,061,234</u>	<u>\$ 31,061,234</u>
Endowment net assets, end of year	<u>\$ 30,000,000</u>	<u>\$ 1,061,234</u>	<u>\$ 31,061,234</u>

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

Under NARF's policies, endowment assets are invested in a manner that is intended to produce results that are comparable to or exceed the appropriate benchmarks for the asset categories.

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

NARF has a spending policy of appropriating for expenditure each year the amounts needed and available for spending. NARF has interpreted that investment return generated by the endowment assets are without donor restriction in accordance with donor stipulations. Under NARF's spending policy, any anticipated investment return from the endowment is included in NARF's internal budgeting process and fully appropriated for spending upon adoption of the budget.

As the proceeds from endowment earnings are without donor restriction, management has not allocated the earnings between those earned by endowment funds and other investments. As such, management has not included investment return in the tables above.

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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.

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, 2023 or 2022.

Note 10: Retirement Benefits

On August 6, 1994, NARF's Board of Directors authorized the adoption of a non-contributory 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 \$386,607 and \$295,866 for 2023 and 2022, 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, 2023 and 2022, NARF recognized a liability of \$362,837 and \$304,057, 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 2023 and 2022, 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.

	2023	2022
Program expenses	\$ 705,422	\$ 535,080
Fundraising expenses	1,310,069	993,720
	\$ 2,015,491	\$ 1,528,800

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:

Investments

NARF invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

Concentrations

During 2023, two donors contributed 30% of total contribution revenue and during 2022 two donors contributed approximately 15% of total contribution revenue.