

FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT

Indian Law Resource Center, Inc.

December 31, 2009 and 2008

Indian Law Resource Center, Inc.

December 31, 2009 and 2008

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Indian Law Resource Center, Inc.
Helena, Montana

We have audited the accompanying statements of financial position of the Indian Law Resource Center, Inc., (the Center) as of December 31, 2009 and 2008 and the related statements of activities, statements of functional expenses, and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indian Law Resource Center, Inc., as of December 31, 2009 and 2008, and the changes in net assets and cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.



GALUSHA, HIGGINS AND GALUSHA, PC
Certified Public Accountants and Advisors

Helena, Montana
March 5, 2010

Indian Law Resource Center, Inc.
STATEMENTS OF FINANCIAL POSITION
December 31,

ASSETS

	2009	2008
CURRENT ASSETS		
Cash and cash equivalents	\$ 529,472	\$ 296,880
Certificates of deposit	160,000	50,000
Grants receivable (net)	483,776	457,038
Contributions receivable	-	6,517
Other receivables	600	6,070
Prepaid expenses	7,968	8,488
Total current assets	1,181,816	824,993
 PROPERTY AND EQUIPMENT - AT COST		
Net depreciable assets	44,120	15,757
 OTHER ASSETS		
Deposits	1,325	1,325
Gar Creek Seminole land purchase	420,269	420,269
Investments	30,657	9,562
TOTAL ASSETS	\$ 1,678,187	\$ 1,271,906

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES		
Accounts payable	\$ 11,842	\$ 17,566
Accrued salaries and vacation payable	49,922	45,201
Payroll taxes payable	2,878	2,671
Total current liabilities	64,642	65,438
 NET ASSETS		
Unrestricted	357,683	(23,466)
Temporarily restricted	1,207,623	1,184,172
Permanently restricted	48,239	45,762
TOTAL NET ASSETS	1,613,545	1,206,468
TOTAL LIABILITIES AND NET ASSETS	\$ 1,678,187	\$ 1,271,906

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2009

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 52,275	\$ 6,000	\$ 2,477	\$ 60,752
Grants	486,168	1,103,584	-	1,589,752
Bequests and trusts	7,190	-	-	7,190
Interest	3,711	773	-	4,484
Other	7,440	266	-	7,706
Realized and unrealized gains on investments	141	942	-	1,083
Released from restrictions	1,088,114	(1,088,114)	-	-
Total support and revenue	1,645,039	23,451	2,477	1,670,967
EXPENSES				
Program services	862,622	-	-	862,622
Management and general	177,182	-	-	177,182
Fund raising	224,086	-	-	224,086
Total expenses	1,263,890	-	-	1,263,890
Increase in net assets	381,149	23,451	2,477	407,077
Net assets at beginning of year	(23,466)	1,184,172	45,762	1,206,468
Net assets at end of year	\$ 357,683	\$ 1,207,623	\$ 48,239	\$ 1,613,545

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.

STATEMENT OF ACTIVITIES

for the year ended December 31, 2008

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUE				
Contributions	\$ 64,095	\$ 250	\$ 8,669	\$ 73,014
Grants	695,252	1,118,690	-	1,813,942
Bequests and trusts	18,903	-	-	18,903
Contract services	2,645	10,000	-	12,645
Interest	5,643	1,963	-	7,606
Other	2,020	-	-	2,020
Realized and unrealized gains and (losses) on investments	(6,474)	422	-	(6,052)
Released from restrictions	565,440	(565,440)	-	-
Total support and revenue	<u>1,347,524</u>	<u>565,885</u>	<u>8,669</u>	<u>1,922,078</u>
EXPENSES				
Program services	1,056,498	-	-	1,056,498
Management and general	240,218	-	-	240,218
Fund raising	116,406	-	-	116,406
Total expenses	<u>1,413,122</u>	<u>-</u>	<u>-</u>	<u>1,413,122</u>
Increase (decrease) in net assets	(65,598)	565,885	8,669	508,956
Net assets at beginning of year	42,132	618,287	37,093	697,512
Net assets at end of year	<u>\$ (23,466)</u>	<u>\$ 1,184,172</u>	<u>\$ 45,762</u>	<u>\$ 1,206,468</u>

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2009

	Program Services	Supporting Services			Total Program Services and Supporting Services
	Total	Management and General	Fund Raising	Total	
FUNCTIONAL EXPENSES					
Salaries and wages	\$ 497,683	\$ 99,278	\$ 144,654	\$ 243,932	\$ 741,615
Employee fringe benefits and payroll taxes	117,667	24,051	33,543	57,594	175,261
Contract services	76,606	12,005	6,405	18,410	95,016
Travel	61,931	18,243	4,732	22,975	84,906
Occupancy expense	35,707	8,625	11,831	20,456	56,163
Property and equipment expense	16,873	3,064	3,796	6,860	23,733
Advertising	96	177	1,218	1,395	1,491
Contribution expense	14,960	-	-	-	14,960
Dues and registration	1,000	3,070	2,215	5,285	6,285
Duplicating and printing	8,017	764	7,027	7,791	15,808
Hosting and meals	2,110	1,814	617	2,431	4,541
Insurance	2,860	880	733	1,613	4,473
Miscellaneous	167	478	469	947	1,114
On-line services	9,653	272	353	625	10,278
Postage and delivery	3,318	1,059	1,976	3,035	6,353
Staff development	-	488	1,160	1,648	1,648
Subscriptions and books	2,193	-	378	378	2,571
Supplies	5,926	1,709	1,861	3,570	9,496
Telephone	5,855	1,205	1,118	2,323	8,178
Totals	<u>\$ 862,622</u>	<u>\$ 177,182</u>	<u>\$ 224,086</u>	<u>\$ 401,268</u>	<u>\$ 1,263,890</u>

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.
STATEMENT OF FUNCTIONAL EXPENSES
for the year ended December 31, 2008

	Program	Supporting Services			Total Program Services and Supporting Services
	Services	Management and General	Fund Raising	Total	
	Total			Total	
FUNCTIONAL EXPENSES					
Salaries and wages	\$ 562,304	\$ 127,568	\$ 39,099	\$ 166,667	\$ 728,971
Employee fringe benefits and payroll taxes	147,446	33,747	10,083	43,830	191,276
Contract services	114,025	14,733	44,556	59,289	173,314
Travel	97,172	27,391	7,638	35,029	132,201
Occupancy expense	39,499	16,030	4,056	20,086	59,585
Property and equipment expense	9,658	3,463	960	4,423	14,081
Advertising	-	2,620	677	3,297	3,297
Contribution expense	29,255	-	-	-	29,255
Dues and registration	835	4,668	2,390	7,058	7,893
Duplicating and printing	16,966	587	2,508	3,095	20,061
Hosting and meals	2,253	2,322	533	2,855	5,108
Insurance	3,089	789	355	1,144	4,233
Miscellaneous	602	332	11	343	945
On-line services	11,783	622	266	888	12,671
Postage and delivery	3,332	1,370	1,154	2,524	5,856
Staff development	995	625	-	625	1,620
Subscriptions and books	1,386	79	311	390	1,776
Supplies	8,073	1,786	1,128	2,914	10,987
Telephone	7,825	1,486	681	2,167	9,992
Totals	<u>\$ 1,056,498</u>	<u>\$ 240,218</u>	<u>\$ 116,406</u>	<u>\$ 356,624</u>	<u>\$ 1,413,122</u>

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.

STATEMENTS OF CASH FLOWS

for the years ended December 31,

	<u>2009</u>	<u>2008</u>
Cash Flows From Operating Activities		
Increase (decrease) in net assets	\$ 407,077	\$ 508,956
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	10,876	6,443
Losses on property and equipment	-	418
(Gains) losses on investments	(1,083)	6,052
Noncash donations	(981)	-
Receipt of permanently restricted net assets	(2,477)	(8,669)
Change in assets and liabilities		
(Increase) decrease in receivables	(14,751)	(438,246)
(Increase) decrease in prepaid expenses and deposits	520	(6,307)
Increase (decrease) in accounts payable	(5,724)	(20,881)
Increase (decrease) in accrued expenses	4,721	3,596
Increase (decrease) in payroll taxes payable	207	(1,095)
Net cash from operating activities	<u>398,385</u>	<u>50,267</u>
Cash Flows From Investing Activities		
Cash received from sales of CD's and investments	416,045	195,000
Cash payments for equipment	(39,238)	(5,694)
Cash payments for CD's and investments	(545,077)	(230,000)
Net cash from investing activities	<u>(168,270)</u>	<u>(40,694)</u>
Cash Flows From Financing Activities		
Receipt of permanently restricted net assets	2,477	8,669
Change in cash	<u>232,592</u>	<u>18,242</u>
Cash balance, January 1,	<u>296,880</u>	<u>278,638</u>
Cash balance, December 31,	<u>\$ 529,472</u>	<u>\$ 296,880</u>
 SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING ACTIVITIES:		
Donated investments	<u>\$ 981</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the Center's significant accounting policies consistently applied in the preparation of the accompanying financial statements:

1. Nature of Activities - The Indian Law Resource Center is a non-profit law and advocacy organization established and directed by Native Americans. The Center provides assistance to tribes and other indigenous peoples in the United States and in Central America and South America, who are working to protect their land, resources, human rights, environment and cultural heritage.
2. Basis of Accounting - The financial statements of the Center have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.
3. Financial Statement Presentation - The Center has adopted FASB ASC 958-605-25, *Accounting for Contributions Received and Made*, and FASB ASC 958-205, *Financial Statements of Not-for-Profit Organizations*. FASB ASC 958-605-25 requires that unconditional promises to give (pledges) be recorded as receivables and revenues. It also requires the organization to distinguish between contributions received for each net asset category in accordance with donor imposed restrictions. FASB ASC 958-205 establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories according to externally (donor) imposed restrictions. A description of the three net asset categories follows:

Unrestricted net assets include assets which are available for general operations of the Center.

Temporarily restricted net assets include gifts for which donor imposed restrictions have not been met and pledges receivable for which the ultimate purpose of the proceeds is not permanently restricted.

Permanently restricted net assets include gifts, trusts, and pledges which require by donor restriction that the corpus be invested in perpetuity and only the income be made available for program operations in accordance with donor restrictions.

4. Property and Equipment - Furniture, fixtures, and equipment are recorded at cost less accumulated depreciation. Donated assets are recorded at fair market value at the time of the gift. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Asset lives range from 5 to 10 years.
5. 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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

6. Recognition of Donor Restrictions - The Center reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.
7. Cash and Cash Equivalents - For the purpose of reporting cash flows, cash and cash equivalents include money market accounts and any highly liquid debt instruments that mature in three months or less.
8. Grants Receivable - For the purposes of recording grants receivable a present value factor is applied to arrive at the amounts reported. See Note C for further information. The Center considers grants receivable fully collectible; accordingly, no allowance for uncollectible grants has been provided.
9. Investments - The Center adopted FASB ASC 958-320, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. Under FASB ASC 958-320, investments in marketable securities with readily determinable fair values and all investments in debt securities are valued at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets unless the income or loss is restricted by donor or law.
10. General and Administrative Expenses - General and administrative expenses which are not directly chargeable to specific projects are reported as supporting services - management and general.
11. Advertising - The Center uses advertising to encourage contributions and to announce employment opportunities. The production costs of advertising are expensed as incurred. During 2009 and 2008, advertising costs totaled \$1,491 and \$3,297, respectively.
12. Income Taxes - The Center was incorporated on April 5, 1978 in Washington, D.C. pursuant to the D.C. non-profit corporation act and is exempt from federal taxation under Section 501 (c) (3) of the Internal Revenue Code. It is a publicly supported non-profit organization that is not a private foundation under Section 509 (a) (2) of Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors. The Center is also exempt from D.C. Corporate Franchise Tax. The Center conducts programs of public education and legal representation on issues concerning Indian peoples worldwide. It has offices in Washington D.C. and Helena, Montana.

As a matter of law, the Center is subject to examination by federal and state taxing authorities. Although management believes that the amounts reflected in their tax returns substantially complies with the applicable federal and state tax regulations, both the IRS and the various state taxing authorities can take positions contrary to their position based on IRS interpretation of the law. A tax position that is challenged by a taxing authority could result in an adjustment.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

13. Compensated Absences - The Center accrues a liability for earned but unused vacation benefits.
14. Subsequent Events - Management has performed an analysis of the activities and transactions subsequent to December 31, 2009 to determine the need for any adjustments to and/or disclosures within the audited financial statements for the year ended December 31, 2009. Management has performed this analysis through March 5, 2010.

NOTE B - CONCENTRATION OF CREDIT RISK

The Center has cash on deposit at D.A. Davidson of \$24,295 in 2009 and \$220,669 in 2008. Accounts at D.A. Davidson are insured by the Securities Investor Protection Corporation up to \$500,000. This figure includes a maximum of \$100,000 on claims for cash. During 2009, the Center elected to place their cash at D.A. Davidson in the bank insured deposit program which covers cash balances up to the FDIC limit of \$250,000. At December 31, 2009 and 2008, the Center's uninsured cash balances at D.A. Davidson totaled \$-0- and \$120,699, respectively.

The Center has cash on deposit at Valley Bank of \$496,312 in 2009 and \$69,574 in 2008. Accounts at Valley Bank are insured by the FDIC up to \$250,000. At December 31, 2009 and 2008, the Center's uninsured cash balances at Valley Bank totaled \$246,312 and \$-0-, respectively.

NOTE C - GRANTS RECEIVABLE

	<u>2009</u>	<u>2008</u>
Within one year	\$ 485,000	\$ 470,500
Less: Discounts for the time-value of money	(1,224)	(13,462)
Amount on statement of financial position	<u>\$ 483,776</u>	<u>\$ 457,038</u>
Grant Receivable:		
Current portion	483,776	\$ 457,038
Long-term portion	-	-
Total	<u>\$ 483,776</u>	<u>\$ 457,038</u>

NOTE D - PROPERTY AND EQUIPMENT, NET

A summary of property and equipment is as follows:

	<u>2009</u>	<u>2008</u>
Furniture and fixtures	\$ 25,922	\$ 25,922
Office equipment	70,127	58,993
Research library	28,787	28,787
Leasehold improvements	1,393	1,393
	<u>\$ 126,229</u>	<u>\$ 115,095</u>
Accumulated depreciation	82,109	99,338
Net property and equipment	<u>\$ 44,120</u>	<u>\$ 15,757</u>

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE E - GAR CREEK SEMINOLE LAND PURCHASE

The Center began work in 1998 to assist the Gar Creek Seminoles of Oklahoma in acquiring land for use for their cultural preservation and ceremonial purposes. To this end, 590 acres in Seminole County, Oklahoma were purchased with a grant from Lannan Foundation. A new non-profit corporation is being formed to which the land will be transferred.

NOTE F - INVESTMENTS

Investments are carried at fair market value. Investments for the years ending December 31, 2009 and 2008 are as follows:

	2009		2008	
	Cost	Fair Market Value	Cost	Fair Market Value
Mutual Funds	\$ 35,010	\$ 30,657	\$ 15,000	\$ 9,562

NOTE G - TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets result from inflows whose use is restricted by donor-imposed stipulations that either expire by the passage of time or can be fulfilled by action of the organization.

	2009	2008
Cinnabar Foundation	\$ 6,217	\$ -
Contributions	6,000	-
CS Mott Foundation	16,859	93,895
Fanwood Foundation	2,000	-
Ford Foundation	604,459	253,646
Haundenosaunee Central Fund	55,200	55,200
Jay Kenney Foundation	9,000	-
Lannan Foundation	44,859	248,727
Lannan Foundation (Seminole Land Purchase)	420,269	420,269
Oak Foundation (Regranting)	6,650	24,946
OneFamily Foundation	4,347	-
Patagonia, Inc.	-	119
Philanthropic Collaborative	30,000	38,800
US Human Rights Fund	-	48,077
Vine Deloria Jr. Library Fund	-	493
Interest on Endowment	1,763	-
	\$ 1,207,623	\$ 1,184,172

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE G - TEMPORARILY RESTRICTED NET ASSETS, continued

Net assets released from restrictions by incurring expenses satisfying the purpose specified are as follows:

	<u>2009</u>	<u>2008</u>
Akonadi Foundation	\$ 10,000	\$ -
Bay and Paul Foundation	5,000	-
C.S. Mott Foundation	79,921	95,071
Cinnabar Foundation	1,783	1,871
Ford Foundation	647,963	41,973
Indian Land Tenure Foundation	-	110,346
Jay Kenney Foundation	1,000	6,222
Katz Family Fund	-	20,000
Lannan Foundation	203,868	126,273
Laura Jane Musser Fund	15,000	-
Oak Foundation (Regranting)	18,297	29,255
OneFamily Foundation	5,652	-
Overbrook Foundation	25,000	54,953
Patagonia, Inc.	119	9,881
Philanthropic Collaborative	8,800	11,200
Tonawanda Seneca Nation	15,000	-
US Human Rights Fund	50,000	52,282
Vine Deloria Jr. Library Fund	493	132
Temporarily Restricted Contributions	-	250
Interest on Endowment	218	5,731
	<u>\$ 1,088,114</u>	<u>\$ 565,440</u>

NOTE H - PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets result from inflows whose use is restricted by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled by actions of the organization.

In 2000, the Center's Board of Directors established a permanent endowment fund. As of December 31, 2009 and 2008, this fund has a permanently restricted balance of \$48,239 and \$45,762, respectively.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE I - COMMITMENTS

1. Office Lease

The Center has the following lease agreements for office space:

Washington, DC - The Center entered into a three-year lease beginning July 1, 2008 and extending until June 30, 2011. The rent is \$2,400 per month.

Future minimum lease payments are as follows as of December 31, 2009.

2010	\$ 28,800
2011	14,400
Total	<u>\$ 43,200</u>

Helena, Montana - The Center leases space under a five-year lease which expires April 30, 2010. The current rent is approximately \$1,168 per month. As more fully described in Note K, the lease is with the Center's executive director.

2. Copier Lease

The Center is leasing a copier from Wells Fargo Bank. It is a 60-month lease beginning February 8, 2007 for \$134 per month.

Future minimum lease payments are as follows as of December 31, 2009.

2010	\$ 1,608
2011	1,608
2012	134
Total	<u>\$ 3,350</u>

3. Sub Grant

In February 2006, the Center received a four-year grant totaling \$600,000 (\$200,000 for year one, \$150,000 for years two and three, and \$100,000 for year four) from the Oak Foundation. The grantor requires that the Center give sub-grants tallying \$100,000 over the four-year period (\$30,000 committed to sub-grants in year one, \$25,000 committed for years two and three, and \$20,000 in year four). As of December 31, 2009 the Center had received \$600,000 from the Oak Foundation and had given sub-grants totaling \$93,350. Thus, as of December 31, 2009, the Center is committed to giving \$6,650 in sub-grants under the Oak Foundation's requirements.

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Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE J - ALLOCATION OF MANAGEMENT AND GENERAL EXPENSES

The Center allocates general and administrative expenses to its programs in order to accurately account for program costs. The allocation is based on direct expenses and direct time incurred by each program and has been allocated as follows for the year ended December 31:

	2009		
	Direct Operating Expenses	Management and General Expenses	Total
Program services	\$ 862,622	\$ 136,813	\$ 999,435
Fundraising	224,086	40,369	264,455
Total expenses	\$ 1,086,708	\$ 177,182	\$ 1,263,890
	2008		
	Direct Operating Expenses	Management and General Expenses	Total
Program services	\$ 1,056,498	\$ 224,600	\$ 1,281,098
Fundraising	116,406	15,618	132,024
Total expenses	\$ 1,172,904	\$ 240,218	\$ 1,413,122

NOTE K - RELATED PARTY TRANSACTIONS

Beginning May 15, 1995, the Center entered into a five-year lease to rent its Helena, Montana office space from related-party owners, the Center's executive director and his spouse. The lease was renewed for additional five-year terms beginning May 1, 2000 and May 1, 2005. Terms of the lease state that "the annual rent shall not exceed the total of principal, interest, taxes and insurance that is payable by Lessors each year." Thus, the rent amount is adjusted each year to reflect changes in these items. However, to limit the potential liability to the Center, the lease also sets a maximum monthly rent amount of \$1,667. In 2009, the Center paid an equivalent of \$1,168 per month. In 2008, the Center paid an equivalent of \$1,161 per month.

Future minimum lease payments as of December 31, 2009 are \$4,699 and all due in 2010.

Continued

Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE L - PENSION PLAN

In July 1991, the Center started a defined contribution retirement plan. For the years ended December 31, 2009 and 2008, the Center contributed 2.0% and 7.0% of compensation of those eligible to participate in the plan. Total contribution for 2009 and 2008 was \$30,041 and \$45,569, respectively.

NOTE M - CHARITABLE REMAINDER ANNUITY TRUST

In October 1998, the Indian Law Resource Center was designated the beneficiary of a charitable remainder annuity trust in the amount of \$100,000. As a condition of the trust, assets of the trust are owned by the Montana Community Foundation. In January 1999, the Center received a second trust from the same donor, also in the amount of \$100,000. During 2002, the donor of the two trusts passed away. As established in the original trust agreements, the principal of the two trusts was then transferred to the Indian Law Resource Center Endowment at the Montana Community Foundation. As of December 31, 2009 and 2008, the principal balance of the Endowment was \$165,864 and \$145,718, respectively. The endowment is not carried as an asset on the statement of financial position since the Center does not have variance power over the endowment.

NOTE N - FAIR VALUE MEASUREMENTS

FASB ASC 820, *Fair Value Measurements*, establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy under FASB ASC 820 are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to access.
Level 2	Inputs to the valuation methodology include: <ul style="list-style-type: none">- quoted prices for similar assets or liabilities in active markets;- quoted prices for identical or similar assets or liabilities in inactive markets;- inputs other than quoted prices that are observable for the asset or liability;- inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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Indian Law Resource Center, Inc.

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2009 and 2008

NOTE N - FAIR VALUE MEASUREMENTS, continued

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value.

Certificate of Deposits: Valued at cost which approximates fair value.

Grants Receivables: Valued at the amount of actual cash flows expected to be received by the Center discounted to present value.

Investments: Valued at quoted market prices for those investments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the Center believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following tables sets forth by level, within the fair value hierarchy, the Center's assets at fair value as of December 31, 2009:

	Assets at Fair Value as of December 31, 2009:			
	Level 1	Level 2	Level 3	Total
Certificates of deposit	\$ 160,000	\$ -	\$ -	\$ 160,000
Grants receivable	-	-	483,776	483,776
Investments	30,657	-	-	30,657
	<u>\$ 190,657</u>	<u>\$ -</u>	<u>\$ 483,776</u>	<u>\$ 674,433</u>

The following is a reconciliation of the beginning and ending balances for grants receivable measured at fair value on a non-reoccurring basis using significant unobservable inputs (Level 3) during the period ended December 31, 2009:

Balance, beginning of year	\$ 457,038
Present value discount	
recognized as grant revenue	13,462
Payments received on	
outstanding grants receivable	(470,500)
Amounts recorded as receivable	
during the year	485,000
Present value discount on	
amounts recorded as receivable	(1,224)
Balance, end of year	<u>\$ 483,776</u>

Concluded